UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION

LUCKNOW

Suo - Moto Case No. 15SM of 2018,

&

Petition No.: 1364 / 2018

SUO-MOTO PROCEEDINGS ON ANNUAL PERFORMANCE REVIEW (APR) FOR FY 2016-17 AND FY 2017-18 AND AGGREGATE REVENUE REQUIREMENT (ARR) FOR FY 2018-19

&

TRUE UP OF ARR FOR FY 2015-16

FOR

UTTAR PRADESH POWER TRANSMISSION CORPORATION LIMITED

ORDER UNDER SECTION 64 OF

THE ELECTRICITY ACT, 2003

January 08, 2019

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UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION

Suo - Moto Case No. 15SM of 2018

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IN THE MATTER OF:

SUO-MOTO PROCEEDINGS ON ANNUAL PERFORMANCE REVIEW (APR) FOR FY 2016-17 AND FY 2017-18 AND AGGREGATE REVENUE REQUIREMENT (ARR) FOR FY 2018-19 AND TRUE UP OF ARR FOR FY 2015-16

And

IN THE MATTER OF:

Uttar Pradesh Power Transmission Corporation Limited, Lucknow (UPPTCL)

ORDER

The Commission initiated Suo Moto proceedings on Annual Performance Review (APR) for FY 2016-17 and FY 2017-18 And Aggregate Revenue Requirement (ARR) for FY 2018-19 for UPPTCL, and UPPTCL filed the Petition for True Up of ARR For FY 2015-16. The Commission having considered the views / comments / suggestions / objections / representations received from the stakeholders during the course of the above proceedings and also in the Public Hearings held, in exercise of powers vested under Sections 61, 62, 64 and 86 of the Electricity Act, 2003 (hereinafter referred to as 'the Act'), hereby passes this Order signed, dated and issued on January 08, 2019. The Licensee, in accordance with Regulation 13.3 of the Uttar Pradesh Electricity Regulatory Commission (Multi Year Transmission Tariff) Regulations, 2014, shall publish within three days, the Tariff approved herein 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 internet website. The tariff so published shall be in force after seven days from the date of such publication of the tariffs, being applicable from April 01, 2018 and shall, unless amended or revised, continue to be in force for such period as may be stipulated therein. 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.

1. BACKGROUND AND PROCEDURAL HISTORY

1.1 BACKGROUND

1.1.1 The Uttar Pradesh Electricity Regulatory Commission (hereinafter referred to as the 'UPERC' or 'the Commission') was formed under U.P. Electricity Reform Act, 1999 by the Government of Uttar Pradesh (GoUP) in one of the first steps of reforms and restructuring process of the power sector in the State. Thereafter, 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 first reforms Transfer Scheme 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 (UPJVNL): vested with the function of Hydro Generation within the State.

1.1.2 Through another Transfer Scheme dated January 15, 2000, assets, liabilities and personnel of Kanpur Electricity Supply Authority (KESA) under UPSEB were transferred to Kanpur Electricity Supply Company Limited (KESCO), a Company registered under the Companies Act, 1956.

1.1.3 After the enactment of the Electricity Act, 2003 (EA 2003), the need was felt for further unbundling of UPPCL (responsible for both Transmission and Distribution functions) along functional lines. Therefore, the following five new Distribution Companies (hereinafter collectively referred to as 'Discoms') were created vide Uttar Pradesh Transfer of Distribution Undertaking Scheme, 2003 dated August 12, 2003, to undertake distribution and supply of electricity in the areas under their respective zones specified in the Scheme:

- Dakshinanchal Vidyut Vitran Nigam Limited (Agra Discom or DVVNL)
- Madhyanchal Vidyut Vitran Nigam Limited (Lucknow Discom or MVVNL)
- Pashchimanchal Vidyut Vitran Nigam Limited (Meerut Discom or PVVNL)
- Purvanchal Vidyut Vitran Nigam Limited (Varanasi Discom or PuVVNL)
- Kanpur Electricity Supply Company (Kanpur Discom or KESCO)

1.1.4 Under this Scheme, the role of UPPCL was specified as "Bulk Supply Licensee" as per the Licence granted by the Commission and as "State Transmission Utility" under sub-section (1) of Section 27-B of the Indian Electricity Act, 1910.

1.1.5 Subsequently, the Uttar Pradesh Power Transmission Corporation Limited (UPPTCL), a Transmission Company (TRANSCO), was incorporated under the Companies Act, 1956 by an amendment in the 'Object and Name' clause of the Uttar Pradesh Vidyut Vyapar Nigam Limited. The TRANSCO started functioning with effect from July 26, 2006 and is entrusted with the business of transmission of electrical energy to various Utilities within the State of Uttar Pradesh. This function was earlier vested with UPPCL. Further, Government of Uttar Pradesh (GoUP), in 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 Uttar Pradesh Power Transmission Corporation Limited as the "State Transmission Utility" (STU) of Uttar Pradesh. Subsequently, on December 23, 2010, the Government of Uttar Pradesh 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 1, 2007.

1.1.6 Thereafter, on January 21, 2010, as the successor Distribution Companies of UPPCL (a Deemed Licensee), the Discoms created through the notification of the UP Power Sector Reforms (Transfer of Distribution Undertakings) Scheme, 2003 were issued fresh Distribution Licences, which replaced the UP Power Corporation Ltd (UPPCL) Distribution, Retail & Bulk Supply Licence, 2000.

1.1.7 UPPTCL is entrusted with the responsibilities of planning and development of an efficient and economic intra-State transmission system, providing connectivity and allowing open access for use of the intra-State transmission system in coordination, among others, Licensees and Generating Companies. In doing so, it is guided by the provisions of the UP Electricity Grid Code, 2007, UPERC (Terms and Conditions for Open Access) Regulations, 2004, and UPERC (Grant of Connectivity to intra-State Transmission System) Regulations, 2010 as amended from time to time.

1.1.8 The Government of Uttar Pradesh (GoUP), in exercise of the powers vested under Section 31 of the Electricity Act, 2003, vide Notification No. 78/24-U.N.N.P.-11-525/08 dated January 24, 2011 notified the "Power System Unit" as the "State Load Despatch Centre" of Uttar Pradesh for the purpose of exercising the powers and discharging the functions under Part V of the Electricity Act, 2003. SLDC is operating as a part of the Uttar Pradesh Power Transmission Corporation Ltd., in its capacity as the State Transmission Utility. SLDC is the apex body to ensure integrated operation of the power system in the State.

1.2 TRANSMISSION TARIFF REGULATIONS

1.2.1 The Uttar Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2006 (hereinafter referred to as the "Transmission Tariff Regulations, 2006") were notified by the Commission on October 6, 2006. These Regulations are applicable for the purposes of ARR filing and Tariff determination of the Transmission Licensees within the State of Uttar Pradesh from FY 2007-08 onwards.

1.2.2 Further the Uttar Pradesh Electricity Regulatory Commission (Multi Year Transmission Tariff) Regulations, 2014 (hereinafter referred to as the "Transmission MYT Regulations, 2014") have been notified on May 12, 2014. These Regulations shall be applicable for determination of Tariff in all cases covered under these Regulations from April 1, 2015 to March 31, 2020, unless extended by an Order of the Commission. Embarking upon the MYT framework, the Commission has divided the period of five years (i.e. April 1, 2015 to March 31, 2020) into two periods namely –

a) Transition period (April 1, 2015 to March 31, 2017)
b) Control Period (April 1, 2017 to March 31, 2020)

1.2.3 The transition period of two years ended in FY 2016-17. The Transmission Tariff Regulations, 2006 shall remain applicable during the Truing Up for the transition period (FY 2015-16 to FY 2016-17) whereas, the first Control Period of the MYT Period (FY 2017-18 to FY 2019-20), shall be governed in accordance with the Transmission MYT Regulations, 2014.

2. PROCEDURAL HISTORY

2.1 BUSINESS PLAN, ARR & TARIFF PERIOD FOR MYT CONTROL PERIOD FY 2017-18 TO FY 2019-20

2.1.1 The Commission, vide its Order dated November 30, 2017, approved the ARR and Transmission Tariff for MYT Control Period (FY 2017-18, FY 2018-19 and FY 2019-20) for UPPTCL. In the said Order, the Commission also approved the true up for FY 2014-15.

2.2 SUO-MOTO PROCEEDINGS ON ANNUAL PERFORMANCE REVIEW (APR) FOR FY 2016-17 AND FY 2017-18 AND AGGREGATE REVENUE REQUIREMENT (ARR) FOR FY 2018-19 AND PETITION FOR TRUE UP OF ARR FOR FY 2015-16 FILED BY THE LICENSEE

2.2.1 As per the provisions of the Transmission MYT Regulations, 2014, the Transmission Licensees' were required to file their ARR / Tariff Petitions before the Commission latest by November 30th each year so that the tariff can be determined and be made applicable for the subsequent financial year.

2.2.2 The True up Petition for FY 2015-16 was filed by UPPTCL (hereinafter referred to as the 'Licensee' or the 'Petitioner') under Section 64 of the Electricity Act, 2003 on June 26, 2018 (Petition No. 1364 / 2018). However, they did not submit the requisite fees for the True up Petition.

2.2.3 The Commission in the matter of Suo Moto Proceedings on Truing Up for FY 2015-16, Annual Performance Review (APR) for FY 2016-17 and FY 2017-18 and Tariff for FY 2018-19 for the State Discoms (DVVNL, PVVNL, PuVVNL, KESCO and MVVNL) and UPPTCL issued the Order for Suo Motu proceedings on August 30, 2018. **(Annexed as: Annexure- I)**

2.2.4 Thereafter, the UPPTCL submitted the fees for True up Petition of FY 2015-16 and submitted the Tariff formats for Annual Performance Review of FY 2017-18 and ARR for FY 2018-19 along with the Capex plan on November 13, 2018.

2.3 PRELIMINARY SCRUTINY OF THE PETITIONS

2.3.1 A preliminary analysis of the APR Petition for FY 2017-18 and Tariff for FY 2018-19 was undertaken by the Commission, wherein it was observed that the Petitioner has claimed Rs. 176.04 Crore as per the audited accounts of FY 2015-16 against Earned Leave Encashment (Terminal Benefit) as one of the components in Employee Cost based on the Actuarial Valuation Report for FY 2015-16.

2.3.2 In this regard, first Deficiency e-mail was sent by the Commission on November 05, 2018, wherein the Licensee was directed to submit the year-wise allocation along with the justification for claiming Earned Leave Encashment of Rs.161.55 Crore on the basis of actuarial valuation report.

2.3.1 The Commission also directed the Licensee by e-mail on November 05, 2018 to submit the details regarding Transmission Charges and to submit the Reconciliation of Fixed Asset Register (FAR) submitted as Annexure-VI in his Petition with the audited accounts on November 28, 2018 and November 30, 2018, respectively.

2.3.2 Further, the Commission also directed the Licensee via e-mail dated December 05, 2018, to submit the clarification regarding how the Consumer Contribution has been adjusted in Other Income, along with impact on ARR, if any.

2.3.3 Subsequently, UPPTCL submitted its reply to the first, second and third deficiency e-mails on November 06, 2018, November 28, 2018 and December 05, 2018, respectively.

2.4 ADMITTANCE OF THE PETITIONS

The Commission, vide its Admittance Order dated November 13, 2018 (**Annexed as: Annexure-II**), directed the Petitioner to publish, within 3 days from the date of issue of that Order, the Public Notice detailing the summary and highlights of the Truing up for FY 2015-16 and FY 2016-17,Annual Performance Review (APR) for FY 2017-18 and Aggregate Revenue Requirement (ARR) for FY 2018-19 etc. along with its website address, in at least two (2) English and two (2) Hindi language daily newspapers for two successive days inviting views / comments / suggestions / objections / representations within 15 days from the date of publication of the Public Notice(s) by all stakeholders and public at large.

The Commission further directs the Licensees to put all details on its internet website, in PDF format, showing detailed computations, the application made to the Commission along with all regulatory filings, information, particulars and documents, clarification and additional information on inadequacies / deficiencies, Benchmarking studies report, etc. and all subsequent events and material placed on record if any, made from time to time before the issuance of final Order. The

Licensees will also inform the Commission of the same by providing the internet links.

The Licensees may not provide or put up any such information, particulars or documents, which are confidential in nature, without the prior approval of the Commission. The Commission reserves the right to seek any further information / clarifications as deemed necessary during this Suo- Motu Proceedings.

2.5 PUBLICITY OF THE PETITIONS

2.5.1 The Public Notice detailing the salient features of the Petitions were published by the Petitioner in daily newspapers as detailed below, inviting objections from the public at large and all stakeholders:

- Dainik Jagran (Hindi) : November 16, 2018
- The Times of India (English) : November 16, 2018
- Hindustan Times (English) : November 17, 2018
- Amar Ujala (Hindi) : November 17, 2018

3. PUBLIC HEARING PROCESS

3.1 OBJECTIVE

3.1.1 The Commission, in order to achieve the twin objectives, i.e., to observe transparency in its proceedings and functions and to protect interest of consumers, has always attached importance to the views/comments/ suggestions/objections/representations of the 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 comments of the consumers play an important role in the determination of Tariff. Factors such as quality of electricity supply and the service levels need to be considered while determining the Tariff.

3.1.3 The Commission, held the hearing for UPPTCL on December 14, 2018 in Lucknow. In the Public Hearing, various stakeholders as well as the public at large were provided a platform where they were able to share their views / comments / suggestions / objections / representations on the Suo-Moto Proceedings on APR for FY 2016-17 & FY 2017-18 and ARR for FY 2018-19 & True up of ARR for FY 2015-16 . This process also enables the Commission to adopt a transparent and participative approach in the process of its proceedings.

3.2 VIEWS / COMMENTS / SUGGESTIONS / OBJECTIONS / REPRESENTATIONS ON SUO-MOTO PROCEEDINGS ON APR FOR FY 2016-17 & FY 2017-18 AND ARR FOR FY 2018-19 & TRUE UP OF ARR FOR FY 2015-16

3.2.1 The Commission has received specific view / comment / suggestion / objection / representation from two stakeholders on the Petition filed by UPPTCL for Suo-Moto Proceedings on APR for FY 2016-17 & FY 2017-18 and ARR for FY 2018-19 & True up of ARR for FY 2015-16. The list of consumers, who attended the Public Hearings, is appended at **Annexure III**.

3.2.2 The issues raised therein, the replies given by the Licensee and the views of the Commission have been summarised as detailed below:

EARNED LEAVE ENCASHMENT

A) Comment/Suggestion of the stakeholders

3.2.3 Shri Rama Shankar Awasthi, submitted that UPPTCL in its true up submission for FY 2015-16 has claimed Rs. 176.04 Crore towards Earned Leave Encasement. He submitted that UPPTCL has no rationale in claiming such expense prior to FY 2015-16. Also, as per the provisions, the Licensee cannot claim any new expenses after a gap of 2 year.

B) Petitioner's Response:

3.2.4 UPPTCL submitted that the Hon'ble Commission in its order dated May 31, 2013 and subsequent tariff orders had repeatedly issued directives to the Petitioner to submit a fresh actuarial valuation study report in respect to employee expenses. The Petitioner in compliance to the directions of the Hon'ble Commission has appointed an Actuary to conduct an actuarial valuation study in respect of the earned leave encashment under the employee expenses. The Petitioner had also submitted the detailed actuarial valuation report as on March 31, 2016 towards the earned leave expenses along with the True-up Petition for FY 2015-16 dated 26th June 2018.

3.2.5 As per the actuarial valuation report as on March 31, 2016 the overall liability of the Petitioner towards the earned leave encashment is Rs. 161.55 crore. It is further pointed out that as per the erstwhile accounting procedures such expenses were booked in the annual accounts based on the "as claimed and approved basis". Thus, the overall liability of UPPTCL towards the earned leave encashment expenses were not accounted on yearly basis in the annual accounts. However, in consonance with the requirements of AS-15, the Petitioner is required to book such expenses or liability in the annual accounts on the basis of the actuarial valuation. The same is also reflected in the annual accounts of FY 2015-16 as quoted below:

Quote

"In light of observation of AG Audit on Annual Accounts for FY 2014-15, provision for Earned Leave Encashment (Terminal Benefits) has been made as per Actuarial Valuation Report for FY 2015-16 i.e. in consonance with requirements of AS-15 which in comparison to erstwhile policy, has an impact of increase in current year loss to the tune of `161.55 crores and increase in "Long Term Provisions" (Note-6) to the tune of `145.07 crores & increase in "Short Term Provisions" (Note-8) to the tune of `16.48 crores classified as Non-Current Liability and Current Liability respectively as per the Actuarial Valuation Report."

Unquote

3.2.6 In view of the above, UPPTCL has claimed an amount of Rs. 176.04 crore towards earned leave encashment in the gross employee expenses based on the audited annual accounts for FY 2015-16, which includes amount claimed and approved under this head during the year along with the overall liability of Rs. 161.55 crore.

3.2.7 Further, Shri Rama Shanker Aawasthi has mentioned that: "Also, as per the provisions, the Licensee cannot claim any new expenses after a gap of 2 years." However, he has not mentioned under which provision the Petitioner cannot claim such expenses. Further, UPPTCL submits that claims towards the earned leave encashment are as per the annual account for FY 2015-16 and the same is claimed under truing up of FY 2015-16.

C) <u>Commission's Views:</u>

3.2.8 The Commission agrees with the reply of the petitioner that any expense can be claimed as a part of truing up. However, the Commission has taken a view on the issue of Earned Leave Encashment while carrying out the analysis of truing up for FY 2015-16 in subsequent Chapter of the Order.

<u>APR of FY 2016-17</u>

A) **Comment/Suggestion of the stakeholders**

3.2.9 Shri Rama Shankar Awasthi, submitted that FY 2016-17 was governed by the provisions of UPERC Distribution Tariff Regulations, 2006. The said Regulations does not have the provision of APR. However, it is unclear under which provisions, UPPTCL has filed the APR for FY 2016-17. It is requested to the Commission that clarity in this regard shall be provisions.

B) **Petitioner's Response:**

3.2.10 UPPTCL submitted that FY 2016-17 is governed by the UPERC Transmission Tariff Regulations, 2006 and UPPTCL had filed the revised ARR under the APR petition for FY 2016-17 based on the UPERC Transmission Tariff Regulations, 2006.

3.2.11 UPPTCL had submitted the revised ARR for FY 2016-17 based on provisional accounts. Further, UPPTCL will be filing the true-up petition based on the audited accounts of FY 2016-17. Since, UPPTCL had filed the revised ARR for the MYT period thus it is also important to submit the projections and assumptions for previous years (i.e. FY 2016-17). Further, the Commission vide order dated August 30, 2018 in the matter of Suo-Motu Proceedings had directed UPPTCL to make submissions for Truing Up for FY 2015-16, Annual Performance Review (APR) for FY 2016-17 and FY 2017-18 and Tariff for FY 2018-19.

C) **Commission's Views:**

3.2.12 The Commission has taken note of the objections / suggestions made by the stakeholders in this regard. The Commission directs the Petitioner to file the petition for true up of FY 2016-17 as per UPERC Transmission Tariff Regulations, 2006.

DETAILS OF INCOME TAX PAID BY UPPTCL

A) **Comment/Suggestion of the stakeholders**

3.2.13 Shri Rama Shankar Awasthi, submitted that UPPTCL must be directed to bring the clarity in details of income tax paid by UPPTCL.

B) **Petitioner's Response:**

3.2.14 UPPTCL submitted that income tax payable for FY 2015-16, FY 2016-17 and FY 2017-18 is Nil. The details of computation and copy of the ITR receipts are submitted to Commission for prudence check.

C) Commission's Views:

The Commission has considered the ITR receipts submitted by the Petitioner while carrying out the analysis.

TRANSMISSION LOSS

A) Comment/Suggestion of the stakeholders

3.2.15 UPPCL submitted that UPPTCL, should submit the monthly transmission losses for FY 2015-16, FY 2016-17 & FY 2017-18 with detailed computation. Further, UPPCL requested the Commission to direct the UPPTCL to provide details such as input energy and energy handled.

3.2.16 Further, UPPCL requested the Commission to ask the UPPTCL regarding metering status (working /not working) at State and Discom periphery.

B) Petitioner's Response:

3.2.17 UPPTCL submitted the computation of Transmission losses for FY 2015-16 & FY 2016-17 as follows:

Table 1: COMPUTATION FOR TRANSMISSION LOSSES FOR FY 2015-16

FY 2015-16								
S. No.	**Details of Injecting Entity**	**Actual Injection (MU)**	**Source**	**S. No.**	**Details of Drawee Entity**	**Actual Drawal (MU)**	**Source**	**Transmission Loss (%)**
1	Inter-State	42,802.56	NRLDC	1	MVVNL	16,352.51	Trans. Zone Energy A/C	3.58%
2	IPP	21,436.79	UPSLDC	2	DVVNL	20,431.73		
3	UPRVUNL	24,325.02	UPSLDC	3	PuVVNL	20,637.79		
4	UPJVUNL	810.55	UPJVNL	4	PVVNL	26,926.171		
5	CPP/Co-GEN/SOLAR	3,833.26	Trans. Zone Energy A/C	5	KESCO	3,594.37		
6	-	-		6	NPCL	1,496.31	UPSLDC	
7	-	-		7	Open Access Consumer	431.02		
	TOTAL	**93,208.18**			**TOTAL**	**89,869.90**		

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Table 2: COMPUTATION FOR TRANSMISSION LOSSES FOR FY 2016-17

FY 2016-17								
S. No.	**Details of Injecting Entity**	**Actual Injection (MU)**	**Source**	**S. No.**	**Details of Drawee Entity**	**Actual Drawal (MU)**	**Source**	**Transmission Loss (%)**
1	Inter-State	43,436.90	NRLDC	1	MVVNL	19,128.97	Trans. Zone Energy A/C	3.554%
2	IPP	30,925.96	UPSLDC	2	DVVNL	22,244.68		
3	UPRVUNL	25,859.80	UPSLDC	3	PuVVNL	23,676.13		
4	UPJVUNL	1,166.87	UPJVNL	4	PVVNL	31,110.59		
5	CPP/Co-GEN/SOLAR	4,122.95	Trans. Zone Energy A/C	5	KESCO	3,688.94		
6	-	-		6	NPCL	1,572.87	UPSLDC	
7	-	-		7	Open Access Consumer	340.89		
	TOTAL	**1,05,512.48**			**TOTAL**	**1,01,763.08**		

Table 3: COMPUTATION FOR TRANSMISSION LOSSES FOR FY 2017-18

FY 2017-18								
S. No.	**Details of Injecting Entity**	**Actual Injection (MU)**	**Source**	**S. No.**	**Details of Drawee Entity**	**Actual Drawal (MU)**	**Source**	**Transmission Loss (%)**
1	Inter-State	48,233.45	NRLDC	1	MVVNL	21,857.02	Trans. Zone Energy A/C	3.563%
2	IPP	35,452.55	UPSLDC	2	DVVNL	25,009.71		
3	UPRVUNL	28,624.72	UPSLDC	3	PuVVNL	27,016.33		
4	UPJVUNL	1,471.04	UPJVNL	4	PVVNL	34,438.67		

5	CPP/Co-GEN/SOLAR	4,763.27	Trans. Zone Energy A/C	**5**	KESCO	3,677.92		
6	-	-		**6**	NPCL	1,811.01	UPSLDC	
7	-	-		**7**	Open Access Consumer	510.47		
	TOTAL	**1,18,545.03**			**TOTAL**	**1,14,321.13**		

Note: Earlier UPPTCL had submitted the transmission losses for FY 2017-18 as 3.60% on the basis of provisional data, based on scheduling or actual injection. The above losses are computed based on the actual data only.

3.2.18 UPPTCL submitted that for inter-state transactions at state periphery interface, meters are provided by CTU, accordingly RLDCs (STU) are accounting inter-state drawal of states on the basis of these meters.

3.2.19 For energy drawal at Discom's periphery from intra-state transmission system, meters are provided at all T&D feeders of various voltage level and accordingly energy drawal of Discoms is being accounted through these meters. Further, installation of ABT compliant meters at some T&D interface points (i.e. LV side of the transformer) having various T-D feeders is under process.

C) <u>Commission's Views:</u>

3.2.20 The Commission has taken not of the reply of the petitioner on Transmission loss with the details of actual energy injection and actual energy drawal by UPPTCL. **Further, the Commission directs the Petitioner to expedite the process of installation of ABT compliant meters at all T&D interface points.**

TARGET AVAILABILITY

A) Comment/Suggestion of the stakeholders

3.2.21 UPPCL submitted that UPPTCL has not submitted the actual Transmission System Availability for FY 2015-16 & FY 2016-17. UPPTCL should submit the monthly transmission system availability for FY 2015-16, FY 2016-17 and FY 2017-18 with detailed computation as recovery of ARR is linked to it as per the Transmission Tariff Regulations, 2006 and Transmission Tariff Regulations, 2014 respectively. UPPCL requested the Commission to prudently check the working of transmission System Availability before allowing the same.

B) Petitioner's Response:

3.2.22 The actual transmission availability for UPPTCL network for FY 2015-16 was 99.75% and for FY 2016-17 was 99.03%. The same has been computed as per the "Annexure B" of the Uttar Pradesh Electricity Regulatory Commission (Terms and Conditions of Transmission Tariff) Regulations, 2006. A sample computation of the same for one transmission zone is submitted to Commission.

3.2.23 The provisional transmission availability for UPPTCL network for FY 2017-18 may be considered as 99.00 %. The actual transmission availability for FY 2017-18 is yet to finalised and the same may be submitted at the time of true-up for FY 2017-18.

C) Commission's Views:

3.2.24 The Commission has taken note of Target Availability submitted by UPPTCL and has considered the same while carrying out the analysis.

ESCALATION INDEX

A) Comment/Suggestion of the stakeholders

3.2.25 UPPCL submitted that UPPTCL has considered escalation rate of 1.41% for FY 2015-16 & 3.91% for FY 2016-17 based on WPI and CPI index. In clause 4.2.1 of the Transmission Tariff Regulation, 2006 escalation rate is defined. The extract of the same is shown below:

Quote

"4.2.1: "The O&M expenses for the base year shall be calculated on the basis of historical/audited costs and past trend during the preceding five years. However, any abnormal variation during the preceding five years shall be excluded. 0 & M expenses so calculated for the base year shall then be escalated on the basis of prevailing rates of inflation for the year as notified by the Central Government and shall be considered as a weighted average of Wholesale Price Index and Consumer Price Index in the ratio of 60:40. Base year, for these regulations means, the first year of tariff determination under these regulations."

Unquote

3.2.26 Accordingly, if WPI and CPI index has been considered, as available on the website of Economic Advisor, Ministry of Commerce and Industry and Ministry of Labour, respectively, the worked out escalation rate would come out to be 1.88% for FY 2015-16 and 3.20% for FY 2016-17.

3.2.27 UPPCL submitted that UPPTCL has considered escalation rate of 3.91% based on one year WPI and CPI whereas the escalation rate should be 3.04% for FY 2017-18 as discussed above. UPPCL requested that the Commission may prudently check the escalation rate computation before allowing the same.

B) <u>Petitioner's Response:</u>

3.2.28 UPPTCL submitted that escalation index considered for FY 2015-16 & FY 2016-17 is computed as per the Transmission Regulations, 2006. The computation for the same is already submitted in the petition.

3.2.29 UPPTCL submitted that the CPI index has been considered as per the Labour Bureau, Ministry of Labour and Employment, Government of India. Further, the WPI index has been considered as per the website of Office of the Economic Adviser Govt. of India, Ministry of Commerce & Industry Department of Industrial Policy & Promotion (DIPP). The same can be accessed through the following link:

http://eaindustry.nic.in/indx_download_0405/month2.xls

3.2.30 UPPTCL further submitted that the Commission in Order dated November 30, 2017 and its preceding Orders has also considered the same approach for computation of the escalation index. The relevant extract of the UPERC's Order dated November 30, 2017 while considering the escalation index is provided below:

Quote

"5.1.5 As depicted in the Table above, the Commission has considered an escalation / inflation index of 4.02% for FY 2014-15, 1.41% for FY 2015-16 and 3.90% for FY 2016-17."

Unquote

3.2.31 UPPTCL submitted that the escalation index of 3.91% has been considered for projecting the Bank & Finance charges and Non-Tariff Income for FY 2018-19 &

FY 2019-20. The Commission in its Order dated November 30, 2017 while approving the Bank & Finance charges and Non-Tariff Income for the MYT period has considered the escalation index as per the same methodology as submitted by UPPTCL. Further, the Bank & Finance charges and Non-Tariff Income for any financial year are considered on actual basis once the annual accounts are finalised.

C) Commission's Views:

3.2.32 The Commission has noted the suggestion of the UPPCL and comments of the petitioner on escalation index for FY 2017-18 & FY 2018-19. The Commission is satisfied with the submission of the petitioner on CPI index of FY 2015-16 & FY 2016-17.

DEBT: EQUITY RATIO

A) Comment/Suggestion of the stakeholders

3.2.33 UPPCL submitted that UPPTCL has not shown the actual Debt: Equity ratio for FY 2015-16 & FY 2016-17 in its petition, which is necessary before considering any normative debt as per Clause 3.9 of the Transmission Tariff Regulations, 2006. Therefore, it requested the Commission to prudently check the actual debt and equity component of UPPTCL before allowing them the normative debt and equity.

B) Petitioner's Response:

3.2.34 UPPTCL submitted that the actual Debt : Equity ratio as per the annual accounts of FY 2015-16 is 95.53% : 4.47% as on March 31, 2016 and the actual Debt : Equity ratio as per the provisional accounts for FY 2016-17 is 96.32% : 3.68% as on March 31, 2017.

Commission's Views:

3.2.35 The Commission has noted the query of UPPCL and the reply of the petitioner and checked the details of the Debt : Equity ratio from annual accounts of FY 2015-16 and finds that the Debt : Equity ratio is 70 : 30 and hence has considered the same. Further, the Commission directs UPPTCL to submit the details of computation as to how the above figures were arrived at.

CAPITAL EXPENDITURE AND CAPITALISATION

A) **Comment/Suggestion of the stakeholders**

3.2.36 UPPCL submitted that scheme-wise capital expenditure and Capitalisation details are essential to exactly know the progress of Scheme. As delay in the project or cost over-run can only be examined if the licensee provides the scheme-wise capex details. Therefore, UPPCL requested the Commission to ask UPPTCL to provide the scheme-wise capex and Capitalisation details and prudently allow the legitimate capex and Capitalisation only. Further, it also requested the Commission to disallow unjustified cost over-runs.

B) **Petitioner's Response:**

3.2.37 UPPTCL submitted that it is compiling the updated scheme-wise capex details for FY 2015-16 to FY 2017-18 and requested the Commission to allow UPPTCL time of 7 days for submitting the same.

C) **Commission's Views:**

3.2.38 The Commission has noted the suggestion of UPPCL and comments of the petitioner.

WEIGHTED AVERAGE RATE OF INTEREST ON LONG TERM LOAN

A) **Comment/Suggestion of the stakeholders**

3.2.39 UPPCL submitted that UPPTCL has considered 12.48% as the weighted average rate of interest on long term loan portfolio as per annual accounts for FY 2015-16 & 12.76% for FY 2016-17. Interest rate 12.48% for FY 2015-16 and 12.76% for FY 2016-17 submitted by UPPTCL seems to be on higher side. Interest rate claimed by UPPTCL while computing Interest on Working Capital is 12.50%. It seems that UPPTCL has consider the short-term loans with long-term loans while computing the weighted average rate of interest on long term loan portfolio.

3.2.40 Further, UPPCL highlighted that UPPPTCL has considered 11.16% as the weighted average rate of interest on long term loan portfolio as per provisional accounts for FY 2017-18. It seems that UPPTCL has considered the short-term loans with long-term loans while computing the weighted average rate of interest on long term loan portfolio for FY 2017-18.

3.2.41 UPPCL stated in his submission that it is very difficult to identify long-term loans in UPPTCL Audited Accounts. UPPCL has requested the Commission to ask UPPTCL to submit documentary evidences of interest rate for each of the loans considered for interest computation and prudently check the same before allowing.

B) Petitioner's Response:

3.2.42 UPPTCL submitted that the rate of interest considered for computation of interest on long term loan for FY 2015-16 is 12.48% and for FY 2016-17 it is 12.76%. The same is computed as the weighted average rate of interest for the actual long term loan portfolio of UPPTCL for FY 2015-16 and FY 2016-17.

3.2.43 UPPTCL submitted that the rate of interest considered for computation of interest on long term loan for FY 2017-18 to FY 2019-20 is 11.16%. The same is considered as the weighted average rate of interest for the actual long term loan portfolio of UPPTCL for FY 2017-18. The computation of the same from FY 2015-16 to FY 2017-18 is submitted to the Commission.

C) Commission's Views:

3.2.44 The Commission has noted the suggestion of UPPCL and comments of the petitioner and considered the computation of the same. The Commission has gone through the details submitted by the Petitioner while approving the claimed amounts.

INTEREST CAPITALISATION RATE

A) Comment/Suggestion of the stakeholders

3.2.45 UPPCL submitted that UPPTCL has considered the interest capitalisation at a rate of 48.12% for FY 2018-19 & FY 2019-20 which is the actual rate of interest capitalization as per the annual accounts of FY 2015-16, whereas for FY 2017-18 the same is considered as per the provisional account of FY 2017-18. The Commission is requested to allow interest capitalization rate for FY 2018-19 and FY 2019-20 based on provisional accounts for FY 2017-18 i.e. 25.70%.

B) Petitioner's Response:

3.2.46 UPPTCL submitted that the interest capitalisation rate of 48.12% has been considered for FY 2018-19 & FY 2019-20, which is the actual capitalisation rate for FY 2015-16. The interest capitalisation rate for any financial year are considered on actual basis once the annual accounts are finalised. However, in case the annual accounts are yet to finalised then the interest capitalisation rate for that year is considered based on the actual interest capitalisation rate of the latest audited accounts available. Further, the same is in line of the past practises of the Commission while approving the interest capitalisation rate.

C) The Commission's Views:

3.2.47 The Commission has noted the suggestion of the stakeholders and comments of the petitioner. The Commission has done the prudence check of the details submitted by the Petitioner for FY 2018-19 as per the UPERC MYT Transmission Regulations, 2014.

FINANCE CHARGES

A) Comment/Suggestion of the stakeholders

3.2.48 UPPCL submitted that the finance charges are a function of the quantum of debt taken and applicable finance charges levied by the lending institutions/ Bank. Generally, finance charges are not linked to the inflation. Therefore, it is requested that the Hon'ble Commission may consider Finance charges for FY 2017-18 as conservative estimate for FY 18-19 and FY 19-20.

3.2.49 As FY 2017-18 has ended, the Commission is requested to ask UPPTCL to submit the Asset Register for FY 2017-18 and allow the Depreciation based on it.

B) Petitioner's Response:

3.2.50 UPPTCL submitted that the finance charges for FY 2018-19 & FY 2019-20 are projected at an escalation index of 3.91% from the actual finance charges for FY 2017-18. Further, the Bank & Finance charges for any financial year are considered on actual basis once the annual accounts are finalised. It is further pointed out that the Commission in its order dated November 30, 2017 while approving the Bank & Finance charges for the MYT period has considered the escalation index as per the same methodology submitted by UPPTCL.

3.2.51 Further, UPPTCL stated that the updated Fixed Asset Register (FAR) upto FY 2016-17 is already submitted. The FAR for FY 2017-18 is under compilation and the same may be submitted at the time of truing-up for FY 2017-18.

C) Commission's Views:

3.2.52 The Commission has noted the suggestion of UPPCL and comments of the petitioner on Finance charges. The Commission has gone through the submissions of the Petitioner and accordingly allowed the finance charges for FY 2018-19. Further, the Commission has also considered the reply of UPPTCL on submission of Fixed Asset Register (FAR) for FY 2017-18.

4. ESCALATION INDEX / INFLATION RATE

4.1 PROVISIONS OF TRANSMISSION TARIFF REGULATIONS, 2006

4.1.1 Regulation 4.2 of the Transmission Tariff Regulations, 2006, specifies the methodology for consideration of the O&M expenses, wherein such expenses are linked to the inflation index determined under these Regulations. The relevant provisions of the Transmission Tariff Regulations are reproduced below:

Quote

4.2 Operation and Maintenance Expenses

1. *The O&M expenses for the base year shall be calculated on the basis of historical/audited costs and past trend during the preceding five years. However, any abnormal variation during the preceding five years shall be excluded. O&M expenses so calculated for the base year shall then be escalated on the basis of prevailing rates of inflation for the year as notified by the Central Government and shall be considered as a weighted average of Wholesale Price Index and Consumer Price Index in the ratio of 60:40. Base year, for these regulations means, the first year of tariff determination under these regulations.*
2. *Where such data for the preceding five years is not available the Commission may fix O&M expenses for the base year as certain percentage of the capital cost.*
3. *Incremental O&M expenses for the ensuing financial year shall be 2.5% of capital addition during the current year. O&M charges for the ensuing financial year shall be sum of incremental O&M expenses so worked out and O&M charges of current year escalated on the basis of predetermined indices as indicated in regulation 4.2.1 above.*
4. *However, the Commission may direct the utilities to bring down the O & M expenses to an efficient level i.e., by fixing norms based on the circuit kilometers of transmission lines, transformation capacity at the sub-stations, number of bays in substation etc. of similarly placed efficient utilities, within such span of time, as may be determined by the Commission.*

5. *The Commission shall examine and if satisfied shall allow inclusion in revenue requirement in the next period additional O&M expenses on account of war, insurgency, and change in laws or like eventualities for a specified period.*

Unquote

4.1.2 The Commission approved the truing up of FY 2014-15 vide its Order dated November 30, 2017. In this Order, the Commission has approved the truing up in respect of FY 2015-16. The trued-up O&M expenses for FY 2014-15 have been extrapolated up to FY 2016-17 at the yearly escalation index as specified under the Transmission Tariff Regulations, 2006.

4.1.3 The Commission, in accordance with the Transmission Tariff Regulations, 2006, has calculated the inflation index for the relevant year (n^{th} year) based on the weighted average index of Wholesale Price Index (WPI) and Consumer Price Index (CPI) of the corresponding year. The WPI indices considered are as available on the website of the Office of the Economic Advisor to the Government of India, Ministry of Commerce and Industry (www.eaindustry.nic.in/) and CPI indices as available on the website of the Labour Bureau Government of India (www.labourbureau.gov.in).

4.1.4 The computation of inflation index is given in the Table below:

Table 4: CALCULATION OF ESCALATION / INFLATION INDEX

Month	Wholesale Price Index				Consumer Price Index				Consolidated Index			
	FY 14	FY 15	FY 16	FY 17	FY 14	FY 15	FY 16	FY 17	FY 14	FY 15	FY 16	FY 17
April	171	181	176	178	226	242	256	271	193	205	208	215
May	171	182	178	180	228	244	258	275	194	207	210	218
June	173	183	179	183	231	246	261	277	196	208	212	221
July	176	185	178	184	235	252	263	280	199	212	212	223
August	179	186	177	183	237	253	264	278	202	213	212	221
September	181	185	177	183	238	253	266	277	204	212	212	221
October	181	184	177	184	241	253	269	278	205	211	214	221
November	182	181	178	184	243	253	270	277	206	210	215	221
December	180	179	177	183	239	253	269	275	203	208	214	220
January	179	177	175	185	237	254	269	274	202	208	213	220
February	180	176	174	186	238	253	267	275	203	207	211	221
March	180	176	175	186	239	254	268	275	204	207	212	221
Average	178	181	177	183	236	251	265	276	201	209	212	220

Month	Wholesale Price Index				Consumer Price Index				Consolidated Index			
	FY 14	FY 15	FY 16	FY 17	FY 14	FY 15	FY 16	FY 17	FY 14	FY 15	FY 16	FY 17
									Calculation of Inflation Index (CPI-40%, WPI-60%)			
Weighted Average of Inflation									**7.6%**	**4.02%**	**1.41%**	**3.89%**

* FY 14, FY 15, FY 16 and FY 17 means FY 2013-14, FY 2014-15, FY 2015-16 and FY 2016- 17 respectively.

4.1.5 As depicted in the Table above, the Commission has considered an escalation / inflation index of 1.41% for FY 2015-16.

4.1.6 The same has also been submitted by the Petitioner.

5. TRUING UP OF AGGREGATE REVENUE REQUIREMENT FOR FY 2015-16

The Commission, in its Order dated November 30, 2017 in Petition No.s 1169/2017 and 1170/2017, approved the Business Plan, Multi-Year ARR and Tariff for the first Control Period from FY 2017-18 to FY 2019-20 and True up of ARR and Tariff for FY 2014-15 for UPPTCL. In this Section, the Commission has analysed all the elements of actual revenue and expenses for FY 2015-16, and has undertaken the truing up of expenses and revenue after prudence check of the data made available by the Petitioner. The Commission has allowed the true up for FY 2015-16 considering the principles laid down in the Transmission Tariff Regulations, 2006.

5.1 O&M EXPENSES

Petitioner's Submissions

5.1.1 Operation and Maintenance (O&M) expenses comprise employee expenses, Administrative and General (A&G) expenses, and Repair and Maintenance (R&M) expenses.

5.1.2 The Petitioner submitted that the actual gross employee expenses were Rs. 578.00 Crore as against Rs. 503.99 Crore approved by the Commission in the Tariff Order for FY 2015-16. The employee expenses capitalised as per Audited Accounts are to the tune of Rs. 242.13 Crore as against Rs. 95.32 Crore approved in the Tariff Order. Thus, the net employee expenses as per Audited Accounts are Rs. 335.87 Crore as against Rs. 408.67 Crore approved in the Tariff Order.

5.1.3 The Petitioner submitted that the actual gross A&G expenses were Rs. 41.98 Crore as against Rs. 28.59 Crore approved by the Commission in the Tariff Order for FY 2015-16. The erstwhile policy for capitalisation of the A&G expenses has been discontinued with effect from FY 2015-16 based on the observations of the AG Audit, whereas, the A&G capitalization approved in the Tariff Order was Rs. 9.07 Crore. Thus, the net A&G expenses as per Audited Accounts are Rs. 41.98 Crore as against Rs. 19.52 Crore approved in the Tariff Order. The Petitioner submitted that the increase in the A&G expenses in FY 2015-16 are on account of significant increase in the rent and no provision for A&G expense capitalisation.

5.1.4 The actual R&M expenses for FY 2015-16 were Rs. 288.37 Crore as against Rs. 174.73 Crore approved by the Commission in the Tariff Order for FY 2015-16.

5.1.5 The Petitioner submitted that it has inherited aged and complex network, which requires higher O&M cost. Also, it is imperative to mention that the O&M expense norms are based on historical amounts incurred towards O&M and not with respect to the size of the transmission network being handled, i.e., length of transmission lines, number of bays, etc., and recent additions thereof.

5.1.6 The Petitioner submitted that the normative O&M expenses for FY 2015-16 have been computed by escalating the component-wise O&M expenses approved in true up for FY 2014-15 by the escalation index of 1.41%, which is the escalation index for FY 2015-16. In addition to the O&M expenses based on inflation indices, the Petitioner has claimed the incremental O&M expenses on asset addition during the year, in accordance with Transmission Tariff Regulations, 2006. The Petitioner requested the Commission to allow the normative O&M expenses in true up for FY 2015-16 in accordance with the Transmission Tariff Regulations, 2006.

5.1.7 The Petitioner has claimed Rs. 595.48 Crore towards net normative O&M expenses for FY 2015-16 as against Rs. 602.92 Crore approved by the Commission in the Tariff Order dated June 18, 2015 and the actual O&M expenses of Rs. 666.22 Crore as per the Audited Accounts.

5.1.8 The Petitioner has claimed Rs. 176.04 Crore in addition to normative Employee Expenses, as per Audited Accounts by considering the provision of the Earned Leave Encashment (Terminal Benefits) in the gross employee expenses. The provision has been made in the Audited Accounts for FY 2015-16 based on the Actuarial Valuation Report for FY 2015-16. The Petitioner has sought approval of this impact of actuarial valuation of Rs. 161.55 Crore as per actuarial valuation report considering this as an exceptional item over and above the normative O&M expenses.

Commission's Ruling:

5.1.9 Regulation 4.2.1 of the Transmission Tariff Regulations, 2006 notified by the Commission stipulates:

Quote

1. *The O&M expenses for the base year shall be calculated on the basis of historical/audited costs and past trend during the preceding five years. However, any abnormal variation during the preceding five years shall be*

excluded. O & M expenses so calculated for the base year shall then be escalated on the basis of prevailing rates of inflation for the year as notified by the Central Government and shall be considered as a weighted average of Wholesale Price Index and Consumer Price Index in the ratio of 60:40. Base year, for these regulations means, the first year of tariff determination under these regulations.

Unquote

5.1.10 In its submissions, the Petitioner has claimed an amount of Rs. 176.04 Crore in Employee Expenses as per annual accounts of FY 2015-16 by considering the provision of the Earned Leave Encashment (Terminal Benefits) in the gross employee expenses as per the Actuarial Valuation Report for FY 2015-16. Further, it is observed that the Petitioner has sought approval of this impact of actuarial valuation of Rs. 161.55 Crore considering this as an exceptional item over and above the normative O&M expenses.

5.1.11 In response to the Commission's e-mail dated November 05, 2018, regarding the submission of the year-wise allocation of Earned Leave Encashment along with the reason of Rs. 161.55 Crore claimed towards Earned Leave Encashment in employee expenses, the Petitioner in its Letter No. 851 / Dir(Comm & Plg) / UPPTCL / 2018 dated November 06, 2018 has submitted the following:

Quote

7. The Petitioner further submits that claims towards such terminal benefits have been accepted and approved in the past by various state commissions. The Hon'ble Maharashtra Electricity Regulatory Commission (MERC) its Order dated 17th August 2009 in Case No. 115 of 2008 had approved Rs. 177.37 crore towards provision for earned leave encashment apportioned to existing Stations of Maharashtra State Power Generation Company (MSPGCL). The relevant extract of the order is provided below:

"During FY 2007-08, MSPGCL in compliance with Accounting Standard-15 'Accounting for Retirement Benefits in the financial statements of Employers' has changed its accounting policy for accounting for leave benefits and has accounted for compensated absences on accrual basis as against accounting for same on cash basis in earlier years. MSPGCL has made a provision for leave encashment of Rs. 192.61 Crore in FY 2007-08 as per audited accounts. MSPGCL has made such provision in accordance with the recommendations of actuarial valuation report/study conducted by M/s K.A.Pandit. As regards

the provisioning of Rs. 192.61 Crore for leave encashment in FY 2007-08 as per audited accounts, the Commission asked MSPGCL to submit the break up for the amount shown towards leave encashment for existing generating stations and recently commissioned Units of Paras and Parli as well as other upcoming stations. MSPGCL submitted that the amount of provision for leave encashment has been made based on the actuarial report, which has been prepared at the Company level. MSPGCL clarified that it does not have segregation of such amount between existing stations and recently commissioned Units. However, MSPGCL submitted that it will have to submit truing up Petition for Parli Unit-6 for FY 2007-08 based on the audited accounts. In case the Commission segregates the amount of leave encashment between existing stations and Paras and Parli (recently commissioned) Units, the same amount would be used in their truing up Petition. MSPGCL further submitted that in case of Paras Unit-3, all expenses up to March 31, 2008 are capitalized. Therefore, the amount of leave encashment apportioned for Paras will have to be added in its capital cost. The other way could be to allow such expenses in the current ARR.

………

As regards the claim of leave encashment of Rs. 192.61 Crore, the Commission has considered the same for existing stations and new stations in proportion of the O&M expenses provided in the Reconciliation Statement for FY 2007-08. The summary of the allocation of leave encashment to existing stations and new stations is shown in the Table below:

Rs. Crore

Particulars	***MSPGCL***	***Commission***
Provision for Earned leave encashment	*192.61*	*192.61*
Provision for Earned leave encashment apportioned to existing stations		***177.37***

The increase of around Rs. 177.37 Crore in the gross employee expenses as estimated by the Commission in the above Table is entirely attributable to the impact of provisioning for leave encashment liability on the basis of actuarial valuation. The Commission is of the view that this expenditure of Rs. 177.37 Crore in one year is an extra-ordinary expenditure, on account of *change in accounting policy, due to the change in Accounting Standards. Given this background, the Commission is of the view that such a huge impact on account of a change in accounting policy, should not be passed on to the consumers in one financial year, and should be spread over five years. Moreover, this expense is only provisioning, and is not actually incurred by the Utility. Hence, the Commission has spread this expense over five years, starting from FY 2007-08, and the expense allowed in FY 2007-08 on this account is Rs. 35.47 Crore. The Commission has allowed other prior period charges as submitted by MSPGCL."*

8. *The Hon'ble Karnataka Electricity Regulatory Commission (KERC) in its tariff order dated 30th March 2016 while approving the O&M expenses of Karnataka Power Transmission Corporation (KPTCL) for FY 2014-15 had considered an amount of Rs.164.01 Crore towards provision for Earned Leave encashment. The relevant extract of the order is provided below:*

   "As per the audited accounts for the FY15, the KPTCL has incurred Rs.164.01 Crores towards provision for leave encashment and Rs.126.33 Crores towards P&G contribution.

   The Commission notes that, the KPTCL is incurring higher employee cost on account of contribution to the P&G Trust and making provisions for leave encashment annually in addition to the normal employee cost. which is inclusive of basic pay, dearness allowance and HRA. Considering, the plea of the KPTCL that the O & M expenses as per norms are not sufficient to meet the actual O & M expenses incurred, the Commission decides to allow contribution to P&G Trust and the leave encashment as uncontrollable O&M expenses. This component will be allowed in addition to the controllable normative O&M expenses to enable the KPTCL to meet its O&M expenses.

   The O& M expenses on account of additional employee costs incurred by the KPTCL due to Pension & Gratuity Contribution (as per the existing approved actuarial valuation report) and leave encashment are treated as uncontrollable O & M expenses as follows:

TABLE – 4.7 Approved Additional Employee Cost (Uncontrollable O&M Expenses)

Particulars	*Amount in Rs. Crs.*
P&G Contribution for FY15	*126.33*
Provisions for earned leave encashment	*164.01*

Total Uncontrollable O&M Expenses -FY15	***290.34***

Thus, in view of the above the Petitioner humbly requests the Hon'ble Commission to allow the claim of Rs. 176.04 Crore towards the earned leave encashment for FY 2015-16.

Unquote

5.1.12 In the above paragraphs, the Maharashtra Electricity Regulatory Commission (MERC) asked Maharashtra State Power Generation Company (MSPGCL) to submit the break up for the amount shown towards leave encashment for existing generating stations and recently commissioned Units of Paras and Parli as well as other upcoming stations. MSPGCL submitted that the provision for leave encashment has been made based on the actuarial report, which has been prepared at the Company level. MSPGCL clarified that it does not have segregation of such amount between existing stations and recently commissioned Units. However, MSPGCL submitted that it will have to submit the same during truing up Petition for Parli Unit-6 for FY 2007-08 based on the audited accounts. Accordingly, MERC ruled that the same shall be considered at the time of truing up of the Petition.

5.1.13 It is observed that the Petitioner in its submissions has stated that Earned Leave Encashment is one of the components of Employee Expense since FY 2006-07. Hence, Earned Leave Encashment was taken into consideration for computation of the value for the base year FY 2007-08. This value has been escalated based on normative percentage as stipulated in Transmission Tariff Regulations, 2006 and incorporated in the ARR in the subsequent Tariff Orders of the Commission. Considering the above, it can be said that suitable provisions have already been accounted for in respect of Earned Leave Encashment in the Employee Expense.

5.1.14 It can also be said that the amount of Rs. 161.55 Crore has not been provided for in earlier submissions by the Petitioner. Further, the approval of the employee expenses is being done by the Commission as per the provisions of the Transmission Tariff Regulations, 2006 since its applicability for base year, i.e., FY 2008-09. Disturbing the norm will have an impact on the tariff approved by the Commission in the previous orders.

5.1.15 In view of this, the Commission does not find merit in the claim of the Petitioner to approve the impact of actuarial variation of Rs. 161.55 Crore considering the same as an exceptional item over and above the normative O&M expenses.

5.1.16 Accordingly, the Commission has trued up the O&M expenses for FY 2015-16 in accordance with the Transmission Tariff Regulations, 2006. The Commission has determined the trued-up O&M expenses for the preceding year, FY 2014-15 in its Order dated November 30, 2017 in Petition No. 1169 / 2017 & 1170/2017 as Rs. 527.15 Crore.

5.1.17 The allowable O&M expenses for FY 2015-16 have been approved by escalating the component wise O&M expenses for FY 2014-15 by using the escalation index of 1.41% as computed in Section 4 above.

5.1.18 Further, in addition to the O&M cost based on inflationary indices based on escalation, the Transmission Tariff Regulations, 2006 provide for incremental O&M expenses on addition to assets during the year. Regulation 4.2.3 of the Transmission Tariff Regulations, 2006 notified by the Commission stipulates:

Quote

3. Incremental O&M expenses for the ensuing financial year shall be 2.5% of capital addition during the current year. O&M charges for the ensuing financial year shall be sum of incremental O&M expenses so worked out and O&M charges of current year escalated on the basis of predetermined indices as indicated in regulation 4.2.1 above.

Unquote

5.1.19 In accordance with the Transmission Tariff Regulations, 2006 the Commission has approved the incremental O&M expenses for FY 2015-16 as shown in the Table below:

Table 5: APPROVED INCREMENTAL O&M EXPENSES FOR FY 2015-16 (RS. CRORE)

Particulars	Derivation	True up Petition	Approved upon truing up
Net Addition to GFA during preceding year, FY 2014-15	A	1,116.94	1,116.94
Incremental O&M expenses for preceding year, FY 2014-15	B	164.27	164.26
Incremental O&M expenses @ 2.50% of Net GFA addition of preceding year, FY 2014-15	C=2.50% of A	27.92	27.92
Inflation Index	D	1.41%	1.41%
Incremental O&M expenses for preceding year, FY 2014-15, escalated with the Inflation Index	E =B x (1+D)	166.59	166.57
Incremental O&M expenses	F= C+E	194.51	194.49

Particulars	Derivation	True up Petition	Approved upon truing up
Employee expenses		132.22	128.45
A&G expenses		7.52	8.05
R&M expenses		54.77	58.00

5.1.20 The same are allocated across the individual elements of the O&M expenses on the basis of the contribution of each element in the gross O&M expenses, as approved in the subsequent paragraphs.

5.1.21 The O&M expenses approved for FY 2015-16 are as shown in the Table given below:

Table 6: APPROVED O&M EXPENSES FOR FY 2015-16 (RS. CRORE)

Particulars	Tariff Order	True-up Petition	Approved upon truing up
Employee expenses			
Gross employee expenses and provisions	354.43	512.99	345.55
Incremental employee expenses @ 2.50% of GFA additions of preceding year	149.56	132.22	128.45
Total employee expenses	503.99	645.21	473.99
Employee expenses capitalised	95.32	242.13	242.13
Net employee expenses	**408.67**	**403.08**	**231.86**
A&G expenses			
Gross A&G expenses	20.82	20.30	20.30
Incremental A&G expenses @ 2.50% of GFA addition of preceding year	7.76	7.51	8.05
Total A&G expenses	28.59	27.81	28.35
A&G expenses capitalised	9.07	0.00	0.00
Net A&G expenses	**19.52**	**27.81**	**28.35**
R&M expenses			
R&M expenses	112.63	109.82	109.81
Incremental R&M expenses @ 2.50% of GFA addition of preceding year	62.10	54.77	58.00
Total R&M expenses	**174.73**	**164.59**	**167.81**
Total O&M expenses allowable as per Regulations	**602.92**	**595.48**	**428.02**

5.1.22 The summary of O&M expenses submitted by the Petitioner and as approved by the Commission is as shown in the Table below:

Table 7: ACTUAL VS. APPROVED O&M EXPENSES FOR FY 2015-16 (RS. CRORE)

Particulars	Tariff Order	Actual as per Audited Accounts	True up Petition	Approved upon truing up
Employee expenses	503.99	578.00	645.21	473.99
A&G expenses	28.59	41.98	27.81	28.35
R&M expenses	174.73	288.37	164.59	167.81
Gross O&M expenses	**707.31**	**908.35**	**837.62**	**670.15**
Less: Expenses capitalised				
Employee expenses capitalised	95.32	242.13	242.13	242.13
A&G expenses capitalised	9.07	0.00	0.00	0.00
Total expenses capitalised	**104.39**	**242.13**	**242.13**	**242.13**
Net O&M expenses	**602.92**	**666.22**	**595.48**	**428.02**

5.2 TARGET AVAILABILTY

5.2.1 The Transmission Tariff Regulations, 2006 provides that:

Quote

1. The target availability for AC system shall be 98% for recovery of full fixed cost (Net ARR). Recovery of the Net ARR below the level of target availability shall be on pro-rate basis. At zero availability, no transmission/ wheeling charges shall be payable.

2. The target availability shall be calculated in accordance with procedure specified in Annexure B.

Unquote

Petitioner's Submissions

5.2.2 The Petitioner has submitted that the actual transmission availability for UPPTCL network for FY 2015-16 was 99.75%.

Commission's Ruling

5.2.3 The Commission has gone through the details of transmission availability submitted by UPPTCL and approves the same as claimed by Petitioner.

5.3 INTEREST AND FINANCE CHARGES

5.3.1 Interest on Long-Term Loans

Petitioner's Submissions

5.3.1.1 The Petitioner has claimed gross interest expenses of Rs. 887.44 Crore and net interest expenses of Rs 460.38 Crore as against net interest expense of Rs. 527.87 Crore approved in the Tariff Order for FY 2015-16.

5.3.1.2 The Petitioner submitted that interest cost is an uncontrollable cost as the interest regime is determined by various factors and the actual loans taken are consequential to the actual capital expenditure.

5.3.1.3 The Petitioner submitted that it had derived the actual capital investments in FY 2015-16 considering the Capital Work in Progress (CWIP) and Gross Fixed Assets (GFA) balances as per the Audited Accounts. The Petitioner submitted that the total capital expenditure after deduction of the capital expenditure financed through Consumer Contributions, capital subsidies and grants is considered to be financed through debt and equity in the ratio of 70:30.

Commission's Ruling

5.3.1.4 The Commission has considered the same approach for the true-up of interest and finance charges for FY 2015-16 as followed in true-up of FY 2014-15.

5.3.1.5 The Commission has derived the actual capital investments undertaken by the Petitioner in FY 2015-16 by considering the CWIP and GFA balances as per Audited Accounts. The details are provided in the Table below:

Table 8: APPROVED CAPITAL INVESTMENTS FOR FY 2015-16 (RS. CRORE)

Particulars	Derivation	Tariff Order	True up Petition	Approved upon truing up
Opening CWIP as on 1st April	A	5,978.78	6,629.82	6,629.82
Investments	B	3,360.00	2,759.98	2,759.68
Employee expenses capitalisation	C	95.32	242.13	242.13
A&G expenses capitalisation	D	9.07	0.00	0.00
Interest capitalisation for long term loans	E	434.79	427.06	427.04
Total Investments	F=A+B+C+D+E	**9,877.95**	**10,059.00**	**10,058.67**
Transferred to GFA (total capitalisation)	G	2,469.49	2,633.28	2,632.94
Closing CWIP	H=F-G	**7,408.46**	**7,425.73**	**7,425.73**

5.3.1.6 The Commission has considered a normative approach with Debt : Equity ratio of 70 :30. Considering this approach, 70% of the capital expenditure undertaken in the year has been considered to be financed through loan and balance 30% has been considered to be financed through equity contribution. The portion of capital expenditure financed through Consumer Contributions, capital subsidies and grants has been separated, as the depreciation and interest thereon would not be charged to the consumers. The Commission has approved the amounts received as Consumer Contributions, capital subsidies and grants based on the Audited Accounts of the Petitioner, as summarised in the Table below:

Table 9: APPROVED CONSUMER CONTRIBUTIONS, CAPITAL GRANTS AND SUBSIDIES IN FY 2015-16 (RS. CRORE)

Particulars	True up Petition	Approved
Opening balance of Consumer Contributions, Grants and Subsidies towards cost of Capital Assets	485.84	485.85
Addition during the year	117.83	117.83
Less: Amortisation	29.34	29.34
Closing Balance	**574.33**	**574.33**

5.3.1.7 The approved financing of the Capital Investment is as shown in the Table given below:

Table 10: FINANCING OF CAPITAL INVESTMENTS IN FY 2015-16 (RS. CRORE)

Particulars	Derivation	True up Petition	Approved upon truing up
Investment	A	2,759.98	2,759.68
Less:			
Consumer Contributions, Grants and Subsidies towards cost of Capital Assets	B	117.83	117.83
Investment funded by debt and equity	C=A-B	2,642.16	2,641.85
Debt funded	70%	1,849.51	1,849.29
Equity funded	30%	792.65	792.55

5.3.1.8 Thus, from the above Tables, it can be observed that UPPTCL has made investment of Rs. 2,759.68 Crore in FY 2015-16. The Consumer Contributions, capital subsidies and grants received during the corresponding period is Rs.

117.83 Crore. Thus, balance Rs. 2,641.85 Crore has been funded through debt and equity. Considering a debt equity ratio of 70:30, Rs. 1,849.29 Crore or 70% of the capital investment is approved to be funded through debt and balance 30% equivalent to Rs. 792.55 Crore through equity. Allowable depreciation for the year has been considered as normative loan repayment. The actual weighted average interest rate of 12.48% has been considered for computing the interest. The opening balance of long-term loan has been considered from the closing loan balance approved in the True up for FY 2014-15 in the Order dated November 30, 2017.

5.3.1.9 Considering the above, the gross interest on long-term loan is Rs. 887.44 Crore. The interest capitalisation has been considered at the same rate as per the Audited Accounts. The interest on long-term loan approved for FY 2015-16 is as shown in the Table given below:

Table 11: APPROVED INTEREST ON LONG-TERM LOANS FOR FY 2015-16 (RS. CRORE)

Particulars	Tariff Order	True up Petition	Approved upon truing up
Opening Loan balance	6,694.99	6,491.54	6,491.61
Loan Addition (70% of Investments)	2,303.00	1,849.51	1,849.29
Less: Repayments (Depreciation allowable for the year)	463.67	613.54	613.45
Closing Loan balance	8,534.32	7,727.51	7,727.46
Weighted average rate of interest	12.64%	12.48%	12.48%
Interest on Long-Term Loans	**962.66**	**887.44**	**887.44**
Interest Capitalisation Rate	45.17%	48.12%	48.12%
Less: Interest Capitalised	434.79	427.06	427.04
Net Interest Charged	**527.88**	**460.38**	**460.40**

5.3.1.10 The Commission vide Order dated October 31, 2018 in Petition No. 987 of 2014 in the matter of Denial/ Delay by UPPTCL in handling over the physical possession of the 220 kV R.C. Green Substation at Greater Noida to NPCL has stated that:

Quote

86. Keeping in view the overall efficiency, economical and integrated operations of state transmission sector, interest of consumers of Greater Noida area coupled with the obligation of GNIDA to provide free land and bear the cost of substation up to 220 kV, the Commission decides that (i). *NPCL petition for owning, operating and maintaining 220 kV sub-station as distribution licensee is dismissed.*

(ii). *NPCL shall claim refund of the amount deposited with Greater Noida Authority towards costs of land and construction of 220 KV sub-station at RC Green and associated 220 kV line to NPCL.*

(iii). *The investment allowed by this Commission to NPCL in the distribution tariff shall be trued up again after deducting this refund.*

(iv). *UPPTCL as STU and transmission licensee, shall own, operate and maintain 220 kV Sub-Station at RC Green.*

Unquote

Also, the Commission in Order dated October 31, 2018 in Petition No. 1020 of 2015 in the matter of Denial / Delay by UPPTCL in granting connectivity to the 220 kV Gharbara Substation at NPCL at 400 kV Greater Noida (Pali) Substation of UPPTCL has stated that:

Quote

49. *Keeping in view the overall efficiency, economical and integrated operations of state transmission sector, interest of consumers of Greater Noida area coupled with the obligation of GNIDA to provide free land and bear the cost of substation up to 220 kV, the Commission decides that*

a. *NPCL petition for direction to UPPTCL to grant connectivity of Gharbara Substation from 400 kV Greater Noida (Pali) sub-station is dismissed.*

b. *NPCL shall claim refund of the amount deposited with Greater Noida Authority towards cost of land and construction of 220 kV Gharbara sub station and associated 220 kV line from GNIDA.*

c. *Since the Petitioner did not comply with the provisions of U.P. Electricity Regulatory Commission (Terms and Conditions for Determination of Distribution Tariff) Regulation-2006, before making investment in the 220 kV Gharabara sub-station, this expenditure cannot be allowed in distribution ARR. The Commission shall review this investment in the True-up of ARR filed by the Petitioner.*

d. *UPPTCL as STU and transmission licensee, shall own, operate and maintain 200 kV Sub-Station at village Gharbara.*

e. *UPPTCL shall arrange adequate transmission capacity for NPCL as per their power distribution plan without creating any obstacle.*

f. *NPCL shall be granted connectivity from Gharbara sub-station through 33 kV feeders.*

Unquote

In line with the above directions of the Commission in the aforementioned Orders, the Licensee is directed the following:

1) To apprise the Commission about the compliance of the above Orders in the next ARR / Tariff and True-Up filing.

5.3.2 **Finance Charges**

Petitioner's Submissions

5.3.2.1 The Petitioner has claimed Rs. 1.26 Crore towards finance charges for FY 2015-16. Items claimed under this head are towards items such as bank charges and finance charges.

Commission's Ruling

5.3.2.2 The Commission approves the bank charges and finance charges as per the Audited Accounts to the extent of Rs. 1.26 Crore for FY 2015-16.

5.3.3 **Interest on Working Capital**

Petitioner's Submissions

5.3.3.1 The Petitioner has claimed Interest on Working Capital of Rs. 51.95 Crore for FY 2015-16 as against Rs. 50.31 Crore approved by the Commission in the Tariff Order for FY 2015-16. The Petitioner submitted that it has computed Interest on Working Capital in accordance with the Transmission Tariff Regulations, 2006.

Commission's Ruling

5.3.3.2 In the Tariff Order for FY 2015-16, the Commission had allowed Rs. 50.31 Crore towards Interest on Working Capital. The Transmission Tariff Regulations, 2006 provide for normative interest on working capital based on the methodology outlined in the Regulations. Accordingly, the Commission has approved Interest on Working Capital for FY 2015-16 as shown in the Table below:

Table 12: APPROVED INTEREST ON WORKING CAPITAL FOR FY 2015-16 (RS. CRORE)

Particulars	Tariff Order	True up Petition	Approved upon truing up
One month's O&M expenses	50.24	49.62	35.67
One-twelfth of the sum of the book value of materials in stores at the end of each month	66.67	73.87	73.87
Receivables equivalent to 60 days average billing on consumers	285.53	292.13	261.40

Particulars	Tariff Order	True up Petition	Approved upon truing up
Total Working Capital	**402.44**	**415.63**	**370.94**
Rate of Interest on Working Capital	12.50%	12.50%	12.50%
Interest on Working Capital	**50.31**	**51.95**	**46.37**

5.3.3.3 The following table summarises the interest and finance charges submitted by the Petitioner and that approved by the Commission for FY 2015-16:

Table 13: APPROVED INTEREST AND FINANCE CHARGES FOR FY 2015-16 (RS. CRORE)

Particulars	Tariff Order	Actual as per Audited Accounts	True up Petition	Approved upon truing up
A. Interest on Long Term Loans				
Gross Interest on Long Term Loan	962.66	961.26	887.44	887.44
Less: Interest Capitalisation	434.79	427.06	427.06	427.04
Net Interest on Long Term Loans	**527.87**	**534.20**	**460.38**	**460.40**
B. Finance and Other Charges				
Guarantee Charges		1.24	1.24	1.24
Bank Charges		0.02	0.02	0.02
Total Finance Charges	**3.11**	**1.26**	**1.26**	**1.26**
C. Interest on Working Capital	**50.31**	**0.00**	**51.95**	**46.37**
Total (A+B+C)	**581.29**	**535.46**	**513.59**	**508.03**

5.4 DEPRECIATION

Petitioner's Submissions

5.4.1 The actual depreciation expense charged in the Audited Accounts is Rs. 569.32 Crore.

5.4.2 The Petitioner submitted that it had computed the allowable depreciation for FY 2015-16 considering the depreciable GFA base as per the Audited Accounts and the rate of depreciation as approved by the Commission in the Tariff Order for FY 2015-16. The Petitioner submitted that it has computed the depreciation only on the depreciable asset base and has excluded the non-depreciable assets such as land, land rights, etc., which comes to Rs. 613.54 Crore.

Commission's Ruling

5.4.3 The Commission has computed the allowable depreciation expense on the closing GFA of FY 2014-15, GFA base as per the Audited Accounts for FY 2015-16 and at the rates approved by the Commission in the Tariff Order for FY 2015-16. The Commission has computed the depreciation only on the depreciable asset base and has excluded the non-depreciable assets such as land, land rights, etc. The Commission has approved the amounts as per Petitioner's submission.

5.4.4 Considering this philosophy, the gross entitlement towards depreciation is as shown in the Table below:

Table 14: GROSS ALLOWABLE DEPRECIATION FOR FY 2015-16 (RS. CRORE)

Sl. No.	Particulars	Opening GFA	Addition to GFA	Deduction in GFA	Closing GFA	Depreciation Rate	Allowable Gross Depreciation
1	Land & Land Rights						
	(i) Unclassified	39.36	3.57	0.00	42.94		
	(ii) Freehold Land	0.05	0.00	0.00	0.05		
2	Buildings	490.10	145.38	0.01	635.47		
3	Other Civil Works	57.41	13.54	0.00	70.95		
4	Plant & Machinery	5,876.70	1,342.46	125.82	7,093.34		
5	Lines, Cables, Network etc.	4,434.66	1,104.03	28.88	5,509.81		
6	Vehicles	3.40	0.00	0.00	3.40		
7	Furniture & Fixtures	3.07	1.25	0.08	4.24		
8	Office Equipment	5.04	1.12	0.05	6.11		
9	Other assets	66.39	21.59	0.23	87.75		
10	Intangible assets	-	-	-	-		
11	**Total Fixed Assets**	**10,976.19**	**2,632.94**	**155.08**	**13,454.05**		
12	Non-depreciable assets (Land & Land Rights)	39.42	3.57	0.00	42.99		
13	**Depreciable assets**	**10,936.77**	**2,629.37**	**155.08**	**13,411.06**	**5.28%**	**642.78**

5.4.5 The Commission has scrutinised the depreciation details submitted by the Petitioner and obtained the figures in respect of depreciation charged on the assets created out of Consumer Contributions, capital grants and subsidies. This equivalent depreciation amounting to Rs. 29.34 Crore has been reduced from the allowable depreciation for FY 2015-16.

5.4.6 While approving the Tariff Order for FY 2015-16, the Commission had withheld 30% of the allowable depreciation on account of non-submission of the Fixed Asset Register even after repeated directions to UPPTCL. Since, UPPTCL has submitted the Fixed Asset Register till FY 2015-16 before truing up of FY 2015-16, hence, the withheld depreciation of 30% for FY 2015-16 has been allowed as per the direction in Tariff Order for FY 2015-16.

5.4.7 Thus, the approved depreciation (Excluded Intangible assets) for FY 2015-16 is as shown in the Table given below:

Table 15: NET APPROVED DEPRECIATION FOR FY 2015-16 (RS. CRORE)

Sl. No.	Particulars	Tariff Order	Actual as per Audited Accounts	True up Petition	Approved upon truing up
1	Gross allowable Depreciation	686.83	598.66	642.88	642.78
2	Less: Equivalent amount of depreciation on assets acquired out of the Consumer Contribution	24.44	29.34	29.34	29.34
3	Net allowable Depreciation	**662.39**	**569.32**	**613.54**	**613.45**
4	Less: Depreciation withheld due to non-maintenance of Fixed Asset Registers	198.71			-
5	**Depreciation allowable for recovery in FY 2015-16**	**463.68**	**569.32**	**613.54**	**613.45**

5.5 PRIOR PERIOD EXPENSES

Petitioner's Submissions

5.5.1 The Petitioner has submitted that it has identified and accounted for certain prior period incomes and expenses in the Audited Accounts for FY 2015-16. In the financial statements for FY 2015-16, there has been recognition of net prior income of Rs. 14.87 Crore.

Commission's Ruling

5.5.2 Prior period expenses and incomes are the outcomes of omissions / errors in recording the transactions in the accounting statements. The items booked under the prior period expenses are essentially ARR items like O&M expenses, interest and finance charges, etc. Each item of ARR has a distinct methodology of treatment in the ARR and true up determination.

5.5.3 The Commission in its Order dated October 01, 2014 on approval of Transmission Tariff for FY 2014-15 directed as under:

> "6.4.6 *Thus, the Petitioner is directed to file a separate Petition for approval of prior period expenses / incomes. The Petition should clearly indicate the head wise and year wise bifurcation of prior period expenses / incomes clearly indicating the impact of such expenses / incomes on various ARR components and such impact should not exceed the normative expenses for any particular year. Further, based on the data submitted by the Petitioner, the Commission after scrutiny and prudence check shall consider the expenses under the above head as it deems fit."*

5.5.4 Thus, in line with the approach adopted by the Commission in its earlier True up Orders, the Petitioner is directed to file a separate Petition for approval of prior period expenses / incomes. The Petition should clearly indicate the head-wise and year-wise bifurcation of prior period expenses / incomes clearly indicating the impact of such expenses / incomes on various ARR components, and such impact should not exceed the normative expenses for any particular year. Based on the data submitted by the Petitioner, the Commission after scrutiny and prudence check shall consider the expenses under the above head as it deems fit.

5.5.5 The Commission has not approved the prior period expenses/income in true up for FY 2015-16 as claimed by the Petitioner.

5.6 RETURN ON EQUITY

Petitioner's Submissions

5.6.1 The Petitioner has claimed Return on Equity of Rs. 87.17 Crore for FY 2015-16 as against Rs. 90.64 Crore approved by the Commission in the Tariff Order for FY 2015-16.

5.6.2 The Petitioner submitted that the Return on Equity for FY 2015-16 has been arrived at by considering the following:

- Opening equity as on 1st April, 2007 based on the equity balance, which devolved upon the Petitioner in the Transmission Transfer Scheme.

- Equity additions from FY 2007-08 to FY 2015-16 equivalent to normative 30% of the capitalised assets.
- A rate of 2% has been considered for computing return on eligible equity.

Commission's Ruling

5.6.3 Under the provisions of Transmission Tariff Regulations, 2006, the Petitioner is allowed a return @ 14% on equity base; 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 loan. In case of actual equity employed being less than 30%, actual debt and equity shall be considered for determination of tariff.

5.6.4 In view of the huge gap in the recovery of cost of supply at the Discom level, the Petitioner was of the view that Return on Equity would only result in accumulation of receivables.

5.6.5 As such, the Petitioner has been claiming Return on Equity @ 2% since FY 2009-10 onwards. Return on Equity has been computed on the normative equity portion (30%) of capitalised assets.

5.6.6 The Commission, while truing up the Return on Equity, has adopted the following approach:

- Closing equity approved by the Commission for FY 2014-15 has been considered as the opening equity for FY 2015-16.
- Return on equity has been computed at the rate of 2% in line with the approach adopted by the Commission in the earlier Orders.

5.6.7 The approved Return on Equity for FY 2015-16 is as shown in the Table given below:

Table 16: APPROVED RETURN ON EQUITY FOR FY 2015-16 (RS. CRORE)

Particulars	Tariff Order	True up Petition	Approved upon truing up
Equity at the beginning of the year	4,161.39	3,963.47	3,963.47
Assets Capitalised	2,469.49	2,633.28	2,632.94
Addition to Equity	740.85	789.98	789.88

Particulars	Tariff Order	True up Petition	Approved upon truing up
Closing Equity	4,902.23	4,753.45	4,753.35
Average Equity	4,531.81	4,358.46	4,358.41
Rate of Return	2.00%	2.00%	2.00%
Return on Equity	**90.64**	**87.17**	**87.17**

5.7 REVENUE SIDE TRUING UP

Petitioner's Submissions

5.7.1 Non-Tariff Income

5.7.1.1 The Petitioner has submitted that the actual Non-Tariff Income for FY 2015-16 is Rs. 42.11 Crore as against Rs. 25.31 Crore approved in the Tariff Order.

Commission's Ruling

5.7.1.2 The Commission observes that the submissions of the Petitioner are in order and accordingly approved the Non-Tariff Income as submitted by the Petitioner for FY 2015-16.

5.7.2 Revenue from Transmission of Power

Petitioner's Submissions

5.7.2.1 The Petitioner submitted that the gross transmission charges in FY 2015-16, are to the tune of Rs. 1,568.20 Crore. In FY 2015-16, there is a true-up adjustment of Rs. 63.38 Crore, which includes the adjustment of revenue surplus of Rs. 84.01 Crore as approved against true up of FY 2013-14 and adjustment of revenue gap of Rs. 147.39 Crore as approved against true up of FY 2014-15. Hence, the net transmission charges received during FY 2015-16 is Rs. 1,631.58 Crore as per annual accounts. Further, as part of separate function of SLDC, it is maintaining separate accounts for SLDC. It has recovered SLDC charges to the tune of Rs. 3.14 Crore in FY 2015-16. The open access charges billed in FY 2015-16 are to the tune of Rs. 47.92 Crore as considered in audited accounts for FY 2015-16, which includes the short-term open access charges recovered in FY 2015-16 for approved inter-State and intra-State transactions by NRLDC and UPSLDC, respectively, and the share of UPPTCL in POC charges for utilization of its assets as inter-State transmission system as disbursed by PGCIL during FY

2015-16. Thus, the total revenue receipts of the Petitioner of FY 2015-16 are to the tune of Rs. 1,682.64 Crore.

5.7.2.2 The net revenue pertaining to FY 2015-16 is provided in the table below:

Table 17: REVENUE FROM OPERATIONS PERTAINING TO FY 2015-16

Particulars	Amount (Rs. Crore)
Total Revenue for FY 2015-16	1,682.64
True up adjustment for FY 2013-14	(84.01)
True up adjustment for FY 2014-15	147.39
Net Revenue pertaining to FY 2015-16	1,619.26

5.7.2.3 Further, the Petitioner submitted that Commission while approving the true up for FY 2012-13 in its order dated June 18, 2015 directed the Petitioner to refund the net surplus amount for Rs. 25.95 Crore to the Distribution Licensees. The Hon'ble Commission further observed that the same will be considered at the time of true for FY 2015-16. In this matter the Petitioner submits that the amount of Rs. 25.95 Crore has been refunded and considered in the audited accounts for FY 2014-15.

Commission's Ruling

5.7.2.4 The Commission observes that the submissions of the Petitioner are in order and accordingly approves the Revenue from Transmission of Power as submitted by the Petitioner for FY 2015-16.

5.8 AGGREGATE REVENUE REQUIREMENT FOR FY 2015-16 AFTER TRUING UP

5.8.1 The Aggregate Revenue Requirement for FY 2015-16 after final truing up is summarised in the table below:

Table 18: ARR FOR FY 2015-16 AFTER FINAL TRUING UP (RS. CRORE)

Particulars	Tariff Order	Actual as per Audited Accounts	True up Petition	Approved upon truing up
Gross O&M Expenses	**707.31**	**908.35**	**837.62**	**670.15**
Employee expenses	*503.99*	*578.00*	*645.21*	*473.99*
A&G expenses	*28.59*	*41.98*	*27.81*	*28.35*
R&M expenses	*174.73*	*288.37*	*164.59*	*167.81*
Interest on Loan Capital	962.66	961.26	887.44	887.44
Interest on Working Capital	50.31	0.00	51.95	46.37

Particulars	Tariff Order	Actual as per Audited Accounts	True up Petition	Approved upon truing up
Finance Charges	3.11	1.26	1.26	1.26
Depreciation	463.67	569.32	613.54	613.45
Gross Expenditure	**2,187.05**	**2,440.20**	**2,391.81**	**2,218.66**
Less: Employee expenses capitalised	95.32	242.13	242.13	242.13
Less: A&G expenses capitalised	9.07	0.00	0.00	0.00
Less: Interest expenses capitalised	434.79	427.06	427.06	427.04
Net Expenditure	**1,647.88**	**1,771.00**	**1,722.62**	**1,549.49**
Bad Debts & Provisions	0.00	(4.25)	0.00	0.00
Prior Period expenses	0.00	(14.87)	(14.87)	0.00
Net Expenditure with provisions	**1,647.88**	**1,751.87**	**1,707.75**	**1,549.49**
Add: Return on Equity	90.64	0.00	87.17	87.17
Less: Non-Tariff Income	25.31	42.11	42.11	42.11
Aggregate Revenue Requirement	**1,713.21**	**1,709.76**	**1,752.80**	**1,594.55**
Revenue from Operations	1,682.64	1,619.26	1,619.26	1,619.26
Net Gap/(Surplus)		**27.13**	**133.54**	**(24.70)**

5.8.2 Thus, the net revenue surplus for FY 2015-16 approved by the Commission is Rs. 24.70 Crore. The Commission allows UPPTCL to refund the net surplus allowed on true up for FY 2015-16 in 1 monthly instalment from the date of this Order in the proportion of amount billed to the Distribution Licensees and other Licensees and other entities in FY 2015-16.

5.9 DERIVATION OF TRANSMISSION TARIFF FOR FY 2015-16

5.9.1 The standalone trued up ARR for FY 2015-16 is Rs. 1,594.55 Crore as against Rs. 1,752.80 Crore claimed by the Petitioner.

5.9.2 The Transmission Tariff for FY 2015-16 is computed as shown in the Table below:

Table 19: TRUED UP TRANSMISSION TARIFF FOR FY 2015-16 (RS. CRORE)

Particulars	Legend	Tariff Order	Actual as per Audited Accounts	True up Petition	Approved upon truing up
Standalone ARR for FY 2015-16	E	1,713.21	1,709.76	1,752.80	1,594.65
Energy Handled (MU)	G	99,458.40	89,819.49	89,819.49	89,819.49
Transmission Tariff (Rs./kWh)	**H=G*10/G**	**0.1723**	**0.1904**	**0.1951**	**0.1775**

6. SUO-MOTO PROCEEDINGS ON ANNUAL PERFORMANCE REVIEW (APR) FOR FY 2017-18 FOR UPPTCL

6.1 ANNUAL PERFORMANCE REVIEW (APR)

6.1.1 Regulation 8.1 of the Transmission MYT Regulations, 2014 specifies that under the MYT framework, the performance of the Transmission Licensee shall be subject to Annual Performance Review (APR) as under:

Quote

Where the aggregate revenue requirement and expected revenue from tariff and charges of a Transmission Licensee are covered under a Multi-Year Tariff framework, such Transmission Licensee shall be subject to an annual review of performance and True Up during the Control Period in accordance with these regulations.

Provided that in case of an excruciating and extra-ordinary circumstance, at any time notwithstanding the Annual Review, the Transmission Licensee may file appropriate application before the Commission.

Unquote

6.1.2 UPPCL had asked a few clarifications regarding the scope of APR, etc., vide its Letter No. 3687/RAU/MYT dated October 25, 2017. The Commission vide Letter No. UPERC/Secy/D(T)/2017-1439 dated November 17, 2017 issued clarifications regarding the scope of APR as follows:

Quote

I. Financial Year for which APR is to be conducted?

1) *Regulation 8 of the UPERC Multi Year Distribution Tariff Regulation, 2014 provides that distribution licensee shall be subject to an annual review of performance and true up during the Control Period in accordance with the regulations. The relevant extract of the same has been quoted below:*

Quote

8. Annual Review of Performance and True Up

8.1 Where the aggregate revenue requirement and expected revenue from tariff and charges of a Distribution Licensee are covered under a Multi-

Year Tariff framework, such Distribution Licensee shall be subject to an annual review of performance and True Up during the Control Period in accordance with these regulations.

Provided that in case of an excruciating and extra-ordinary circumstance, at any time notwithstanding the Annual Review, the Distribution Licensee may file appropriate application before the Commission.

Unquote

Also, Regulation 8 of the UPERC Multi Year Transmission Tariff Regulation, 2014 provides that transmission licensee shall be subject to an annual review of performance and true up during the Control Period in accordance with the regulations.

2) *Further, Regulation 12.2 & 12.3 of the UPERC Multi Year Distribution Tariff Regulation, 2014 provides that an application for determination of tariff shall be made by November 1. The relevant extract of the same has been quoted below:*

Quote

12.2 An application for determination of tariff shall be made by November 1 for the control period, in such form and in such manner as specified in this regulation and the UPERC Conduct of Business, Regulations, 2004 and its subsequent amendments / addendums & the new regulations made after repeal of the same, for whatever not covered under these regulations and accompanied by such fee payable, as specified in the UPERC (Fees and Fines) Regulations, 2010 and its subsequent amendments / addendums &the new regulations made after repeal of the same.

....

12.3 The petition for determination of tariff shall be accompanied by information for the previous years, current year and the ensuing year for each year of the transition period / the entire control period capturing the expected revenues from the tariff and charges including miscellaneous charges along with detailed assumptions, parameters required in annual true-up exercise, etc.

Provided that the application shall be accompanied where relevant, by a detailed tariff revision proposal showing how such revision would meet the gap, if any, in Aggregate Revenue Requirement for each year of the transition / control period.

Provided further that the information for the previous year shall be based on audited accounts and in case audited accounts for previous year are not available, audited accounts for the immediately preceding previous year should be filed along with un-audited accounts for the previous year.

Unquote

Also, Regulation 12.2 & 12.3 of the UPERC Multi Year Transmission Tariff Regulation, 2014 provides that an application for determination of tariff shall be made by November 1.

It can be observed from above that UPERC Multi Year Tariff Regulations, 2014 (for both Discoms & Transco) provides that Licensees are required to file the following by November 1, 2017:

a) True- Up for FY 2016-17 (for NPCL) & True – up for FY 2015-16 (for State Discoms - DVVNL, MVVNL, PVVNL, PuVVNL & KESCO) & State Transmission Licensee (UPPTCL)).

b) APR for FY 2017-18 (in case of NPCL) and for all others (State Discoms and State Transmission Licensee) whose True – up is lagging by one year, APR for FY 2016-17 & FY 2017-18 would be done.

c) Tariff for FY 2018-19

Reasoning for above inference:

Let's take the case of NPCL, it will be getting its true – up for FY 2016-17 and Tariff determination for FY 2018-19, so logically APR will be for FY 2017-18. This practice is being followed in other Regulatory Commission's too.

Similarly, for State Discoms & State Transmission Licensee, the true up will be done for FY 2015-16. Hence in their case APR data will comprise of FY 2016-17 & FY 2017-18.

It must be noted that in APR, audited data is not necessarily required.

Quote

....

II. Scope of APR?

In accordance with the provisions of UPERC MYT Regulations (both for DISCOMs and Transco), the scope of APR can be as follows:

The scope of Annual Performance Review shall be a comparison of the actual performance of the Applicant with the approved forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges and shall comprise of the following: -

a) A comparison of the audited performance of the applicant for the previous financial year with the approved forecast for such previous financial year and truing up of expenses and revenue subject to prudence check including pass through of impact of uncontrollable factors;

b) Categorisation of variations in performance with reference to approved forecast into factors within the control of the applicant (controllable factors) and those caused by factors beyond the control of the applicant (un-controllable factors) in accordance with the provisions of Regulations 9 of UPERC MYT Regulations;

c) Revision of estimates for the ensuing financial year, if required, based on audited financial results for the previous financial year;

d) Computation of sharing of gains and losses on account of controllable factors for the previous year in accordance with the provisions of Regulations 10 of UPERC MYT Regulations;

e) Parameters / targets monitoring by Commission (for example UDAY Scheme and Power for all 24x7, etc.).

Unquote

6.1.3 Also, UPPTCL vide its letter dated 15th January, 2018 (Reference Letter No. 30/ Dir (Comm. & Plg.)/ UPPTCL/ 2018/ APR) submitted that audit of books of account for FY 2015-16 has not been completed by Finance wing and is under process. So, they are unable to file the APR for FY 2016-17 and FY 2017-18 and True- up petition for FY 2015-16 and requested a time extension up to 15th February, 2018 for filing the same.

The Commission's Order dated 17th January, 2018 in this regard is as follows:

Quote

....

A). The filing of APR for FY 2016-17 and FY 2017-18

UPPTCL must note that in APR, audited data is not necessary required. Hence, it is directed to immediately file the APR. The same has been clarified vide Commission's Letter dated November 17th 2017 (Reference No:- UPERC/ Secy/ D(T)/ 2017- 1439)

B.) Delay in CAG Audit accounts for FY 2015-16

The commission is concerned about the delay in filing of the true- up Petitions and would like to quote the judgement of Hon'ble APTEL in regards to this matter:

Hon'ble APTEL judgment dated 11th November, 2011 in OP No. 1/2011 in the matter of 'Suo- moto action on the Letter received from Ministry of Power' has ruled that State Commission must initiate suo- moto proceedings for tariff determination in accordance with Section 64 of the Act read with clause 8.1 (7) of the Tariff Policy if the ARR, True up and Annual Performance Review, is delayed by one month from the scheduled date of submission of the petition.

....

Further, as per UPERC (Terms and conditions for determination of distribution tariff) Regulations- 2016 and another Hon'ble APTEL judgement dated 21 October 2011 in Appeal No. 121 of 2010 (Shri. R.S. Awasthi & other parties- Appellants vs. UPERC & other parties- Respondents) it is necessary that the CAG audited accounts have to be made available for the True- up of FY 2015-16. Hence, the Commission directs the UPPCL to get the audit being done by CAG expedited so that the True- up Petition for FY 2015-16 can be filed at the earliest.

The copy of this Order is also being sent to all the Distribution Licensees for reference and necessary compliances.

....

6.1.4 The Commission under the provisions of Scope of APR has revised the ARR for FY 2017-18 based on the approved capitalisation for FY 2015-16 and revised estimated capitalisation for FY 2016-17. The Commission has computed certain expenses for FY 2016-17 based on the revised GFA for FY 2015-16 and FY 2016-17, only to facilitate the computations for FY 2018-19. However, the Commission has not revised any capitalisation for FY 2017-18.

6.1.5 The Commission in this Order has not carried out the detailed analysis of various components of ARR for FY 2017-18. The Commission under the provisions of Transmission MYT Regulations, 2014 has revised the ARR for FY 2017-18 based on the approved capitalisation for FY 2016-17. The Commission has computed certain expenses for FY 2017-18 based on the revised GFA for FY 2015-16 only to facilitate the computations for FY 2018-19. The Commission has carried out comparison of each component of APR as claimed by the Petitioner with that approved vide Tariff Order dated November 30, 2017 for FY 2017-18. The Commission will carry out the detailed prudence check of various components of ARR for FY 2017-18 while carrying out the truing up for FY 2017-18.

6.2 Operation & Maintenance expenses

6.2.1 Regulation 21 of the Transmission MYT Regulations, 2014 specifies as follows:

Quote

(a) The Commission shall stipulate a separate trajectory of norms for each of the components of O&M expenses viz., employee cost, repairs and maintenance (R&M) expenses and Administrative & General Expense (A&G) expense. Provided that such norms may be specified for a specific Transmission Licensee or a class of Transmission Licensees.

(b) Norms shall be defined in terms of combination of number personal per ckt / km (for different categories of transmission lines for e.g. HVDC, 765 KV, 400 KV, > 66 KV & 400 KV, etc bays) along with annual expenses per personnel for employee expenses; combination of A&G expense per personnel and A&G expense per ckt/km and bay for A&G expenses and R&M expense as percentage of gross fixed assets for estimation of R&M expenses.

(c) One-time expenses such as expenses due to change in accounting policy, arrears paid due to pay commissions etc. shall be executed from the norms in the trajectory.

(d) The expenses beyond the control of the Transmission Licensee such as dearness allowance, terminal benefits etc. in Employee cost etc., shall be executed from the norms in the trajectory.

(e) *The One-time expenses and the expenses beyond the control of the Transmission Licensee shall be allowed by the Commission over and above normative Operation & Maintenance Expenses after prudence check.*

(f) *The norms in the trajectory shall be specified over the control period with due consideration to productivity improvement.*

(g) *The norms shall be determined at constant prices of base year and escalation on account of inflation shall be over and above the baseline.*

(h) *The Transmission Licensee specific trajectory of norms shall be identified by the Commission on the basis of simple average of previous years audited figures, duly normalized for any abnormal variation."*

Unquote

6.2.2 The O&M expenses include Employee expenses, R&M expenses and A&G expenses. In accordance with Regulation 21 of the Transmission MYT Regulations, 2014, the O&M expenses for the first year of the Control Period shall be determined by the Commission taking into account the actual O&M expenses of the previous years and any other factors considered appropriate by the Commission. The submissions of the Petitioner and the Commission's analysis on the O&M expenses for FY 2017-18 are detailed below.

6.3 Employee Expenses

Petitioner's Submissions

6.3.1 The Petitioner has submitted the Employee expenses for FY 2017-18 as per Regulation 25.1 of the Transmission MYT Regulations, 2014 as below: -

Quote

"Employee cost shall be computed as per the approved norm escalated by consumer price index (CPI), adjusted by provisions for expenses beyond the control of the Licensee and one-time expected expenses, such as recovery/adjustment of terminal benefits, implications of pay commission, arrears, Interim Relief etc., governed by the following formula:

$EMPn= (EMPb * CPI\ inflation) + Provision$

Where:

EMPn: Employee expense for the year n. EMPb: Employee expense as per the norm CPI inflation: is the average increase in the Consumer Price Index (CPI) for immediately preceding three financial years. Provision: Provision for expenses beyond control of the Transmission Licensee and expected one-time expenses as specified above."

Unquote

6.3.2 The Commission has already approved employee expense norms for transmission lines and bays for the MYT period in the Tariff Order dated November 30, 2017 for computation of normative employee expenses.

6.3.3 The employee expenses capitalised for FY 2017-18 have been considered as per provisional accounts of FY 2017-18. The Petitioner, in its Petition, has proposed the employee expenses for FY 2017-18 as Rs. 864.18 Crore as per the Transmission MYT Regulations, 2014.

6.3.4 The Petitioner submitted that UPPTCL has considered the 7th Pay Commission arrears towards the pay revision impact of 15 %, and the Petitioner reserves the right to claim any deviation in the employee expenses on account of any "recovery/adjustment of terminal benefits, implications of pay commission, arrears, Interim Relief etc." at the stage of truing up.

Commission's Ruling

6.3.5 The Commission had approved the employee expenses of Rs. 919.94 Crore for FY 2017-18 in the Tariff Order.

Table 20: EMPLOYEE EXPENSE OF FY 2017-18

Particulars	Tariff Order	Claimed
Norms per ckt km (Rs. Crore)	0.0048	0.0048
Line Length (ckt km)	44,618.41	36,292.28
Employee Expenses (ckt km) (Rs. Crore)	215.77	175.51
Norms per Bay (Rs. Crore)	0.1667	0.1667
Number of Bays (nos.)	3,955	3,881
Employee Expenses (Bays) (Rs. Crore)	659.43	647.09
Add: Arrears (Rs. Crore)	44.74	41.59
Total Employee Expense (Rs. Crore)	919.94	864.18
Less: Employee Expense Capitalization (Rs. Crore)	230.03	314.30
Net Employee Expense (Rs. Crore)	**689.91**	**549.88**

6.3.6 The Commission observes that the decrease in the employee cost of Petitioner as compared to employee expenses approved in the Tariff Order is because of the reduced line length (ckt kms) and Number of Bays (nos.) claimed in the Petition.

6.4 Administrative and General Expenses

Petitioner's Submissions

6.4.1 The Petitioner has submitted the A&G expenses of Rs. 31.72 Crore for FY 2017-18 as per the Regulation 21.3 of the Transmission MYT Regulations, 2014 as below: -

Quote

A&G expense shall be computed as per the norm escalated by wholesale price index (WPI) and adjusted by provisions for confirmed initiatives (IT etc. initiatives as proposed by the Transmission Licensee and validated by the Commission) or other expected one-time expenses, and shall be governed by following formula:

*A&Gn= (A&Gb * WPI inflation) + Provision*

Where:

A&Gn: A&G expense for the year n A&Gb: A&G expense as per the norm WPI inflation: is the average increase in the Wholesale Price Index (WPI) for immediately preceding three financial years Provision: Cost for initiatives or other one-time expenses as proposed by the Transmission Licensee and validated by the Commission."

Unquote

6.4.2 The Petitioner submitted that A&G expenses have been claimed for the FY 2017-18 in the Petition based on the same norms as approved by the Commission for FY 2017-18 in the Tariff Order dated November 30, 2018.

Commission's Ruling

6.4.3 The Commission vide email dated December 26, 2018 asked the Petitioner to submit the reason for not claiming A&G capitalization in the FY 2017-18 and directed to make the filings as per regulatory accounts.

6.4.4 In reply to the above query UPPTCL vide email dated December 31, 2018 submitted that FY 2015-16 onwards no A&G expense capitalisation has been considered in the annual accounts. The erstwhile policy for capitalisation of the administrative and general expenses has been discontinued with effect from FY 2015-16 based on the observations of the AG Audit. Thus, it is humbly requested to the Commission that no administrative and general expenses capitalisation may be considered for FY 2015-16 to FY 2019-20 while allowing the A&G expenses.

6.4.5 The Commission approved A&G expense norms for transmission lines and bays in the said Tariff Order for computation of normative A&G expenses. The approved figures of A&G expense in MYT Order and claimed by Petitioner are as follows:

Table 21: ADMINISTRATIVE & GENERAL EXPENSES

Particulars	Tariff Order	Claimed
Norms per ckt km (Rs. Crore)	0.0002	0.0002
Line Length (ckt km)	44,618.41	36,292.28
A&G Expenses for Transmission Lines (Rs. Crore)	9.30	7.56
Norms per Bay (Rs. Crore)	0.0048	0.0048
Number of Bays (nos.)	3,955	3,881.00
A&G Expenses for Bays (Rs. Crore)	18.91	18.56
Norms per Employee (Rs. Crore)	0.0009	0.0009
Number of Employees (nos.)	6,411.00	6,411.00
A&G Expenses for Employees (Rs. Crore)	5.60	5.60
Total A&G Expense (Crore)	33.81	31.72
Less A&G Expense Capitalized (Crore)	6.85	-
Net A&G Expense (Crore)	**26.96**	**31.72**

6.4.6 The Commission analysed that Petitioner has not claimed the A&G expense capitalization, which is the main cause for the increase in Net A&G Expenses. However, there is reduction in the claimed Line Length (ckt kms) as compared to value approved in the Tariff Order.

6.5 R&M Expenses

Petitioner's Submissions

6.5.1 The Petitioner submitted the R&M expenses for FY 2017-18 as per the Regulation 21.2 of the Transmission MYT Regulations, 2014 as below: -

Quote

Repairs and Maintenance expense shall be calculated as percentage (as per the norm defined) of Average Gross Fixed Assets for the year governed by following formula:

*R&Mn = Kb * GFAn*

Where:

R&Mn: Repairs & Maintenance expense for nth year GFAn: Average Gross Fixed Assets for nth year Kb: Percentage point as per the norm.

Unquote

6.5.2 As per the Transmission MYT Regulations, 2014, the R&M expenses for any year of the MYT period are a percentage or fraction of the average GFA base of that year. The 'K_b' factor has already been approved by the Commission for FY 2017-18 as 1.68% in the Tariff Order.

Table 22: REPAIR & MAINTENANCE EXPENSES

Particulars	Tariff Order	Claimed
Average GFA (Rs. Crore)	18,475.35	20,208.25
K_b - Factor (%)	1.68%	1.68%
R&M Expense (Crore)	310.12	339.21

Commission's Ruling

6.5.3 The Commission observes that there is increase in claimed amount of average GFA, which is the reason for the increase in R&M Expenses.

6.6 Operation and Maintenance Expenses for FY 2017-18

Petitioner's Submissions

6.6.1 The O&M expenses for FY 2017-18 as submitted by Petitioner and approved in Tariff Order are depicted in the Table below:

Table 23: O&M EXPENSES FOR FY 2017-18 (RS. CRORE)

Particulars	Tariff Order	Claimed
Gross Employee Expenses	919.94	864.18
Employee Expenses capitalized	230.03	314.30
Net Employee Expenses	689.91	549.88
Gross A&G Expenses	33.81	31.72
A&G Expenses capitalized	6.85	-
Net A&G Expenses	26.96	31.72
R&M Expenses	310.12	339.21
Total O&M Expenses	**1,026.99**	**920.81**

Commission's Ruling

6.6.2 The overall decrease in the claimed O&M expenses of the Petitioner is because of the reasons analysed in each component of O&M expenses.

6.7 Gross Fixed Assets Balances and Capital Formation

Petitioner's Submissions

6.7.1 The Petitioner made the assumptions for projecting GFA and CWIP as follows:

- Considering the CWIP and GFA balances as per provisional accounts for FY 2017-18, the Petitioner has derived the capital investments undertaken by it in FY 2017-18.
- The capital investment for FY 2017-18 has been estimated as per the table below:

Table 24: CAPITAL INVESTMENT FOR FY 2017-18 (RS. CRORE)

Financing	FY 2017-18	
	Tariff Order	Revised Submission in APR as per provisional accounts
Grant or Consumer Contribution	100.00	205.43
Debt	4,209.10	2,254.49
Equity	1,803.90	966.21

Financing	FY 2017-18	
	Tariff Order	Revised Submission in APR as per provisional accounts
Total Investment	**6,113.00**	**3,426.13**

- The Petitioner has made Investment through "deposit work" and the same has been taken for capital formation. The total Consumer Contribution considered towards the capital formation in FY 2017-18 is as per provisional accounts, i.e., Rs. 205.43 Crore.
- The procedure prescribed by the Transmission MYT Regulations, 2014 towards claiming the capital investment plan has been strictly complied with in the current Petition.
- The capital investment plan (net of deposit works) has been projected to be funded in the ratio of 70 : 30 (debt to equity).

6.7.2 The projected capital formation and capital work in progress for FY 2017-18 are presented below:

Table 25: CLAIMED & TARIFF ORDER FIGURES OF CAPITALISATION & CWIP DURING FY 2017-18 (RS. CRORE)

Particulars	Derivation	FY 2017-18	
		Tariff Order	Claimed
Opening CWIP as on 1st April	A	9,703.83	7,032.83
Investments	B	6,113.00	3,426.13
Employee Expenses Capitalisation	C	230.03	314.30
A&G Expenses Capitalisation	D	6.85	0.00
Interest Capitalisation on Interest on long term loans	E	863.32	295.08
Total Investments	**F= A+B+C+D+E**	**16,917.03**	**11,068.34**
Transferred to GFA (Total Capitalisation)	G	4,449.23	3,928.76
Closing CWIP	**H= F-G**	**12,467.80**	**7,139.59**

Commission's Ruling

6.7.3 The Commission observed that the Petitioner has considered the normative closing gross fixed asset base for FY 2016-17 as the opening GFA balance for FY 2017-18, which is the main reason for the difference in the claimed figure of the Petitioner against the approved numbers in the last year Tariff Order.

6.8 Depreciation

Petitioner's Submissions

6.8.1 Regulation 22 of the Transmission MYT Regulations, 2014 specifies as follows:

Quote

22 Treatment of Depreciation:

a) Depreciation shall be calculated for each year of the control period on the written down value of the fixed assets of the corresponding year.

b) Depreciation shall not be allowed on assets funded by consumer contributions or subsidies / grants.

c) Depreciation shall be calculated annually on the basis of rates as detailed in Annexure-C or as maybe notified by the Commission vide a separate order.

d) The residual value of assets shall be considered as 10% and depreciation shall be allowed to a maximum of 90% of the original cost of the asset. Provided the Land shall not be treated as a depreciable asset and its cost shall be excluded while computing 90% of the original cost of the asset.

e) Depreciation shall be charged from the first year of operation of the asset. Provided that in case of operation of the asset is for the part of the year, depreciation shall be charged on proportionate basis.

f) Provision of replacement of assets shall be made in capital investment plan.

Unquote

6.8.2 The Petitioner has considered the same approach while claiming the allowable depreciation for FY 2017-18, which Commission has already approved in the MYT Tariff Order. Further, the Petitioner has considered the normative closing Gross Fixed Asset base for FY 2016-17 as the opening GFA balance for FY 2017-18 while computing the allowable depreciation. The detailed computation is provided below:

Table 26: GROSS ALLOWABLE DEPRECIATION CLAIMED FOR FY 2017-18 (RS. CRORE)

Depreciable Assets	Opening GFA as on 1.4.2017 (Depreciable Assets)	Cumulative Depreciation up-to 31.3.2017	Written Down Opening	Net Addition (Depreciable Assets)	Closing GFA as on 31.3.2018 (Depreciable Assets)	Rate of Depreciation (%)	Allowable Depreciation
Buildings	809.48	187.64	621.84	84.35	893.83	3.02%	20.05
Other Civil Works	82.09	19.03	63.06	2.48	84.57	3.02%	1.94
Plant & Machinery	9,915.35	2,298.40	7,616.94	1,374.19	11,289.53	7.81%	648.55
Lines, Cables, Network etc.	7,363.41	1,706.86	5,656.55	2,233.57	9,596.98	5.27%	356.95
Vehicles	3.40	0.79	2.61	-0.01	3.39	12.77%	0.33
Furniture & Fixtures	6.12	1.42	4.70	0.58	6.69	12.77%	0.64
Office Equipment	7.14	1.65	5.48	0.64	7.78	12.77%	0.74
Intangible Assets	1.99	0.46	1.53	2.31	4.30	15.00%	0.40
Other assets	93.24	21.61	71.63	1.68	94.92	12.77%	9.25
Total	**18,282.21**	**4,237.86**	**14,044.35**	**3,699.78**	**21,981.99**	**6.54%**	**1,038.86**

6.8.3 The Petitioner further submitted that due to change in the UPPTCL's accounting policy from FY 2016-17 onwards the amount of depreciation charged on assets created out of Consumer Contributions, capital grants and subsidies is booked under the Other Income, hence, the same is considered as a part of the Other Income for FY 2017-18 also. Hence, the Petitioner requested the Commission to consider the depreciation amount of Rs. 1,038.86 Crore.

Commission's Ruling

6.8.4 The Commission has carried out comparison of each component of APR as claimed by the Petitioner with that approved vide Tariff Order dated November 30, 2017 for FY 2017-18. The Commission will carry out the detailed prudence check of various components of ARR for FY 2017-18 while carrying out the truing up for FY 2017-18. However, the licensee is required to make submission strictly as per Regulations & MYT Tariff Order to maintain the sanctity of Regulatory accounting.

6.8.5 The GFA projected for the year FY 2017-18 is as shown under:

Table 27: PROJECTIONS & COMMISSION APPROVED FIGURES OF GROSS FIXED ASSETS FOR FY 2017-18 (RS. CRORE)

Particulars	Derivation	FY 2017-18	
		Tariff Order	Claimed
Opening GFA	A	16,250.73	18,357.81
Addition to GFA during the year	B	4,449.23	3,928.76
Deductions	C		227.28
Closing GFA	**D=A+B-C**	**20,699.97**	**22,058.69**

6.8.6 The Commission has approved the following Depreciation on the assets listed below:

Table 28: CLAIMED & APPROVED IN TARIFF ORDER GROSS BLOCK & GFA FOR FY 2017-18 (RS. CRORE)

Particulars	Tariff Order		Claimed	
	Opening GFA as on 31.3.2017	Net Additions GFA	Opening GFA as on 1.4.2017	Net Additions GFA
Land & Land Rights				
(i) Unclassified	50.31	13.77	-	-
(ii) Freehold Land	0.07	0.02	-	-
Buildings	769.30	210.63	809.48	84.35
Other Civil Works	86.40	23.66	82.09	2.48
Plant & Machinery	8,607.11	2,356.51	9,915.35	1,374.19
Lines, Cables, Network etc.	6,603.36	1,807.91	7,363.41	2,233.57
Vehicles	4.33	1.19	3.40	-0.01
Furniture & Fixtures	5.30	1.45	6.12	0.58
Office Equipment's	9.51	2.60	7.14	0.64
Other assets	112.65	30.84	93.24	1.68
intangible assets	2.39	0.65	1.99	2.31

Particulars	Tariff Order		Claimed	
	Opening GFA as on 31.3.2017	Net Additions GFA	Opening GFA as on 1.4.2017	Net Additions GFA
Total Fixed Assets	**16,250.73**	**4,449.23**	**18,282.21**	**3,699.78**
Non-depreciable assets (Land & Land Rights)	50.38	13.79	-	-
Total Depreciable assets	**16,200.35**	**4,435.44**	**18,282.21**	**3,699.78**

Table 29: GROSS AND NET ALLOWABLE DEPRECIATION APPROVED IN TARIFF ORDER WITH CLAIMED FIGURES FOR FY 2017-18 (RS CRORE)

Depreciation MYT Period (WDV)	FY 2017-18	
	Tariff Order	Claimed
Buildings	20.65	20.05
Other Civil Works	2.32	1.94
Plant & Machinery	597.44	648.55
Lines, Cables, Network etc.	309.29	356.95
Vehicles	0.49	0.33
Furniture & Fixtures	0.60	0.64
Office Equipment	1.08	0.74
Other assets	12.78	9.25
intangible assets	0.32	0.40
Gross Allowable Depreciation	**944.97**	**1,038.86**
Less: Consumer Contribution	35.26	0.00
Net Depreciation	**909.71**	**1,038.86**

6.8.7 There is difference in the Gross Allowable Depreciation in the Petitioner's claim (Rs. 1038.86 Crore) as compared to approved (Rs. 909.71 Crore) in the Tariff Order of FY 2017-18. This difference is because of the net addition in the Gross Fixed Asset in FY 2016-17. The same already has been disused in the previous Section.

6.9 Financing of Capital Investment

Petitioner's Submissions

6.9.1 The total Consumer Contribution considered towards the capital formation in FY 2017-18 is as per provisional accounts, i.e., Rs. 205.43. The Petitioner has considered the same normative approach, which Commission has discussed in the Tariff Order of FY 2017-18 in which 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.

6.9.2 The table below summarises the amounts considered towards Consumer Contributions, capital grants and subsidies for FY 2017-18 by the Petitioner and considered by the Commission in the Tariff Order:

Table 30: CONSUMER CONTRIBUTION, CAPITAL GRANTS & SUBSIDIES CONSIDERED (RS. CRORE)

Particulars	FY 2017-18	
	Tariff Order	Claimed
Opening Balance of Consumer Contributions, Grants and Subsidies towards Cost of Capital Assets	666.33	637.84
Additions during the year	100.00	205.43
Less: Deductions	38.58	50.32
Closing Balance	**727.75**	**792.95**

Thus, the financing of the capital investment is depicted in the table below:

Table 31: FINANCING OF THE CAPITAL INVESTMENT FOR FY 2017-18 (RS. CRORE)

Particulars	Derivation	FY 2017-18	
		Tariff Order	Claimed
Investment	A	6,113.00	3,426.13
Less:			
Consumer Contribution	B	100.00	205.43
Investment funded by debt and equity	C=A-B	6,013.00	3,220.70
Debt Funded	70%	4,209.10	2,554.49
Equity Funded	30%	1,803.90	966.21

6.9.3 The Petitioner submitted that out of the capital investment of Rs. 3,426.13 Crore in FY 2017-18, the Capital investment through deposit works has been considered as Rs. 205.43 Crore. The balance amount of investments is considered to be funded through debt and equity. The debt equity ratio considered for the period is 70:30. The Petitioner submitted that the capital expenditure in FY 2017-18 is towards new and ongoing works of sub-stations and transmission lines, augmentation schemes and power evacuation schemes.

Commission's Ruling

6.9.4 The Commission had also approved the Consumer Contributions, capital subsidies and grants to the tune of Rs. 100.00 Crore for FY 2017-18 in MYT Order date November 30, 2017. and the balance amount has been considered to be funded through debt and equity considering a debt equity ratio of 70:30.

6.10 Prior period Expenses

Petitioner's Submissions

6.10.1 The Portioner has submitted that it has identified and accounted for certain prior period errors in Provisional Accounts of FY 2017-18. There has been recognition of net prior period expenses of Rs. 1.38 Crore.

Commission's Ruling

6.10.2 Prior period expenses and incomes are the outcomes / errors in the recording the transactions in the accounting statements. The items booked under the prior period expenses are essentially ARR items like O&M expenses, interest and finance charges, etc. However, the Commission also observed that there was no amount had been approved under the head of prior period expenses in the last year MYT Order.

6.11 Interest on Long-Term Loans

Petitioner's Submissions

6.11.1 The Petitioner has considered allowable depreciation for the year as normative loan repayment. The weighted average rate of interest of overall long-term loan portfolio for FY 2017-18 has been considered. The interest capitalisation has been considered for FY 2017-18 as per the provisional accounts. The computation of interest on long-term loan by Petitioner for APR of FY 2017-18 and that considered by Commission in the Tariff Order are depicted below:

Table 32: INTEREST ON LONG-TERM LOANS FOR FY 2017-18 (RS. CRORE)

Particulars	FY 2017-18	
	Tariff Order	Claimed
Opening Loan	9,977.52	9,679.90
Loan Additions (70% of Investments)	4,209.10	2,254.49
Less: Repayments (Depreciation allowable for the year)	909.71	1,038.86
Closing Loan Balance	13,276.91	10,895.53
Weighted Average Rate of Interest (%)	12.50%	11.16%
Interest on long term loan	**1,453.40**	**1,148.22**
Interest Capitalisation Rate (%)	59.40%	25.70%
Less: Interest Capitalized	863.32	295.08
Net Interest Charged	**590.08**	**853.14**

Commission's Ruling

6.11.2 The Commission has considered the normative approach with debt: equity ratio of 70:30 specified in the Transmission MYT Regulations, 2014. The portion of capital expenditure financed through Consumer Contributions and grants has been separated as the depreciation thereon would not be charged to the consumers. Further, the allowable depreciation for the year has been considered for the year has been considered for normative loan repayment.

6.12 Finance Charges

Petitioner's Submissions

6.12.1 The Petitioner has claimed the finance charges towards expenses such as guarantee fees and bank charges to the tune of Rs. 0.52 Crore in FY 2017-18 as per the provisional accounts for FY 2017-18.

Commission's Ruling

6.12.2 The Commission has allowed finance charges to the tune of Rs. 1.35 Crore for FY 2017-18 in Tariff Order. The same has been computed by extrapolating the finance charges incurred in FY 2015-16 as per the audited accounts and using the inflation indices approved for the respective years.

6.13 Interest on Working Capital

Petitioner's Submissions

6.13.1 Transmission MYT Regulations, 2014 provides for normative interest on working Capital based on the methodology outlined in the Regulations. The interest on working capital has been computed based on the methodology specified in Regulation 24 as provided below:

Quote

The Transmission Licensee shall be allowed interest on estimated level of working capital for the financial year, computed as follows:

a) O&M expenses for one month.

b) Two months equivalent of expected revenue.

c) Maintenance spares @ 40% of R&M expenses for two month.

Less:

Security deposits from consumers, if any-

Provided that the interest on working capital shall be on normative basis and rate of interest shall be equal to the State Bank Advance Rate (SBAR) as of the date on which petition for determination of tariff is accepted by the Commission:

Unquote

6.13.2 In accordance with the Transmission MYT Regulations, 2014, the interest on the working capital requirement is considered at the current State Bank Advance Rate, i.e., 14.05%. The Petitioner submitted the interest on working capital, claimed in accordance with the Transmission MYT Regulations, 2014, as follows:

Table 33: INTEREST ON WORKING CAPITAL FOR FY 2017-18 (RS. CRORE)

Particulars	FY 2017-18	
	Tariff Order	Claimed
One Month of O&M Expenses	85.58	76.73
Maintenance spares @ 40% of R&M expenses for two months	20.67	22.61
Receivable equivalent to 60 days average billing of consumers	446.35	485.91
Less: Security deposits from consumers	-	-
Total Working Capital Requirement	**552.60**	**585.25**
Interest rate (%)	14.05%	14.05%

Particulars	FY 2017-18	
	Tariff Order	Claimed
Interest on working capital	77.64	82.23

Commission's Ruling

6.13.3 The Commission directed in the Tariff Order that in accordance with the Transmission MYT Regulations, 2014, the interest on working capital requirement shall be computed on normative basis and rate of interest shall be equal to the State Bank Advance Rate (SBAR) as of the date on which Petition for determination of tariff is accepted by the Commission via admittance order dated November 13, 2018. Accordingly, the Commission has considered the interest rate on working capital requirement at 14.05%.

6.14 Other Income

6.14.1 Other Income includes only Non-Tariff Income, which comprises interest on loans and advances to employees, income from fixed rate investment deposits and interest on loans and advances to staff.

6.14.2 The Commission had approved the Non-Tariff Income of Rs. 52.73 Crore for FY 2017-18 in the Tariff Order of FY 2017-18.

6.14.3 The Petitioner has submitted that the amount of depreciation charged on assets created out of Consumer Contributions, capital grants and subsidies is also booked under the Other Income from FY 2016-17 onwards. The Other Income for FY 2017-18 has been considered as per the provisional accounts for FY 2017-18, which is to the tune of Rs. 120.15 Crore.

6.15 Return on Equity

Petitioner's Submissions

6.15.1 Under provisions of the Transmission MYT Regulations, the Petitioner is eligible to a return of @ 15.5% on equity base; 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 loan. In case of actual equity employed being less than 30%, actual debt and equity shall be considered for determination of tariff.

6.15.2 In the Petition, the Petitioner submitted that the return on equity has been computed as per methodology adopted by Commission in the previous Tariff Orders.

6.15.3 In view of the huge gap in the recovery of cost of supply at the Discom's level, Petitioner is of the view that return on equity would only result in increase in arrears and accumulation of receivables. As such, the Petitioner has been claiming the return on equity @ 2% since FY 2009-10 onwards. Return on equity has been computed on the normative equity portion (30%) of capitalised assets.

6.15.4 The Petitioner has claimed the eligible return on equity by considering the opening level of equity for FY 2015-16 based on the closing regulatory equity as per the True-up petition of FY 2015-16 and the closing equity balance, based on APR for FY 2016-17. Subsequently, it has considered the yearly normative equity based on the capital additions for FY 2017-18 depicted in aforementioned sections. Thus, the claimed return on equity for FY 2017-18 is Rs. 138.65 Crore as shown in the Table below:

Table 34: RETURN ON EQUITY FOR FY 2017-18 (RS. CRORE)

Particulars	Derivation	FY 2017-18	
		Tariff Order	Claimed
Equity at the beginning of the year	A	5,584.77	6,343.40
Assets Capitalised	B	4,449.23	3,928.76
Addition to Equity	C = 30% of B	1,334.77	1,178.63
Closing Equity	D = A + C	6,919.54	7,522.03
Average Equity	E = Average of A & D	6,252.16	6,932.72
Rate of Return (%)	F	2.00%	2.00%
Return on Equity	**G = E x F**	**125.04**	**138.65**

Commission's Ruling

6.15.5 The Commission analysed that the increase in claimed amount of the Return on Equity by the Petitioner is because of the increase in the equity at the beginning of the year and the addition in the equity.

6.16 Service Tax

6.16.1 Regulation 27 of the Transmission MYT Regulations, 2014 provides as under:

Quote

27. Income Tax-

Income Tax if any on the Licensed business of the Transmission Licensee shall be treated as expense and shall be recoverable from consumers through tariff. However, tax on any income other than its licensed business shall not be a pass through, and it shall be payable by the Transmission Licensee itself.

The income tax actually payable or paid shall be included in the ARR. The actual assessment of income tax should take into account benefits or tax holiday, and the credit for carry forward losses applicable as per the provisions of the Income Tax Act, 1961 shall be passed on to the consumers.

Unquote

Petitioner's Submissions

6.16.2 The Petitioner has submitted that Service Tax/GST liability is imposed on the service provider, which would be UPPTCL in this case. Service Tax/GST would be chargeable on actual energy wheeled during a financial year and at the rates as notified and amended by the Govt. from time to time. The Petitioner seeks allowance of such statutory liability on the service provider UPPTCL as pass through in tariff. Also, such liability may be imposed on UPPTCL retrospectively like it was done in the case of PGCIL. In such an event the Petitioner would approach the Commission for allowance of such liability in its APR accordingly.

Commission's Ruling

6.16.3 The Commission has not approved any figures in the Tariff Order for FY 2017-18 related to Service Tax/GST and stated that the Petitioner has not proposed any expenses on this account in the ARR for the MYT Period. Hence, the same has not been considered in the Tariff Order. The Commission shall take an appropriate view based on the merits of the specific submissions of the Petitioner in this regard in term of Transmission MYT Regulations, 2014.

6.16.4 The revised ARR for FY 2017-18 under the Annual Performance Review with the approved figures of ARR in the Tariff Order are summarized in the table below:

Table 35: ANNUAL REVENUE REQUIREMENT FOR FY 2017-18 (RS. CRORE)

Particulars	FY 2017-18	
	Tariff Order	Claimed
Gross O&M expenses	**1,263.87**	**1,235.11**
Employee cost	919.94	864.18
A&G expenses	33.81	31.72
R&M expenses	310.12	339.21
Interest on Loan Capital	1,453.40	1,148.22
Interest on Working Capital	77.64	82.23
Finance Charges	1.35	0.52
Depreciation	909.71	1,038.86
Gross Expenditure	**3,705.97**	**3,504.93**
Less: Employee cost capitalized	230.03	314.30
Less: A&G Capitalisation	6.85	0.00
Less: Interest Capitalisation	863.32	295.08
Net Expenditure	**2,605.77**	**2,895.55**
Provision for Bad & Doubtful debts	0.00	0.00
Prior Period Items, Debits, write-offs & other expenses	0.00	1.38
Net Expenditure with provisions	**2,605.77**	**2,896.92**
Add: Return on Equity	125.04	138.65
Less: Non-Tariff Income	52.73	120.15
Aggregate Revenue Requirement (ARR)	**2,678.08**	**2,915.43**
Revenue from Operations (Actual/Anticipated)	**2,678.08**	**2,069.38**
Net Gap / (Surplus) (Anticipated)	**0.00**	**846.05**

6.16.5 The revised ARR for FY 2017-18 as estimated by the Petitioner is Rs. 2,915.43 Crore as against Rs. 2,678.08 Crore approved in the Tariff Order. After considering the revenue as per the provisional accounts for FY 2017-18, i.e., Rs. 2,069.38 Crore, the Petitioner has claimed the Revenue Gap to the tune of Rs. 846.05 Crore.

6.16.6 As discussed earlier, the Commission shall determine Revenue Gap/Surplus for FY 2017-18 during the truing up exercise.

7. SUO-MOTO PROCEEDINGS ON TARIFF FOR FY 2018-19 FOR UPPTCL

7.1 INTRODUCTION

7.1.1 The Commission has analysed all the components of the Aggregate Revenue Requirement (ARR) submitted by the Petitioner to arrive at suitable values. As per the Transmission MYT Regulations, 2014 the ARR includes the following components:

a) Operation and Maintenance Expenses
- Employee Expenses
- Administration & General Expenses
- Repairs and Maintenance Expenses

b) Interest Expenses
- Interest on Loan Capital
- Interest on Working Capital

c) Depreciation Expenses

d) Return on Equity

e) Other Income (Non-tariff income)

f) Tax on Income

g) Any other relevant expenditure

7.1.2 The detailed analysis of each and every element identified above is presented in the subsequent sections.

7.2 TRANSMISSION LOSSES

Petitioner's Submissions

7.2.1 In the Tariff Order dated November 30, 2017, the Commission had approved intra-State transmission losses of 3.79% for FY 2018-19.

7.2.2 The Petitioner has claimed the intra-State transmission losses of 3.60% for FY 2018-19.

Commission's Ruling

7.2.3 The Commission approves the Petitioner's submission of intra-State transmission losses of 3.60% for FY 2018-19 as the same are lower than that approved by the Commission in MYT Tariff Order for FY 2018-19 dated November 30, 2017. The Commission also approves the inter-State transmission losses up to Transmission periphery as 1.41% for FY 2018-19 . However, the Petitioner must put in sincere efforts to ensure and bring down the losses. Also, the approved intra-State losses shall be trued up at the time of True up.

7.3 TRANSMISSION AVAILABILITY

Petitioner's Submissions

7.3.1 The Transmission Availability as submitted by the Petitioner is around 99.03% (FY 2016-17), with UPPTCL handling net injected energy (inter-State at CTU-STU periphery and intra-State at G-T periphery) to deliver it to its customers (including Distribution Licensees).

Commission's Ruling

7.3.2 The Petitioner has not submitted any projections for Transmission Availability for FY 2018-19. However, the Petitioner has submitted that the Transmission Availability for FY 2016-17 was 99.03% and hence, the same has been considered for FY 2018-19.

7.4 OPERATION & MAINTENANCE EXPENSES

Petitioner's Submissions

7.4.1 The Petitioner submitted that the Transmission MYT Regulations, 2014 mandates the Commission to stipulate a separate trajectory of norms for each of the components of O&M expenses, viz., Employee expenses, Repairs and maintenance (R&M) expenses, and Administrative and General Expense (A&G) expenses.

Employee Expenses

7.4.2 The Petitioner has submitted the Employee expenses for FY 2018-19 as per the Regulation 25.1 of the Transmission MYT Regulations, 2014 as below:

Quote

Employee cost shall be computed as per the approved norm escalated by consumer price index (CPI), adjusted by provisions for expenses beyond the control of the Licensee and one time expected expenses, such as recovery/adjustment of terminal benefits, implications of pay commission, arrears, Interim Relief etc., governed by the following formula:

*EMPn= (EMPb * CPI inflation) + Provision*

Where:

EMPn: Employee expense for the year n. EMPb: Employee expense as per the norm CPI inflation: is the average increase in the Consumer Price Index (CPI) for immediately preceding three financial years. Provision: Provision for expenses beyond control of the Transmission Licensee and expected one-time expenses as specified above.

Unquote

7.4.3 Further, the Petitioner submitted that they have considered the approach adopted by the Commission while approving the MYT ARR for the 1st Control Period (FY 2017-18 to FY 2019-20) in its Order dated November 30, 2017. The Petitioner has also considered provision for the 7th Pay Commission arrears for FY 2015-16 and FY 2016-17 to be payable during the MYT period. The total 7th Pay Commission arrears for FY 2015-16 and FY 2016-17 is estimated to be Rs. 124.76 Crore, and the same is to be released in equal tranches of Rs. 41.59 Crore in each year of the MYT period.

7.4.4 The Petitioner submitted that the employee expenses capitalised for FY 2018-19 has been considered at the same rate as per the annual accounts of FY 2015-16.

7.4.5 The Petitioner also mentioned that they have considered the 7th Pay Commission arrears towards the pay revision impact of 15%. However, the Petitioner reserves the right to claim any deviation in the employee expenses on account of any recovery/adjustment of terminal benefits, implications of Pay Commission, arrears, Interim Relief etc. at the stage of truing up.

Commission's Ruling

7.4.6 Considering the methodology provided in Transmission MYT Regulations, 2014 the detailed calculation of Employee Expense has been done.

7.4.7 The Licensee during several deliberations had been directed to submit the details of Line Length & No. of Bays but till now Licensee has not submitted the same. Hence, in the absence of this detailed information Commission is disallowing the 20% of the claimed amount of employee expense. Further, the same may be considered during true up for FY 2018-19 on submission of the requisite details by the Licensee. The same is as depicted in the table below:

Table 36: EMPLOYEE EXPENSES FOR FY 2018-19

Particulars	FY 2018-19		
	Tariff Order	Revised Estimates	Approved
Norms per ckt km (Rs. Crore)	0.0053	0.0053	0.0053
Line Length (ckt km)	49,200.41	38,887.28	38,887.28
Employee Expenses (ckt km) (Rs. Crore)	258.86	204.60	204.60
Norms per Bay (Rs. Crore)	0.1814	0.1814	0.1814
Number of Bays (nos)	4,417	4,032	4,032
Employee Expenses (Bays) (Rs. Crore)	801.27	731.43	731.43
Add: Arrears (Rs. Crore)	44.74	41.59	41.58
Total Employee Expenses (Rs. Crore)	**1,104.88**	**977.61**	**977.61**
Less: 20% Disallowance	-	-	195.52
Employee Expense after Disallowance	**-**	**-**	**782.09**

A&G Expenses

Petitioner's Submissions

7.4.8 The Petitioner has submitted the A&G expenses for FY 2018-19 as per the Regulation 21.3 of the Transmission MYT Regulations, 2014 as below: -

Quote

A&G expense shall be computed as per the norm escalated by wholesale price index (WPI) and adjusted by provisions for confirmed initiatives (IT etc. initiatives as proposed by the Transmission Licensee and validated by the Commission) or other expected one-time expenses, and shall be governed by following formula:

*A&Gn= (A&Gb * WPI inflation) + Provision*

Where:

A&Gn: A&G expense for the year n A&Gb: A&G expense as per the norm WPI inflation: is the average increase in the Wholesale Price Index (WPI) for immediately preceding three financial years Provision: Cost for initiatives or other one-time expenses as proposed by the Transmission Licensee and validated by the Commission.

Unquote

7.4.9 Further, the Petitioner has claimed the normative A&G expenses as per the approach adopted by the Commission while approving the MYT ARR for the 1st Control Period (FY 2017-18 to FY 2019-20) in its Order dated November 30, 2017. The Commission approved A&G expense norms for transmission lines and the norms for bays in the said MYT Order for computation of normative A&G expenses.

Commission's Ruling

7.4.10 The Commission vide email dated December 26, 2018 asked the Petitioner to submit the reason for not claiming A&G capitalization in the FY 2018-19 and directed to make the filings as per regulatory accounts.

7.4.11 In reply to the above query UPPTCL vide email dated December 31, 2018 submitted that FY 2015-16 onwards no A&G expense capitalisation has been considered in the annual accounts. The erstwhile policy for capitalisation of the administrative and general expenses has been discontinued with effect from FY 2015-16 based on the observations of the AG Audit. Thus, it is humbly requested to the Commission that no administrative and general expense capitalisation may be considered for FY 2015-16 to FY 2019-20 while allowing the A&G expenses.

7.4.12 Considering the methodology provided in Transmission MYT Regulations, 2014, the detailed computation of the A&G expenses has been done.

7.4.13 The Licensee during several deliberations had been directed to submit the details of Line Length & No. of Bays but till now Licensee has not submitted the same. Hence, in the absence of this detailed information Commission is disallowing the 20% of the claimed amount of A&G expense. Further, the same may be considered during true up for FY 2018-19 on submission of the requisite details by the Licensee. The same is as depicted in the table below:

Table 37: A&G EXPENSES FOR FY 2018-19

Particulars	FY 2018-19		
	Tariff Order	Claimed	Approved
Norms per ckt km (Rs. Crore)	0.0002	0.0002	0.0002
Line Length (ckt km)	49,200.41	38,887.28	38,887.28
A&G Expenses for Transmission Lines (Rs. Crore)	10.71	8.47	8.47

Particulars	FY 2018-19		
	Tariff Order	Claimed	Approved
Norms per Bay (Rs. Crore)	0.0050	0.0050	0.0050
Number of Bays (nos.)	4,417.00	4,032.00	4,032.00
A&G Expenses for Bays (Rs. Crore)	22.06	20.14	20.14
Norms per Employee (Rs. Crore)	0.0009	0.0009	0.0009
Number of Employees (nos.)	6,718.00	6,718.00	6,718.00
A&G Expenses for Employees (Rs. Crore)	6.13	6.13	6.13
Total A&G Expenses (Rs. Crore)	**38.90**	**34.73**	**34.73**
Less: 20% Disallowance	-	-	6.95
A&G Expense after Disallowance	-	-	**27.79**

R&M Expenses

Petitioner's Submissions

7.4.14 The Petitioner has computed the R&M expenses for FY 2018-19 as per the Regulation 21.2 of the Transmission MYT Regulations, 2014 as below: -

Quote

Repairs and Maintenance expense shall be calculated as percentage (as per the norm defined) of Average Gross Fixed Assets for the year governed by following formula:

*R&Mn = Kb * GFAn*

Where:

R&Mn: Repairs & Maintenance expense for nth year GFAn: Average Gross Fixed Assets for nth year Kb: Percentage point as per the norm.

Unquote

7.4.15 The Petitioner submitted that they have calculated the R&M expenses as per the Transmission MYT Regulations, 2014, wherein the R&M expenses for FY 2018-19 is a percentage or fraction of the average GFA base of that year. The 'K_b' factor approved by the Commission for FY 2018-19 is 1.75% and the same has been considered for computation of the R&M expenses.

Commission's Ruling

7.4.16 The Commission has computed the normative R&M Expenses of UPPTCL as per the provisions of Transmission MYT Regulations, 2014.

7.4.17 For computing the average GFA for FY 2018-19, the Petitioner has considered the opening GFA of FY 2018-19 as the closing GFA of FY 2017-18 which is based on its provisional annual accounts of FY 2017-18. However, the Commission has computed the average GFA for FY 2018-19 by considering the capitalisation as stated in para of "GFA balances and capital formation assumptions".

7.4.18 The Commission approves the "K_b" factor for the Petitioner for FY 2018-19 as approved in MYT Order for the Control Period FY 2017-18 to FY 2019-20.

7.4.19 In the absence of capitalisation details for FY 2016-17 to FY 2018-19 the Commission disallows the 20% of the R&M expenses. Further, the same may be considered during true up for FY 2018-19 on submission of the requisite details by the Licensee.The same is depicted in the table below:

Table 38: R&M EXPENSES FOR FY 2018-19

Particulars	FY 2018-19		
	Tariff Order	Claimed	Approved
Average GFA (Rs. Crore)	23,389.44	23,628.35	20,616.74
K_b - Factor (%)	1.75%	1.75%	1.75%
R&M Expense (Rs. Crore)	**410.10**	**414.29**	**361.49**
Less: Deductions	-	-	**72.30**
R&M Expense after Deduction	-	-	**289.19**

7.4.20 The summary of O&M Expenses approved by the Commission for UPPTCL is as shown under:

Table 39: APPROVED O&M EXPENSES FOR FY 2018-19

Particulars	FY 2018-19		
	Tariff Order	Claimed	Approved
Employee Expenses			
Gross Employee Costs (Rs in Crore)	1,104.88	977.61	977.61
Gross Employee Costs after 20% Deduction (Rs in Crore)	-	-	782.09

Particulars	FY 2018-19		
	Tariff Order	Claimed	Approved
Employee expenses capitalized (Rs in Crore)	276.27	409.53	409.53
Employee expenses capitalized after Deduction (Rs in Crore)	-	-	327.63
Net Employee Expenses (Rs in Crore)	**828.61**	**568.08**	**454.46**
A&G Expenses			
Gross A&G Expenses (Rs in Crore)	38.90	34.73	34.73
Gross A&G Expenses after Deduction (Rs in Crore)	-	-	27.79
A&G expenses capitalized (Rs in Crore)	7.88	0.00	0.00
Net A&G Expenses (Rs in Crore)	**31.02**	**34.73**	**27.79**
R&M Expenses			
Repair & Maintenance Expenditure (Rs in Crore)	410.10	414.29	361.49
Repair & Maintenance Expenditure after Deduction (Rs in Crore)	**-**	**-**	**289.19**
Total O&M Expenses Allowable as per Regulations (Rs in Crore)	**1,269.73**	**1,017.11**	**771.44**

7.5 GFA BALANCES AND CAPITAL FORMATION ASSUMPTIONS

Petitioner's Submissions

7.5.1 The Petitioner has submitted the assumptions used for projecting GFA and CWIP for FY 2018-19 are as follows:

- Considering the CWIP) and Gross Fixed Asset (GFA) balances as per provisional accounts for FY 2017-18, the Petitioner has derived the capital investments undertaken by it in FY 2018-19.
- Investment through "deposit work" has been taken for capital formation. The total Consumer Contribution considered towards the capital formation in FY 2017-18 is as per provisional accounts, i.e. Rs. 205.43 Crore, and the same has been considered for FY 2018-19.

- The procedure prescribed by the Transmission MYT Regulations, 2014 towards claiming the capital investment plan has been strictly complied with in the current Petition. The details of the assets completed during FY 2017-18 and revised capital investment plan for FY 2018-19 is also submitted to the Commission.
- 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 2018-19 .
- The capital investment plan (net of deposit works) has been projected to be funded in the ratio of 70:30 (debt to equity).

Commission's Ruling

7.5.2 The Commission in its MYT Order dated November 30, 2017 had stated as shown under:

Quote

7.7.9 The Commission in order to approve the realistic levels of gross fixed asset balance and consequent tariff components such as depreciation, interest on loan and return on equity, has considered the opening balance of FY 2015-16 in line with the closing balance as per the Audited Accounts for FY 2014-15. The Commission has considered the capital additions, capital deletions, capital work in progress balances, etc. from the Provisional Accounts for FY 2015-16 submitted by the Petitioner along with its Petition.

7.7.10 For the control period, the Commission observes that the capital investment claimed by the Licensee is not in accordance with the Transmission MYT Regulations, 2014 as reproduced above and hence, the Commission vide its deficiency notes sought the remaining information from the Licensee, however UPPTCL did not submit any of the sought information. The Commission in its previous orders has been approving 70% of the claimed capital investment on account of incomplete submission of capital investment plan. However, the Commission has observed that the Licensee has proposed such intensive capital investment for catering the upcoming demand addition linked under UDAY and 24 x 7 Power For ALL schemes. Hence, in view of the above, the Commission approves full capital investment as proposed by the Petitioner, ***however the Commission directs the petitioner to submit the complete capital investment plan at the time of APR for FY 2017-18. It is to be noted that if the Licensee fails to submit the capital investment plan while filing the Annual Performance Review (APR) petition, the Commission may disallow the 30% of***

proposed capital investment in order to reprimand the petitioner. (Emphasis Added)

7.5.3 It is to be noted that the Licensee has currently not submitted the capital investment plan. In its submissions dated 21.12.2018, the Licensee had submitted that the capex scheme wise details are being compiled for FY 2015-16 to FY 2017-18. Further, it is observed that the Licensee has not submitted the provisional accounts for FY 2016-17. During several deliberations, at the time of processing of the current submissions of tariff, the Commission had directed the Licensee to submit the same. Therefore, in line with the above, the has considered the following assumptions to arrive at the allowed GFA and CWIP:

- The Commission considers 70% of the claimed capital investments for FY 2016-17, FY 2017-18 and FY 2018-19.
- Taking 25% of total investments where total investments includes opening CWIP, employee capitalisation, A&G capitalisation, interest capitalisation and investments during the year.

7.5.4 Further, the Commission approves Consumer Contribution, capital subsidies and grants to the tune of Rs. 205.43 Crore for FY 2018-19 and the balance amount has been considered to be funded through debt and equity considering a debt equity ratio of 70:30. Accordingly approved the expenses as presented below in the table:

Table 40: CAPITALISATION & CWIP DURING FY 2018-19 (RS. CRORE)

Particulars	Derivation	FY 2018-19		
		Tariff Order	Claimed	Approved
Opening WIP as on 1st April	A	12,467.80	7,139.59	8,617.37
Investments	B	**6,736.00**	**4,376.53**	**3,063.57**
Employee Expenses Capitalisation	C	276.27	409.53	409.53
A&G Expenses Capitalisation	D	7.88	0.00	0.00
Interest Capitalisation on Interest on long term loans	E	1,115.12	631.65	631.65
Total Investments	**F= A+B+C+D+E**	**20,603.08**	**12,557.30**	**12,722.12**
Transferred to GFA (Total Capitalisation)	G	5,378.95	3,139.32	3,180.53
Closing WIP	**H= F-G**	**15,224.13**	**9,417.97**	**9,541.59**

7.6 FINANCING OF CAPITAL INVESTMENT

Petitioner's Submissions

7.6.1 The Petitioner has considered a normative gearing of 70 : 30. 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.

7.6.2 The Petitioner submitted that out of the capital investment of Rs. 4,376.53 Crore in FY 2018-19 the capital investment through deposit works has been considered as Rs. 205.43 crore for FY 2018-19. The balance amount is considered to be funded through debt and equity. The debt equity ratio considered for FY 2018-19 period is 70:30. The Petitioner is planning large capital expenditure in FY 2018-19 towards new and ongoing works of sub-stations and transmission lines, augmentation schemes and power evacuation schemes.

Commission's Ruling

7.6.3 The Commission has considered a normative approach with a Debt : Equity ratio of 70 : 30. Considering this approach, 70% of the capital expenditure undertaken in the 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 have been separated as the depreciation and interest thereon would not be charged to the consumers.

7.6.4 The Table below summarises the amounts considered towards Consumer Contributions, capital grants and subsidies for FY 2018-19:

Table 41: CONSUMER CONTRIBUTION, CAPITAL GRANTS & SUBSIDIES CONSIDERED (RS. CRORE)

Particulars	2018-19		
	Tariff Order	Claimed	Approved
Opening Balance of Consumer Contributions, Grants and Subsidies towards Cost of Capital Assets	727.75	792.95	697.34
Additions during the year	100.00	205.43	205.43
Less: Deductions	42.20	47.88	52.29

Particulars	2018-19		
	Tariff Order	Claimed	Approved
Closing Balance	**785.55**	**950.50**	**850.48**

7.6.5 Thus, the financing of the capital investment is depicted in the table below:

Table 42: FINANCING OF CAPITAL INVESTMENT FOR FY 2018-19 (RS. CRORE)

Particulars	Derivation	2018-19		
		Tariff Order	Claimed	Approved
Investment	A	6,736.00	4,376.53	3,063.57
Less:				
Consumer Contribution	B	100.00	205.43	205.43
Investment funded by debt and equity	C=A-B	6,636.00	4,171.10	2,858.14
Debt Funded	70%	4,645.20	2,919.77	2,000.70
Equity Funded	30%	1,990.80	1,251.33	857.44

7.7 DEPRECIATION

Petitioner's Submissions

7.7.1 Regulation 22 of the Transmission MYT Regulations, 2014 provides for the basis of charging depreciation. The relevant excerpt is reproduced below:

Quote

22 Treatment of Depreciation:

a) Depreciation shall be calculated for each year of the control period on the written down value of the fixed assets of the corresponding year.

b) Depreciation shall not be allowed on assets funded by consumer contributions or subsidies / grants.

……………

d) The residual value of assets shall be considered as 10% and depreciation shall be allowed to a maximum of 90% of the original cost of the asset.

e) Depreciation shall be charged from the first year of operation of the asset.

....

Unquote

7.7.2 The Transmission MYT Regulations, 2014 provides for calculating depreciation based on the Written Down Value of the fixed assets of the corresponding year, whereas the previous Transmission Tariff Regulations, 2006 provides for calculation of depreciation on Straight Line Method basis. The Hon'ble Commission has revised the rate of deprecation for respective asset category.

7.7.3 The Petitioner submitted that it has considered the same approach which the Commission has approved in its last Tariff Order for claiming the allowable depreciation for FY 2018-19. Further, the Petitioner has considered the normative closing gross fixed asset base for FY 2016-17 as the opening GFA balance for FY 2017-18 and subsequently for FY 2018-19 while computing the allowable depreciation.

7.7.4 The Petitioner further submitted that due to change in the UPPTCL's accounting policy from FY 2016-17 onwards the amount of depreciation charged on assets created out of Consumer Contributions, capital grants and subsidies is booked under the Other Income, hence the same is considered as a part of the Other Income for FY 2018-19 also. Thus, the Petitioner requested the Commission to consider the depreciation amount of Rs. 1,190.20 Crore for FY 2018-19. The detailed computation is provided below:

Table 43: GROSS DEPRECIATION CLAIMED FOR FY 2018-19 (RS. CRORE)

Depreciable Assets	Opening GFA as on 1.4.2018 (Depreciable Assets)	Cumulative Depreciation up-to 31.3.2018	Written Down Opening	Net Addition (Depreciable Assets)	Closing GFA as on 31.03. 2019 (Depreciable Assets)	Rate of Depreciation (%)	Allowable Depreciation
Buildings	893.83	214.56	679.27	127.21	1,021.04	3.02%	22.43
Other Civil Works	84.57	20.30	64.27	12.04	96.61	3.02%	2.12
Plant & Machinery	11,289.53	2,710.03	8,579.51	1,606.69	12,896.23	7.81%	732.80
Lines, Cables, Network etc.	9,596.98	2,303.73	7,293.25	1,365.81	10,962.79	5.27%	420.34

Depreciable Assets	Opening GFA as on 1.4.2018 (Depreciable Assets)	Cumulative Depreciation up-to 31.3.2018	Written Down Opening	Net Addition (Depreciable Assets)	Closing GFA as on 31.03. 2019 (Depreciable Assets)	Rate of Depreciation (%)	Allowable Depreciation
Vehicles	3.39	0.81	2.58	0.48	3.87	12.77%	0.36
Furniture & Fixtures	6.69	1.61	5.09	0.95	7.65	12.77%	0.71
Office Equipment	7.78	1.87	5.91	1.11	8.89	12.77%	0.83
Intangible Assets	4.30	1.03	3.27	0.00	4.30	15.00%	0.49
Other assets	94.92	22.78	72.13	14.12	109.04	12.77%	10.11
Total	**21,981.99**	**5,276.73**	**16,705.27**	**3,128.41**	**25,110.40**	**6.51%**	**1,190.20**

Commission's Ruling

7.7.1 The Commission, in line with the Regulation 22 of the Transmission MYT Regulations, 2014, has computed the depreciation. The detailed methodology adopted is as shown under:

7.7.2 The GFA projected for FY 2018-19 is as shown under:

Table 44: GFA PROJECTED FOR FY 2018-19 (RS. CRORE)

Particulars	FY 2018-19			
	Derivation	Tariff Order	Claimed	As Computed by Commission
Opening GFA	A	20,699.97	22,058.69	19,047.08
Additions to GFA during the year	B	5,378.95	3,139.32	3,139.32
Deductions to GFA	C	0.00	0.00	0.00
Closing GFA	D	26,078.92	25,425.89	22,186.40
Average GFA	**E=((A+D)/2)**	**23,389.44**	**23,628.35**	**20,616.74**

7.7.3 The gross block of various assets has been considered and the additions during the year are as shown under:

Table 45: GROSS BLOCK AND GFA CONSIDERED FOR FY 2018-19 (RS. CRORE)

Particulars	Opening GFA	Addition GFA	Deduction GFA	Closing GFA
Land & Land Rights				
(i) Unclassified	60.78	10.91	0.00	71.69
(ii) Freehold Land	0.08		0.00	0.08
Buildings	899.65	127.21	0.00	1,026.86
Other Civil Works	100.44	12.04	0.00	112.48
Plant & Machinery	10,042.13	1,606.69	0.00	11,648.82
Lines, Cables, Network etc.	7,800.31	1,365.81	0.00	9,166.12
Vehicles	4.81	0.48	0.00	5.29
Furniture & Fixtures	6.00	0.95	0.00	6.95
Office Equipment	8.65	1.11	0.00	9.76
Other assets	124.22	14.12	0.00	138.34
intangible assets	0.00	0.00	0.00	0.00
Total Fixed Assets	**19,047.08**	**3,139.32**	**0.00**	**22,186.40**
Non-depreciable assets (Land & Land Rights)	60.86	10.91	0.00	71.77
Total Depreciable assets	**18,986.22**	**3,128.41**	**0.00**	**22,114.63**

7.7.4 The gross allowable depreciation for each component is sum totalled and the equivalent depreciation on assets created out of Consumer Contributions, capital grants and subsidies are deducted as shown under:

Table 46: GROSS ALLOWABLE DEPRECIATION FOR FY 2018-19 (RS. CRORE)

Depreciable Assets	Opening GFA	Cumulative Depreciation	Written Down Opening	Additions to GFA	Closing GFA	Rate of Depreciation (%)	Gross Allowable Depreciation
Buildings	899.65	210.01	689.64	127.21	816.85	3.02%	22.75
Other Civil Works	100.44	23.45	77.00	12.04	89.04	3.02%	2.51
Plant & Machinery	1,0042.13	2,687.04	7,355.09	1,606.69	8,961.78	7.81%	637.17
Lines, Cables, Networks etc.	9,148.02	1,945.98	5,854.33	1,365.81	7,220.14	5.27%	344.51

Depreciable Assets	Opening GFA	Cumulative Depreciation	Written Down Opening	Additions to GFA	Closing GFA	Rate of Depreciation (%)	Gross Allowable Depreciation
Vehicles	4.81	1.46	3.35	0.48	3.83	12.77%	0.46
Furnitures & Fixture	6.00	1.82	4.18	0.95	5.13	12.77	0.59
Office Equipment's	8.65	2.62	6.03	1.11	7.14	12.77%	0.84
Intangible assets	0.00	0.00	0.00	0.00	0.00	15.00%	0.00
Other Assets	124.22	37.63	86.59	14.12	100.71	12.77%	11.96
Total	**20,333.93**	**4,910.01**	**14,076.21**	**3,128.41**	**17,204.62**		**1,020.79**

Table 47: NET APPROVED DEPRECIATION FOR FY 2018-19 (RS. CRORE)

Particulars	Tariff Order	Claimed	Allowable
Gross allowable Depreciation	1,200.88	1,190.20	1,020.79
Less: Equivalent amount of depreciation on assets acquired out of the Consumer Contribution	38.81	0.00	52.29
Net allowable Depreciation	**1,162.06**	**1,190.20**	**968.50**

7.8 INTEREST AND FINANCE CHARGES

Interest on Long Term Loans

Petitioner's Submissions

7.8.1 The Petitioner submitted that a normative ratio of 70 : 30 has been considered for debt & equity. 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.

7.8.1.1 Allowable depreciation for the year has been considered as normative loan repayment. The weighted average rate of interest of overall long-term loan portfolio for FY 2017-18 has been considered for FY 2017-18 to FY 2019-20, as it seems to be fair and equitable. The interest capitalisation has been considered at a rate of 48.12% for FY 2018-19 which is the actual rate of interest capitalization as per the annual accounts of FY 2015-16.

Commission's Ruling

7.8.2 The Annual Performance Review of FY 2017-18 is limited to the revision of audited financial results for FY 2015-16 only. The estimates for FY 2016-17 and FY 2017-18 like capital expenditure, GFA, etc. are not revised and considered same as that approved by the Commission vide Tariff Order dated November 30, 2017. The closing gross normative loan of FY 2017-18 is considered as the opening value of gross normative loan for FY 2018-19. The Commission shall carry out the detailed prudence check of various components while carrying out the truing up for FY 2017-18 in the next APR exercise.

7.8.3 The Commission has considered a normative approach with a gearing of 70:30 in line the Transmission MYT Regulations, 2014. In this approach, 70% of the capital expenditure undertaken in the year has been considered to be financed through loan and balance 30% has been considered to be funded through equity contributions. The portion of capital expenditure financed through Consumer Contributions and grants has been separated as the depreciation thereon would not be charged to the consumers. Further, the allowable depreciation for the year has been considered for normative loan repayment.

7.8.4 The weighted average interest rate of 11.16% as per the provisional accounts for FY 2015-16 is considered for computing the interest expenses for the MYT Period. The capitalization of interest expenses has been considered at the rate of 48.12% as proposed by the Petitioner.

7.8.5 The interest on long-term loans approved by the Commission for FY 2018-19 is as shown in the Table below:

Table 48: ALLOWABLE INTEREST ON LONG-TERM LOANS FOR FY 2018-19 (RS. CRORE)

Particulars	FY 2018-19		
	Tariff Order	Claimed	Approved
Opening Loan	13,276.91	10,895.53	9,701.14
Loan Additions (70% of Investments)	4,645.20	2,919.77	2,000.70
Less: Repayments (Depreciation allowable for the year)	1,162.06	1,190.20	968.50

Particulars	FY 2018-19		
	Tariff Order	Claimed	Approved
Closing Loan balance	16,760.05	12,625.10	10,733.33
Weighted Average Rate of Interest (%)	12.50%	11.16%	11.16%
Interest on long term loan	**1,877.31**	**1,312.57**	**1,140.35**
Interest Capitalisation Rate (%)	59.40%	48.12%	48.12%
Less: Interest Capitalized	1,115.12	631.65	631.65
Net Interest Charged	**762.19**	**680.92**	**508.70**

7.8.6 Further, the Petitioner submitted the finance charges towards expenses such as guarantee fees and bank charges to the tune of Rs. 0.52 Crore in FY 2017-18 as per the provisional accounts for FY 2017-18. Further, the same have been computed as Rs. 0.54 Crore for FY 2018-19 by extrapolating the guarantee fees and bank charges for FY 2017-18 with an Inflation Index of 3.91%.

7.8.7 The Commission has gone through the submissions of the Petitioner and accordingly allowed finance charges to the tune of Rs. 0.54 Crore for FY 2018-19.

7.9 INTEREST ON WORKING CAPITAL

Petitioner's Submissions

7.9.1 The Petitioner submitted that Transmission MYT Regulations, 2014 provides for normative interest on working Capital based on the methodology outlined in the Regulations. The interest on working capital has been computed based on the methodology specified in the Regulation 24 as provided below:

Quote

The Transmission Licensee shall be allowed interest on estimated level of working capital for the financial year, computed as follows:

a) O&M expenses for one month.

b) Two months equivalent of expected revenue.

c) Maintenance spares @ 40% of R&M expenses for two month.

Less:

Security deposits from consumers, if any-

Provided that the interest on working capital shall be on normative basis and rate of interest shall be equal to the State Bank Advance Rate (SBAR) as of the date on which petition for determination of tariff is accepted by the Commission:

Unquote

7.9.2 In accordance with the Transmission MYT Regulations, 2014, the interest on the working capital requirement is considered at the current State Bank Advance Rate, i.e., 14.05%.

Commission's Ruling

7.9.3 The Transmission MYT Regulations, 2014 provides for normative interest on working capital based on the methodology specified in the Regulations. The Petitioner is eligible for interest on working capital worked out in accordance with the methodology specified in the Regulations.

7.9.4 In accordance with the Transmission MYT Regulations, 2014, the interest on the working capital requirement shall be computed in the normative basis and rate of interest shall be equal to the State Bank Advance Rate (SBAR) as of the date on which Petition for determination of tariff is accepted by the Commission. Accordingly, the Commission for this Order has considered the interest rate on working capital requirement at 14.05%.

7.9.5 The Commission in accordance with the Transmission MYT Regulations, 2014, considered the interest on working capital as shown in the Table given below:

Table 49: INTEREST ON WORKING CAPITAL FOR FY 2018-19 (RS. CRORE)

Interest on Working Capital	FY 2018-19		
	Tariff Order	Claimed	Approved
One month's O&M expenses	105.81	84.76	80.36
Maintenance spares @ 40% of R&M expense for 2 months	27.34	27.62	27.62
Receivable equivalent to 60 days average billing of consumers	565.56	501.68	397.64
Total Working Capital	**698.71**	**614.05**	**505.62**

Interest on Working Capital	FY 2018-19		
	Tariff Order	Claimed	Approved
Rate of Interest on Working Capital	14.05%	14.05%	14.05%
Interest on Working Capital	**98.17**	**86.27**	**71.04**

7.10 OTHER INCOME

Petitioner's Submissions

7.10.1 The Petitioner submitted that the Other Income includes only Non-Tariff Income, which comprises interest on loans and advances to employees, income from fixed rate investment deposits and interest on loans and advances to Licensees. Further, the amount of depreciation charged on assets created out of Consumer Contributions, capital grants and subsidies are also booked under the Other Income from FY 2016-17 onwards. The Other Income for FY 2017-18 has been considered as per the provisional accounts for FY 2017-18, which is to the tune of Rs. 120.15 Crore. Further, it is estimated that other income will increase by inflation index of 3.91% for FY 2018-19 from the levels of the Non-Tariff Income for FY 2017-18. Thus, the Petitioner projected its Non-Tariff Income to be Rs. 124.84 Crore in FY 2018-19.

Commission's Ruling

7.10.2 Other Income includes Non-Tariff Income, which comprises items such as interest on loans and advances to employees, income from fixed rate investment deposits and interest on loans and advance to staff.

7.10.3 It was observed that the Petitioner has adjusted the depreciation on assets funded through Consumer Contribution by considering the same under Other Income. The Commission vide email dated October 05, 2018 had directed the Petitioner to submit the amounts considered for Consumer Contribution (i.e. additions, deletions) and the depreciation amount for the same for FY 2016-17 to FY 2018-19 and also directed to submit the computation as how the same has been adjusted in Other Income, along with impact in ARR, if any.

7.10.4 In response to above, the Petitioner has submitted his reply on dated December 24, 2018 that in compliance to the provisions of Appendix 'C' to IndAS-I8 Revenue, the Consumer Contribution Reserves has been recognised as revenue as equal income over the useful life of the underlying asset/term of the arrangement with consumers. Hence, in convergence to provisions under Ind-AS, instead of being adjusted against depreciation, the income has been shown as a separate item under Note-19: Other income in the Annual Accounts for FY 2016-17 and onwards. However, the net impact on Profit & Loss will be similar in both cases. The Commission has noted the reply of Petitioner and approves the Non-Tariff Income by subtracting the Equivalent amount of depreciation on assets acquired out of the Consumer Contribution from claimed amount of Non-Tariff Income.

7.11 RETURN ON EQUITY

Petitioner's Submissions

7.11.1 The Petitioner submitted that under the provisions of Transmission MYT Regulations, 2014, the Petitioner is eligible to a return @ 15.5% on equity base; 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 loan. In case of actual equity employed being less than 30%, actual debt and equity shall be considered for determination of tariff. The return on equity has been computed as per methodology adopted by the Commission in the previous Tariff Orders.

7.11.2 In view of the huge gap in the recovery of cost of supply at the Discom's level, Petitioner is of the view that return on equity would only result in increase in arrears and accumulation of receivables. As such, the Petitioner has been claiming the return on equity @ 2% since FY 2009-10 onwards. Return on equity has been computed on the normative equity portion (30%) of capitalised assets.

7.11.3 The Petitioner has computed the eligible return on equity by considering the opening level of equity for FY 2015-16 based on the closing regulatory equity as per the True-up petition of FY 2015-16. The Petitioner considered the closing equity balance from FY 2016-17. Subsequently, it has considered the yearly normative equity based on the capital additions for the MYT period depicted in aforementioned sections. Thus, the return on equity for FY 2018-19 has been computed to be Rs. 159.86 Crore.

Commission's Ruling

7.11.4 Annual performance review of FY 2017-18 is limited to the revision of estimates based on the audited financial results for FY 2016-17 only. The estimates for FY 2017-18 like capital expenditure, sales, power purchase expenses, etc., are not revised and considered same as that approved by the Commission vide Tariff Order dated November 30, 2017. The Commission shall carry out the detailed prudence check of various components while carrying out the truing up for FY 2017-18 in the next APR exercise.

7.11.5 The Commission while undertaking analysis for allowance of return on equity has considered opening level of equity for FY 2016-17 based on the closing regulatory equity approved in the section dealing with the true up for FY 2015-16. Subsequently, it has considered the yearly normative equity based on the capital additions for FY 2016-17, FY 2017-18, and FY 2018-19.

7.11.6 The Return on Equity approved by the Commission for FY 2018-19 is as shown in the Table below:

Table 50: ALLOWABLE RETURN ON EQUITY FOR FY 2018-19 (RS. CRORE)

Return on Equity (Rs. Crore)	Derivation	FY 2018-19		
		Tariff Order	Claimed	Approved
Equity at the beginning of the year	A	6,919.54	7,522.03	6,431.26
Assets Capitalized	B	5,378.95	3,139.32	3,180.53
Addition to Equity	C = 30% of B	1,613.69	941.80	954.16
Closing Equity	D = A + C	8,533.23	8,463.83	7,385.42
Average Equity	E = Average of A & D	7,726.39	7,992.93	6,908.34
Rate of Return	F	2.00%	2.00%	2.00%
Return on Equity	**G = E x F**	**154.53**	**159.86**	**138.17**

7.12 SERVICE TAX

Petitioner's Submissions

7.12.1 The Petitioner submitted that Service Tax liability is imposed on the service provider and is chargeable on actual energy transmitted during a financial year at the rates notified by the Government. The Petitioner submitted that such liability may be imposed on UPPTCL, retrospectively, as it was done in the case of PGCIL. The Petitioner submitted that in such an event, it would approach the

Commission for allowance of such liability in the ARR in accordance with the provisions of Regulation 27 of the Transmission MYT Regulations, 2014.

Commission's Ruling

7.12.2 The Petitioner has not proposed any expenses on this account in the ARR for the MYT Period. Hence, the same has not been considered in this Order. The Commission shall take an appropriate view based on the merits of the specific submissions of the Petitioner in this regard in terms of Transmission MYT Regulations, 2014 at the time of truing up.

7.13 SUMMARY OF AGGREGATE REVENUE REQUIREMENT FOR FY 2018-19

7.13.1 The summary of the expenses under different heads as approved by the Commission for FY 2018-19 is as shown in the Table given below:

Table 51: APPROVED ARR FOR THE MYT PERIOD (RS. CRORE)

Particulars	FY 2018-19		
	Tariff Order	Claimed	Approved
Gross O&M expenses	**1,553.88**	**1,426.64**	**1,099.06**
Employee expenses	1,104.88	977.61	782.09
A&G expenses	38.90	34.73	27.79
R&M expenses	410.10	414.29	289.19
Interest on Loan Capital	1,877.31	1,312.57	1,140.35
Interest on Working Capital	98.17	86.27	71.04
Finance Charges	1.4	0.54	0.54
Depreciation	1,162.07	1,190.20	968.50
Gross Expenditure	**4,692.83**	**4,016.22**	**3,279.49**
Less: Employee expenses capitalized	276.27	409.53	327.63
Less: A&G expenses capitalized	7.88	-	-
Less: Interest expenses capitalized	1,115.12	631.65	631.65
Net Expenditure	**3,293.55**	**2,975.04**	**2,320.22**
Bad Debts & Provisions	-	-	-
Prior Period expenses	-	-	-
Net Expenditure with provisions	**3,293.55**	**2,975.04**	**2,320.22**
Add: Return on Equity	154.53	159.86	138.17
Less: Non-Tariff Income	54.70	124.84	72.55
Aggregate Revenue Requirement	**3,393.38**	**3,010.05**	**2,385.83**

7.13.2 Thus, the approved ARR for FY 2018-19 is Rs. 2,385.83 Crore as against Rs 3,010.05 Crore proposed by the Petitioner.

7.14 TRANSMISSION TARIFF

The Transmission MYT Regulations, 2014 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.

7.14.1 Presently, the State Discoms have not been allotted transmission capacity as such; hence, the Transmission Tariff has been calculated by the Commission on the basis of the number of units wheeled by the Transmission Licensee for the Distribution Licensees. Further, the Petitioner has projected 1,27,020.30 MU to be delivered to Distribution Licensees and other Long-Term Open Access Consumers who are also Discom's consumers during FY 2018-19.

7.14.2 The Commission has approved the Transmission Tariff for FY 2018-19 considering the approved ARR for FY 2018-19 and considering the Energy Handled / Energy Wheeled as input at the periphery of Distribution licensees and NPCL.

7.14.3 The above approach is in line with the previous Tariff Order dated November 30, 2017. The relevant paras have been quoted below:

Quote

7.17.10 In view of the above, NPCL has to initiate a competitive bidding process immediately and then can file a fresh petition for consideration of the Commission. Till then, NPCL can arrange power through short term sources. However, for the purpose of computation of Transmission Tariff in this order, the short-term power of NPCL has not been considered as no confirmation on the same has been submitted by the transmission licensee. Further, the Commission has considered the power purchase quantum as proposed by NPCL (from the Long-term sources) for computation of Transmission Tariff and the same will be subject to Annual Performance Review and True-Up. In future, if NPCL avails long term / short term power, the same will be dealt at the time of Annual Performance Review (APR) / True-up of NPCL, UPPTCL and State owned Discoms, as the change in the Transmission Tariff will also have impact on them.

Unquote

7.14.4 The Energy handled at Discom periphery is 1,24,099.96 MU and that for NPCL is 1,170.54 MU. Accordingly, the Transmission Tariff submitted by Petitioner and approved by the Commission for FY 2018-19 is shown in the Table below:

Table 52: APPROVED TRANSMISSION TARIFF FOR FY 2018-19

Particulars	FY 2018-19		
	Tariff Order	Claimed	Approved
Net ARR (Rs. Crore)	3,393.38	3,010.05	2,385.83
Energy Handled (MU)	1,42,907.84	1,27,020.30	1,25,270.50
Transmission Tariff (Rs./kWh)	**0.2375**	**0.2370**	**0.1905**

7.14.5 The Commission thus approves the Transmission Tariff of Rs. 0.1905/ kWh for FY 2018-19. The Transmission Tariff as determined by the Commission above are payable by all the Distribution Licensees.

7.15 OPEN ACCESS: TRANSMISSION TARIFF

Petitioner's Submissions

7.15.1 The Petitioner has submitted the projection of 1,27,020.30 MU to be delivered to Distribution Licensees and other Long-Term Open Access Consumers who are also Discom's consumers during FY 2018-19. Further, if any Discom's consumer avails Short-Term Open Access then there will be decrease in the estimated energy of the Discoms; as the Discom's estimate their demands on the basis of connected load along with prospective growth of its existing consumers as well as new consumers.

7.15.2 The Petitioner proposed the Short-Term and Long-Term Open Access Transmission Charges as Rs. 0.2370/ kWh for FY 2018-19.

7.15.3 The Petitioner has proposed the uniform Transmission Tariff for customers connected at 132 kV Voltage level and customers connected above 132 kV Voltage level. The Petitioner submitted that the energy handled by the Petitioner is not voltage dependent. The Petitioner submitted that the same is consistent with the existing practices adopted by CERC in which uniform rate for all voltage levels is adopted.

7.15.4 In addition to the above charges, the Petitioner also submitted that the open access customer would also be liable to bear the projected transmission losses to the tune of 3.60% irrespective of the voltage levels at which the consumers are connected with the grid.

7.15.5 The Transmission Tariff proposed by the Petitioner for Open Access for FY 2018-19 is as shown in the Table below:

Table 53: REVISED OPEN ACCESS CHARGES PROPOSED BY THE PETITIONER FOR FY 2018-19

Particulars	Unit	FY 2018-19
Short Term Open Access Transmission Charges	Rs./kWh	0.2370
Long Term Open Access Transmission Charges	Rs./kWh	0.2370

Commission's Ruling

7.15.6 The Commission has computed the Transmission Tariff for FY 2018-19 in the preceding Section for use of the UPPTCL network for transmission of electricity. The Intra State Open Access transmission charges are determined as under.

Table 54: APPROVED INTRA STATE OPEN ACCESS TRANSMISSION CHARGES FOR FY 2018-19 PERIOD

Particulars	Unit	FY 2018-19	
		Long-Term	Short-Term
Intra State Open Access Transmission Charges	Rs./kWh	0.1905	0.1905

7.15.7 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 ruled that the transmission losses for FY 2018-19 would be 3.60% irrespective of the voltage levels at which the consumers are connected with the grid.

7.15.8 The open access charges and losses to be borne by the open access consumers shall be reviewed by the Commission on the submission of the relevant information by the Petitioner.

8. DIRECTIVES

8.1 DIRECTIVES ISSUED IN THIS ORDER

8.1.1 The Commission had issued certain directives to the Petitioner in this Order. The same is as shown in the Table given below:

Table 55: DIRECTIVES ISSUED BY THE COMMISSION IN THIS ORDER

Ref S. No.	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order
1	The Commission directs UPPTCL to immediately submit the tentative timelines for completion of load flow studies along with the assessment of various options with regards to transmission pricing, their relative advantages and disadvantages and suitability for adoption in Uttar Pradesh and submit the report after completion of the same.	To expedite the process
2	The Commission directs UPPTCL to conduct proper loss estimate studies under its supervision and submit the report to the Commission	To expedite the process
3	The Commission directs UPPTCL to initiate the process of signing of BPTA with Distribution Licensees who are the existing long-term customers and submit the status on execution of BPTA of the same.	To expedite the process
4	The Commission directs UPPTCL to pursue and formalize the capacity of transmission system in use by long term open access customers (Distribution Licensees or generating companies) in accordance with the principle laid down under Tariff Regulations and based on existing PPAs / MoU's signed by them for purchase or sale of electricity.	To expedite the process
5	The Commission directs the Petitioner to expedite the process of installation of ABT complaint meters at all T&D interface points mentioned in the section 3.2.20 in public hearing process.	To expedite the process
6	The Commission directs the Licensee to submit the actual details of investment and capitalisation showing the scheme wise details including the funding of individual projects taken in investment and capitalisation for last 3 years (year wise) during the next Tariff proceedings.	In the Next Tariff proceedings

8.1.2 The Commission directs that the Licensee must make all filings timely, strictly as per the various UPERC Regulations. Also, they should ensure that all the deficiencies raised in the last 2 years proceedings may be submitted along with the filings, this will save a lot of time and hence issuance of Tariff Orders will be faster.

8.2 COMPLIANCE TO DIRECTIVES ISSUED IN THE ORDER DATED NOVEMBER 30, 2017

8.2.1 The Commission had issued certain directives to the Petitioner in the Order dated November 30, 2017. The status of compliance submitted by the Petitioner the same is as shown in the Table given below:

Table 56: STATUS OF COMPLIANCE TO THE DIRECTIVES ISSUED BY THE COMMISSION IN THE ORDER DATED NOVEMBER 30, 2017

Ref S. No.	Directive	Status of Compliance / Petitioner's Reply
1	The Commission directs UPPTCL to submit the Fresh Actuarial Valuation Study Report in respect to employee expenses.	The Petitioner has submitted the Actuarial Valuation Report in respect of employee expenses upto FY 2015-16 towards the earned leave liability along with the True-up petition for FY 2015-16.
2	The Commission directs UPPTCL to immediately submit the tentative timelines for completion of load flow studies along with the assessment of various options with regards to transmission pricing, their relative advantages and disadvantages and suitability for adoption in Uttar Pradesh and submit the report after completion of the same.	The Petitioner has appointed a consultant for conducting the load flow and loss estimation studies. The consultant has undertaken the studies and submitted a preliminary report on the same. The Petitioner is currently reviewing the reports submitted by the consultant and the same is expected to be finalized in next two months.
3	The Commission directs UPPTCL to conduct proper loss estimate studies under its supervision and submit the report to the Commission	
4	The Commission directs UPPTCL to initiate the process of signing of BPTA with Distribution Licensees who are the existing long-term customers and	The Petitioner submits that initially the matter was pursued with the state Discoms for regularization of the connectivity as per the UPERC Connectivity Regulations and

Ref S. No.	Directive	Status of Compliance / Petitioner's Reply
	submit the status on execution of BPTA of the same.	subsequently signing of the BPTA with the state Discoms after the finalization of the allocation of the capacity which is being pursued with the UPPCL. However, due to delay in finalization of the allocation of the capacity, the Hon'ble Commission in this matter has initiated the suo-moto proceedings for allocation of PPA among the Distribution Licensees in Uttar Pradesh.
5	The Commission directs UPPTCL to pursue and formalize the capacity of transmission system in use by long term open access customers (Distribution Licensees or generating companies) in accordance with the principle laid down under Tariff Regulations and based on existing PPAs / MoU's signed by them for purchase or sale of electricity.	
6	Any other compliances / milestones as per MYT Transmission Tariff Regulations, 2014 and Commissions orders.	The Petitioner has submitted the Benchmarking Report on August 16, 2017 as per the Regulation 4.2.1 of the MYT Transmission Regulations. Further, the Petitioner is in process finalization of the loss estimation and load flow studies and the same is expected to be completed within two months.

9. APPLICABILITY OF THE ORDER

The Licensees, in accordance with Regulation 13.3 of the Transmission MYT Regulations, 2014, 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 internet website and make available for sale, a booklet both in English and Hindi containing such approved tariff, to any person upon payment of reasonable reproduction charges.

The tariff so published shall be in force from April 01, 2018 and shall, unless amended or revised, continue to be in force for such period as may be stipulated therein. 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.

8/1/19

(Kaushal Kishore Sharma)	(Suresh Kumar Agarwal)	(Raj Pratap Singh)
Member	Member	Chairman

Place: Lucknow

Date: January 08, 2019

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10. ANNEXURE- I: LIST OF PERSONS WHO ATTENDED PUBLIC HEARINGS

ANNEXURE: LIST OF PERSONS WHO HAVE ATTENDED PUBLIC HEARING AT LUCKNOW IN RESPECT OF SUO-MOTO PROCEEDINGS ON APR FOR FY 2016-17 & FY 2017-18 AND ARR FOR FY 2018-19 & TRUE UP OF ARR FOR FY 2015-16 FOR UPPTCL

LIST OF PERSONS WHO HAVE ATTENDED PUBLIC HEARING AT LUCKNOW

List of Persons who attended Public Hearing at Lucknow on December 14, 2018		
Sl. No.	**Name**	**Organization**
1	Shri Avadhesh Kumar Verma	UPRVUP
2	Shri D. C. Verma	E.E. (RAU), UPPCL
3	Shri Ashok Kumar	C.E. (COM), MVVNL
4	Shri A.K. Arora	Noida Power Co. Ltd. GR, Noida
5	Shri Rajiv Goyal	Noida Power Co. Ltd. GR, Noida
6	Shri Amit Bhargava	Director (Tariff), UPERC
7	Shri Vikas Chandra Agarwal	Director (D, L&L), UPERC
8	Shri Atul Chaturvedi	DD(Admin), UPERC
9	Shri Madhusudan Raizada	Consultant, UPERC
10	Shri Sanjay Srivastava	Secretary, UPERC
11	Shri Awadhesh Aggarwal	IIA, Lucknow
12	Shri Sudhir Kumar Singh	Amar Ujala
13	Shri Vivek Srivastava	S.E., MVVNL
14	Shri V. P. Verma	CGRF, Lucknow
15	Shri Prateek Aggarwal	CEEW
16	Shri Rama Shanker Awasthi	Consumer
17	Shri Amit Joshi	Consultant, UPPCL
18	Shri Prakhar Kulshreshth	IERS, Lucknow
19	Shri Ankit Kumar	IERS, Lucknow
20	Shri Shiva Kant Tripathi	Consumer
21	Shri Amrendra Verma	Advocate
22	Shri B. L. Tewari	UPJKS, Lucknow
23	Shri Hemant Tiwari	UPERC
24	Shri A.K. Shukla	E.E.(Comm.) UPPTCL
25	Shri Amiy Chaturvedi	Consultant, UPPTCL
26	Shri Sarabjeet Singh	DD (TE), UPERC
27	Shri Neeraj Agarwal	DD (A & FA), UPERC
28	Kumari Suchismita Mohapatra	Consultant, UPERC
29	Ranjeet Upadhyay	Consultant, UPERC

List of Persons who attended Public Hearing at Lucknow on December 14, 2018		
Sl. No.	**Name**	**Organization**
30	Vineet Parashar	Consultant, UPERC
31	Inian Sri Malan Dhanasu	Consultant, UPERC
32	Shri Chandras Pal	UPERC

ANNEXURE- II

61C

UttarPradesh Electricity Regulatory Commission

Vidyut Niyamak Bhawan, Vibhuti Khand, Gomti Nagar, Lucknow-226010 Phone 2720426 Fax 2720423 E-mail secretary@uperc.org

Sanjay Srivastava
Secretary

Ref: UPERC/Secy/D(T)/2018-236
Dated: 30 Augutst, 2018

To,

1. **The Principal Secretary**, Energy, Govt. of U.P. Bapu Bhawan, Vidhan Sabha Marg, Lucknow-226001
2. **The Secretary, Energy,** Govt. of U.P. Bapu Bhawan, Vidhan Sabha Marg, Lucknow-226001
3. **The Chairman,** U. P. Power Corporation Ltd., 7th Floor, Shakti Bhawan, 14, Ashok Marg, Lucknow – 226001.
4. **The Managing Director**, U. P. Power Corporation Ltd., 7th Floor, Shakti Bhawan, 14, Ashok Marg, Lucknow – 226001.
5. **The Managing Director,** Madhyanchal Vidyut Vitran Nigam Ltd., 4-A, Gokhale Marg, Lucknow - 226001.
6. **The Managing Director,** Dakshinanchal Vidyut Vitran Nigam Ltd., Urja Bhawan, 220KV Sub-Station Mathura bypass Road, Agra - 282007.
7. **The Managing Director,** Paschimanchal Vidyut Vitran Nigam Ltd., Victoria Park, Meerut - 250001.
8. **The Managing Director,** Poorvanchal Vidyut Vitran Nigam Ltd., Bhikharipur, 132KV Sub-Station, Poorvanchal Vidyut Bhawan, P.O. Diesel Locomotive Works, Varanasi - 221004.
9. **The Managing Director,** Kanpur Electricity Supply Company Ltd., KESA House, 14/71, Civil Lines, Kanpur - 208001.
10. **The Managing Director,** U.P. Power Transmission Corporation Ltd. Shakti Bhawan, 14, Ashok Marg, Lucknow-226001
11. **The Director (Commercial)** Madhyanchal Vidyut Vitran Nigam Ltd., 4-A, Gokhale Marg, Lucknow - 226001.
12. **The Director (Commercial)** Dakshinanchal Vidyut Vitran Nigam Ltd., Urja Bhawan, 220KV Sub-Station Mathura bypass Road, Agra - 282007.
13. **The Director (Commercial)** Paschimanchal Vidyut Vitran Nigam Ltd., Victoria Park, Meerut - 250001.
14. **The Director (Commercial)** Poorvanchal Vidyut Vitran Nigam Ltd., Bhikharipur, 132KV Sub-Station, Poorvanchal Vidyut Bhawan, P.O. Diesel Locomotive Works, Varanasi - 221004.
15. **The Director (Commercial)** Kanpur Electricity Supply Company Ltd., KESA House, 14/71, Civil Lines, Kanpur - 208001.
16. **The Director SLDC,** UPPTCL, Phase-II, Vibhuti Khand, Gomti Nagar, Lucknow-226010
17. **The Director, (Commercial),** UPPCL, Shakti Bhawan, 14 Ashok Marg, Lucknow-226001.
18. **The Chief Engineer,** RAU, U. P. Power Corporation Ltd., 15th Floor, Shakti Bhawan Extension, 14, Ashok Marg, Lucknow - 226001.

Sub: **Suo-Moto Proceedings on Truing Up of Tariff for FY 2015-16, Annual Performance Review (APR) for FY 2016-17 and 2017-18 and Tariff for FY 2018-19 for the State DISCOMs (DVVNL, MVVNL,PVVNL.PuVVNL, KESCO) & UPPTCL**.

Sir,

Kindly find enclosed herewith a copy of the Commission's Order dated 30th August, 2018 regarding above cited matter.

Yours sincerely

(Sanjay Srivastava)
Secretary

Encl: As above.

BEFORE
THE UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION
LUCKNOW

IN THE MATTER OF:

Suo-Moto Proceedings on Truing Up of Tariff for FY 2015-16, Annual Performance Review (APR) for FY 2016-17 and 2017-18 and Tariff for FY 2018-19 for the State DISCOMs (DVVNL, MVVNL, PVVNL, PuVVNL, KESCO) & UPPTCL.

AND

IN THE MATTER OF:

1. Principal Secretary, Energy, Govt. of UP, Bapu Bhawan, Vidhan Sabha Marg, Lucknow – 226001.
2. Secretary, Energy, Govt. of UP, Bapu Bhawan, Vidhan Sabha Marg, Lucknow – 226001.
3. The Chairman, U. P. Power Corporation Ltd., 7th Floor, Shakti Bhawan, 14, Ashok Marg, Lucknow – 226001.
4. The Managing Director, U. P. Power Corporation Ltd., 7th Floor, Shakti Bhawan, 14, Ashok Marg, Lucknow – 226001.
5. The Managing Director, Madhyanchal Vidyut Vitran Nigam Ltd., 4-A, Gokhale Marg, Lucknow - 226001.
6. The Managing Director, Dakshinanchal Vidyut Vitran Nigam Ltd., Urja Bhawan, 220KV Sub-Station Mathura bypass Road, Agra - 282007.
7. The Managing Director, Paschimanchal Vidyut Vitran Nigam Ltd., Victoria Park, Meerut - 250001.
8. The Managing Director, Poorvanchal Vidyut Vitran Nigam Ltd., Bhikharipur, 132KV Sub-Station, Poorvanchal Vidyut Bhawan, P.O. Diesel Locomotive Works, Varanasi - 221004.
9. The Managing Director, Kanpur Electricity Supply Company Ltd., KESA House, 14/71, Civil Lines, Kanpur - 208001.
10. The Managing Director, U. P. Power Transmission Corporation Ltd., 7th Floor, Shakti Bhawan, 14, Ashok Marg, Lucknow – 226001.
11. The Director (Commercial), Madhyanchal Vidyut Vitran Nigam Ltd., 4-A, Gokhale Marg, Lucknow - 226001.
12. The Director (Commercial), Dakshinanchal Vidyut Vitran Nigam Ltd., Urja Bhawan, 220KV Sub-Station Mathura by pass Road, Agra - 282007.
13. The Director (Commercial), Paschimanchal Vidyut Vitran Nigam Ltd., Victoria Park, Meerut - 250001.
14. The Director (Commercial), Poorvanchal Vidyut Vitran Nigam Ltd., Bhikharipur, 132KV Sub-Station, Poorvanchal Vidyut Bhawan, P.O. Diesel Locomotive Works, Varanasi - 221004.
15. The Director (Commercial), Kanpur Electricity Supply Company Ltd., KESA House, 14/71, Civil Lines, Kanpur – 208001.
16. The Director, SLDC, UPPTCL, Phase- II, Vibhuti Khand, Lucknow- 226010
17. The Director, (Commercial), UPPCL, Shakti Bhawan, 14 Ashok Marg, Lucknow-226001.The Director, SLDC, UPPTCL, Phase II, Vibhuti Khand, Gomti Nagar, Lucknow - 226010.
18. CE, RAU, Regulatory Affairs Unit, U.P. Power Corporation Ltd., 15th Floor, Shakti Bhawan Extension, 14, Ashok Marg, Lucknow – 226001.

SUO- MOTO ORDER

Section 61 of the Act confers power on the Electricity Regulatory Commissions to specify by Regulations, the terms and conditions for the determination of tariff in accordance with the principles stipulated therein. Section 62 of the Act empowers the Commission to determine tariff for generation of electricity, transmission of electricity, wheeling of electricity and for retail sale of electricity. Section 64 of the Act prescribes the procedure for determination of tariff and issuance of tariff order. The Commission has, in exercise of its powers under Section 61 of the Act, issued the detailed principles and procedures for determination of tariff vide Uttar Pradesh Electricity Regulatory Commission (Multi Year Distribution Tariff) Regulations, 2014 wherein it is stated that:

Quote

12.12 Notwithstanding anything contained in these regulations, in case of delay/ non-submission of the application for approval of the Business Plan and application for determination of ARR / Tariff, as the case may be, additional information, the Commission may initiate suo-moto proceedings mandating the filing of the said applications.

Provided that in the event of the licensee not filing the application despite the aforesaid proceeding, the Commission may on its own, decide the tariff based on previous year's tariff details and after incorporating suitable adjustments.

Provided further that the Commission may also pass directions under Section 129 and/or Section 142 of the Act, if required.

Unquote

Also, Regulation 12.13 of the Uttar Pradesh Electricity Regulatory Commission (Multi Year Transmission Tariff) Regulations, 2014 provide for a similar dispensation.

Further, The Hon'ble APTEL has, in its judgment dated 11.11.2011 in OP No. 1/2011 (suo moto proceedings on the basis of the letter received from Ministry of Power, Government of India), directed the State Commissions to ensure that the review of annual performance, the truing up of past expenses and the determination of annual revenue requirements and tariff are conducted year to year basis as per the time schedule specified in the Tariff Regulations and that in the event of delay, in filing the application for the approval of ARR, for the truing up of accounts and for the review of annual performance, of one month beyond the scheduled date of submission of the application, the State Commission must initiate suo moto proceedings for tariff determination in accordance with Section 64 of the Act read with clause 8.1 (7) of the National

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Tariff Policy, 2006. The directions given by the Hon'ble APTEL in the judgment dated 11.11.2011 in OP No. 1/2011, are quoted hereunder: -

Quote

"65. In view of the analysis and discussion made above, we deem it fit to issue the following directions to the State Commissions:

(i) Every State Commission has to ensure that Annual Performance Review, true-up of past expenses and Annual Revenue Requirement and tariff determination is conducted year to year basis as per the time schedule specified in the Regulations.

(ii) It should be the endeavor of every State Commission to ensure that the tariff for the financial year is decided before 1st April of the tariff year. For example, the ARR & tariff for the financial year 2011-12 should be decided before 1st April, 2011. The State Commission could consider making the tariff applicable only till the end of the financial year so that the licensees remain vigilant to follow the time schedule for filing of the application for determination of ARR/tariff.

(iii) In the event of delay in filing of the ARR, truing- up and Annual Performance Review, one month beyond the scheduled date of submission of the petition, the State Commission must initiate suo-moto proceedings for tariff determination in accordance with Section 64 of the Act read with clause 8.1 (7) of the Tariff Policy.

(iv) In determination of ARR/tariff, the revenue gaps ought not to be left and Regulatory Asset should not be created as a matter of course except where it is justifiable, in accordance with the Tariff Policy and the Regulations. The recovery of the Regulatory Asset should be time bound and within a period not exceeding three years at the most and preferably within Control Period. Carrying cost of the Regulatory Asset should be allowed to the utilities in the ARR of the year in which the Regulatory Assets are created to avoid problem of cash flow to the distribution licensee.

(v) Truing up should be carried out regularly and preferably every year. For example, truing up for the financial year 2009-10 should be carried out along with the ARR and tariff determination for the financial year 2011-12.

(vi) Fuel and Power Purchase cost is a major expense of the distribution Company which is uncontrollable. Every State Commission must have in place a mechanism for Fuel and Power Purchase cost in terms of Section 62 (4) of the Act. The Fuel and Power

Purchase cost adjustment should preferably be on monthly basis on the lines of the Central Commission's Regulations for the generating companies but in no case exceeding a quarter. Any State Commission which does not already have such formula/mechanism in place must within 6 months of the date of this order must put in place such formula/ mechanism.

66. We direct all the State Commissions to follow these directions scrupulously, and send the periodical reports by 1st June of the relevant financial year about the compliance of these directions to the Secretary, Forum of Regulators, who in turn will send the status report to this Tribunal and also place it on its website."

Unquote

The UPPCL had asked a few clarifications regarding the scope of APR etc. vide its letter No. 3687 / RAU / MYT dated October 25, 2017. The Commission vide its letter dated November 17th, 2017 (Reference No:- UPERC/ Secy/ D(T)/2017- 1439) issued the clarifications regarding the scope of APR as follows:

Quote

I. ***Financial Year for which APR is to be conducted?***

1) Regulation 8 of the UPERC Multi Year Distribution Tariff Regulation, 2014 provides that distribution licensee shall be subject to an annual review of performance and true up during the Control Period in accordance with the regulations. The relevant extract of the same has been quoted below:

Quote

8. Annual Review of Performance and True Up

8.1 Where the aggregate revenue requirement and expected revenue from tariff and charges of a Distribution Licensee are covered under a Multi-Year Tariff framework, such Distribution Licensee shall be subject to an annual review of performance and True Up during the Control Period in accordance with these regulations.

Provided that in case of an excruciating and extra-ordinary circumstance, at any time notwithstanding the Annual Review, the Distribution Licensee may file appropriate application before the Commission.

Unquote

Also, Regulation 8 of the UPERC Multi Year Transmission Tariff Regulation, 2014 provides that transmission licensee shall be subject to an annual review of performance and true up during the Control Period in accordance with the regulations.

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2) *Further, Regulation 12.2 & 12.3 of the UPERC Multi Year Distribution Tariff Regulation, 2014 provides that an application for determination of tariff shall be made by November 1. The relevant extract of the same has been quoted below:*

Quote

12.2 An application for determination of tariff shall be made by November 1 for the control period, in such form and in such manner as specified in this regulation and the UPERC Conduct of Business, Regulations, 2004 and its subsequent amendments / addendums & the new regulations made after repeal of the same, for whatever not covered under these regulations and accompanied by such fee payable, as specified in the UPERC (Fees and Fines) Regulations, 2010 and its subsequent amendments / addendums &the new regulations made after repeal of the same.

....

12.3 The petition for determination of tariff shall be accompanied by information for the previous years, current year and the ensuing year for each year of the transition period / the entire control period capturing the expected revenues from the tariff and charges including miscellaneous charges along with detailed assumptions, parameters required in annual true-up exercise, etc.

Provided that the application shall be accompanied where relevant, by a detailed tariff revision proposal showing how such revision would meet the gap, if any, in Aggregate Revenue Requirement for each year of the transition / control period.

Provided further that the information for the previous year shall be based on audited accounts and in case audited accounts for previous year are not available, audited accounts for the immediately preceding previous year should be filed along with un-audited accounts for the previous year.

Unquote

Also, Regulation 12.2 & 12.3 of the UPERC Multi Year Transmission Tariff Regulation, 2014 provides that an application for determination of tariff shall be made by November 1.

It can be observed from above that UPERC Multi Year Tariff Regulations, 2014 (for both Discoms & Transco) provides that Licensees are required to file the following by November 1, 2017:

a) True- Up for FY 2016-17 (for NPCL) & True – up for FY 2015-16 (for State Discoms - DVVNL, MVVNL, PVVNL, PuVVNL & KESCO) & State Transmission Licensee (UPPTCL)).

b) APR for FY 2017-18 (in case of NPCL) and for all others (State Discoms and State Transmission Licensee) whose True – up is lagging by one year, APR for FY 2016-17 & FY 2017-18 would be done.

c) Tariff for FY 2018-19

Reasoning for above inference:

Let's take the case of NPCL, it will be getting its true – up for FY 2016-17 and Tariff determination for FY 2018-19, so logically APR will be for FY 2017-18. This practice is being followed in other Regulatory Commission's too.

Similarly, for State Discoms & State Transmission Licensee, the true up will be done for FY 2015-16. Hence in their case APR data will comprise of FY 2016-17 & FY 2017-18.

It must be noted that in APR, audited data is not necessary required.

II. Scope of APR?

In accordance with the provisions of UPERC MYT Regulations (both for DISCOMs & Transco), the Scope of APR can be as follows:

The scope of the Annual Performance Review shall be a comparison of the actual performance of the Applicant with the approved forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges and shall comprise of following:

a) A comparison of the audited performance of the applicant for the previous financial year with the approved forecast for such previous financial year and truing up of expenses and revenue subject to prudence check including pass through of impact of uncontrollable factors;

b) Categorisation of variations in performance with reference to approved forecast into factors within the control of the applicant (controllable factors) and those caused by factors beyond the control of the applicant (un-controllable factors) in accordance with the provisions of Regulation 9 of UPERC MYT Regulations.

c) Revision of estimates for the ensuing financial year, if required, based on audited financial results for the previous financial year;

d) Computation of the sharing of gains and losses on account of controllable factors for the previous year in accordance with the provisions of Regulation 10 of UPERC MYT Regulations.

e) Parameters / targets monitoring by Commission (for example UDAY Scheme and Power for all 24x7, etc.).

Unquote

Further, UPPTCL vide its letter dated 15th January, 2018 (Reference Letter No. 30/ Dir (Comm. & Plg.)/ UPPTCL/ 2018/ APR) submitted that audit of books of accounts for FY 2015-16 has not been completed by Finance wing and is under process. So, they are unable to file the APR for FY 2016-17 and FY 2017-18 and True- up petition for FY 2015-16 and requested a time extension up to 15th February, 2018 for filing the same.

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The Commission's Order dated 17th January, 2018 in this regard is as follows:

Quote

....

A). The filing of APR for FY 2016-17 and FY 2017-18

UPPTCL must note that in APR, audited data is not necessary required. Hence, it is directed to immediately file the APR. The same has been clarified vide Commission's Letter dated November 17th 2017 (Reference No:- UPERC/ Secy/ D(T)/ 2017- 1439)

B.) Delay in CAG Audit accounts for FY 2015-16

The commission is concerned about the delay in filing of the true- up Petitions and would like to quote the judgement of Hon'ble APTEL in regards to this matter:

Hon'ble APTEL judgment dated 11th November, 2011 in OP No. 1/2011 in the matter of 'Suo-moto action on the Letter received from Ministry of Power' has ruled that State Commission must initiate suo- moto proceedings for tariff determination in accordance with Section 64 of the Act read with clause 8.1 (7) of the Tariff Policy if the ARR, True up and Annual Performance Review, is delayed by one month from the scheduled date of submission of the petition.

....

Further, as per UPERC (Terms and conditions for determination of distribution tariff) Regulations- 2016 and another Hon'ble APTEL judgement dated 21 October 2011 in Appeal No. 121 of 2010 (Shri. R.S. Awasthi & other parties- Appellants vs. UPERC & other parties- Respondents) it is necessary that the CAG audited accounts have to be made available for the True- up of FY 2015-16. Hence, the Commission directs the UPPTCL to get the audit being done by CAG expedited so that the True- up Petition for FY 2015-16 can be filed at the earliest.

The copy of this Order is also being sent to all the Distribution Licensees for reference and necessary compliances.

....

Unquote

The UPPCL on July 9, 2018 had presented before the Commission "Uttar Pradesh Power Sector Snapshot", wherein they had assured the Commission that the UP DISCOMs and the TRANSCO are in the process of preparing the True- Up Petitions for FY 2015-16, Annual Performance Review for FY 2016-17 and for 2017-18 and Tariff for FY 2018-19 . However, no submissions have been made so far to the Commission.

The Commission can also invoke Section 142 of the Act and accordingly punish the Licensees for non-compliance of Commission's directions. However, penalizing the licensees and collecting the fine as prescribed, would not serve the objective of carrying out the true up and determination of tariff. The consumers need to be benefitted by determining appropriate tariffs and surcharges. So, there is a need to punish the Licensees by determining appropriate tariffs and surcharges and by punishing the Licensees to consider the same as their deemed revenue.

Thus, the Commission is greatly concerned by this delay in filing the Petitions as per the provisions of Tariff Regulations and hence decides to start the suo-moto proceedings for Truing Up of Tariff for FY 2015-16, Annual Performance Review (APR) for FY 2016-17 and 2017-18 and Tariff for FY 2018-19 for the State DISCOMs (DVVNL, MVVNL, PVVNL, PuVVNL, KESCO) & UPPTCL immediately.

The Commission even under suo-moto proceedings would require necessary data to assess the revenue requirement and fix the tariff. In this respect, it would place reliance on the audited accounts, provisional accounts and other submissions of the Licensee.

In view of the above, the Licensees are required to submit the following in the form of Petitions:

1. Audited Accounts for FY 2015-16, along with provisional accounts for FY 2016-17 for State DISCOMs (DVVNL, MVVNL, PVVNL, PuVVNL and KESCO) and UPPTCL along with the data in prescribed forms provided in the MYT (Distribution and Transmission) Regulations, 2014.
2. Details of actual power purchase for State DISCOMs from Long term, Medium term, short term sources of power procurement for FY 2015-16, FY 2016-17 & FY 2017-18. During the presentation of the DISCOMs before the Commission on July 9, 2018, UPPCL have submitted the current power purchase mix and projections from FY 2018-19 to FY 2023-24. They had also stated that there has been decrease in the power purchase cost as compared the figures approved in MYT Order dated November 30, 2017. Hence the details for the same should be submitted and the benefit should be passed on to the consumers.
3. Submit the actual details of sales, load, no. of consumers and revenue (category & sub-category wise) for FY 2015-16, FY 2016-17 & FY 2017-18 and of FY 2018-19 (up to July 2018) for State DISCOMs.
4. Categorisation of variations in performance with reference to approved forecast into factors within the control of the applicant (controllable factors) and those caused by factors beyond the control of the applicant (un-controllable factors) in accordance with the provisions of Regulation 9 of UPERC MYT Regulations.
5. Computation of the sharing of gains and losses on account of controllable factors for the previous year in accordance with the provisions of Regulation 10 of UPERC MYT Regulations.
6. Parameters / targets monitoring by Commission (for example UDAY Scheme and Power for all 24x7, etc.).

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7. Submit the impact of the UDAY scheme in the performance, financial position & regulatory asset of the utilities for FY 2017-18 and FY 2018-19.
8. Submit the details of current collection efficiencies along with trajectory of targets for improving collection efficiency. It is a well-known fact that for certain categories having metered and unmetered sub-categories, the ABR of the metered sub-category is always higher. With massive efforts in improvement of Metering and network augmentation there must have been a quantifiable improvement in ABR resulting in higher revenue streams for the DISCOMs as compared to the one assessed in the MYT Tariff Order dated November 30, 2017. Therefore, the Distribution Licensees are required to assess the benefit that should be passed on to the consumers.
9. Submit the consumer category and sub - category wise details of actual Regulatory Surcharge (separately for Regulatory Surcharge – 1 (RS - 1) & Regulatory Surcharge – 1 (RS - 2)) collected for each year since inception along with the amounts towards deemed recovery of RS -1 & RS – 2 failing which the Commission may take a strict view on the same as this submission has already been much delayed despite of a number of repetitive directions by the Commission.

The above submissions are to be made (along with soft copies comprising of word, excel files of information submitted / arrived at, models, fully populated formats as prescribed in the various Regulations etc.) within 15 days failing which the Commission may be compelled to initiate proceedings under Section 142 of the Electricity Act, 2003 simultaneously.

(Kaushal Kumar Sharma) Member	(Suresh Kumar Agarwal) Member	(Raj Pratap Singh) Chairman

Place: Lucknow
Date: 30 August, 2018

ANNEXURE- III

oc

UttarPradesh Electricity Regulatory Commission

Vidyut Niyamak Bhawan, Vibhuti Khand, Gomti Nagar, Lucknow-226010 Phone 2720426 Fax 2720423 E-mail secretary@uperc.org

Sanjay Srivastava
Secretary

Ref: UPERC/Secy/D(T)/2018-336
Dated: 13 November, 2018

To,

1. **The Principal Secretary**, Energy, Govt. of U.P. Bapu Bhawan, Vidhan Sabha Marg, Lucknow-226001
2. **The Chairman**, U. P. Power Corporation Ltd., 7th Floor, Shakti Bhawan, 14, Ashok Marg, Lucknow – 226001.
3. **The Secretary, Energy,** Govt. of U.P. Bapu Bhawan, Vidhan Sabha Marg, Lucknow-226001
4. **The Managing Director**, U. P. Power Corporation Ltd., 7th Floor, Shakti Bhawan, 14, Ashok Marg, Lucknow – 226001.
5. **The Managing Director**, U.P. Power Transmission Corporation Ltd. Shakti Bhawan, 14, Ashok Marg, Lucknow-226001
6. **The Managing Director,** Madhyanchal Vidyut Vitran Nigam Ltd., 4-A, Gokhale Marg, Lucknow - 226001.
7. **The Managing Director,** Dakshinanchal Vidyut Vitran Nigam Ltd., Urja Bhawan, 220KV Sub-Station Mathura bypass Road, Agra - 282007.
8. **The Managing Director,** Paschimanchal Vidyut Vitran Nigam Ltd., Victoria Park, Meerut - 250001.
9. **The Managing Director,** Poorvanchal Vidyut Vitran Nigam Ltd., Bhikharipur, 132KV Sub-Station, Poorvanchal Vidyut Bhawan, P.O. Diesel Locomotive Works, Varanasi - 221004.
10. **The Managing Director,** Kanpur Electricity Supply Company Ltd., KESA House, 14/71, Civil Lines, Kanpur - 208001.
11. **The Director, (Commercial),** UPPCL, Shakti Bhawan, 14 Ashok Marg, Lucknow-226001.
12. **The Director SLDC,** UPPTCL, Phase-II, Vibhuti Khand, Gomti Nagar, Lucknow-226010
13. **The Director (Commercial)** Madhyanchal Vidyut Vitran Nigam Ltd., 4-A, Gokhale Marg, Lucknow - 226001.
14. **The Director (Commercial)** Dakshinanchal Vidyut Vitran Nigam Ltd., Urja Bhawan, 220KV Sub-Station Mathura bypass Road, Agra - 282007.
15. **The Director (Commercial)** Paschimanchal Vidyut Vitran Nigam Ltd., Victoria Park, Meerut - 250001.
16. **The Director (Commercial)** Poorvanchal Vidyut Vitran Nigam Ltd., Bhikharipur, 132KV Sub-Station, Poorvanchal Vidyut Bhawan, P.O. Diesel Locomotive Works, Varanasi - 221004.
17. **The Director (Commercial)** Kanpur Electricity Supply Company Ltd., KESA House, 14/71, Civil Lines, Kanpur - 208001.
18. **The Chief Engineer,** RAU, U. P. Power Corporation Ltd., 15th Floor, Shakti Bhawan Extension, 14, Ashok Marg, Lucknow - 226001.

Sub: **Suo-Moto Proceedings on Truing Up of Tariff for FY 2015-16, Annual Performance Review (APR) for FY 2016-17 and 2017-18 and Tariff for FY 2018-19 for the State DISCOMs (DVVNL, MVVNL,PVVNL, PuVVNL, KESCO) & UPPTCL.**

Sir,

Kindly find enclosed herewith a copy of the Commission's Order dated 12th November, 2018 regarding above cited matter.

Encl: As above.

Yours sincerely

(Sanjay Srivastava)
Secretary

उ० प्र० विद्युत नियामक आयोग * U P ELECTRICITY REGULATORY COMMISSION

BEFORE

THE UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION

LUCKNOW

IN THE MATTER OF:

Suo-Moto Proceedings on Truing Up of Tariff for FY 2015-16, Annual Performance Review (APR) for FY 2016-17 and 2017-18 and Tariff for FY 2018-19 for the State DISCOMs (DVVNL, MVVNL, PVVNL, PuVVNL, KESCO) & UPPTCL.

AND

IN THE MATTER OF:

1. Principal Secretary, Energy, Govt. of UP, Bapu Bhawan, Vidhan Sabha Marg, Lucknow – 226001.
2. The Chairman, U. P. Power Corporation Ltd., 7th Floor, Shakti Bhawan, 14, Ashok Marg, Lucknow – 226001.
3. Secretary, Energy, Govt. of UP, Bapu Bhawan, Vidhan Sabha Marg, Lucknow – 226001.
4. The Managing Director, U. P. Power Corporation Ltd., 7th Floor, Shakti Bhawan, 14, Ashok Marg, Lucknow – 226001.
5. The Managing Director, U. P. Power Transmission Corporation Ltd., 7th Floor, Shakti Bhawan, 14, Ashok Marg, Lucknow – 226001.
6. The Managing Director, Madhyanchal Vidyut Vitran Nigam Ltd., 4-A, Gokhale Marg, Lucknow - 226001.
7. The Managing Director, Dakshinanchal Vidyut Vitran Nigam Ltd., Urja Bhawan, 220KV Sub-Station Mathura bypass Road, Agra - 282007.
8. The Managing Director, Paschimanchal Vidyut Vitran Nigam Ltd., Victoria Park, Meerut - 250001.
9. The Managing Director, Poorvanchal Vidyut Vitran Nigam Ltd., Bhikharipur, 132KV Sub-Station, Poorvanchal Vidyut Bhawan, P.O. Diesel Locomotive Works, Varanasi - 221004.
10. The Managing Director, Kanpur Electricity Supply Company Ltd., KESA House, 14/71, Civil Lines, Kanpur - 208001.
11. The Director, (Commercial), UPPCL, Shakti Bhawan, 14 Ashok Marg, Lucknow-226001.
12. The Director, SLDC, UPPTCL, Phase II, Vibhuti Khand, Gomti Nagar, Lucknow - 226010.
13. The Director (Commercial), Madhyanchal Vidyut Vitran Nigam Ltd., 4-A, Gokhale Marg, Lucknow - 226001.
14. The Director (Commercial), Dakshinanchal Vidyut Vitran Nigam Ltd., Urja Bhawan, 220KV Sub-Station Mathura by pass Road, Agra - 282007.

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15. The Director (Commercial), Paschimanchal Vidyut Vitran Nigam Ltd., Victoria Park, Meerut - 250001.
16. The Director (Commercial), Poorvanchal Vidyut Vitran Nigam Ltd., Bhikharipur, 132KV Sub-Station, Poorvanchal Vidyut Bhawan, P.O. Diesel Locomotive Works, Varanasi - 221004.
17. The Director (Commercial), Kanpur Electricity Supply Company Ltd., KESA House, 14/71, Civil Lines, Kanpur – 208001.
18. CE, RAU, Regulatory Affairs Unit, U.P. Power Corporation Ltd., 15thFloor, Shakti Bhawan Extension, 14, Ashok Marg, Lucknow – 226001.

ORDER

Section 61 of the Act confers power on the Electricity Regulatory Commissions to specify by Regulations, the terms and conditions for the determination of tariff in accordance with the principles stipulated therein. Section 62 of the Act empowers the Commission to determine tariff for generation of electricity, transmission of electricity, wheeling of electricity and for retail sale of electricity. Section 64 of the Act prescribes the procedure for determination of tariff and issuance of tariff order. The Commission has, in exercise of its powers under Section 61 of the Act, issued the detailed principles and procedures for determination of tariff vide Uttar Pradesh Electricity Regulatory Commission (Multi Year Distribution Tariff) Regulations, 2014 wherein it is stated that:

Quote

12.12 Notwithstanding anything contained in these regulations, in case of delay/ non-submission of the application for approval of the Business Plan and application for determination of ARR / Tariff, as the case may be, additional information, the Commission may initiate suo-moto proceedings mandating the filing of the said applications.

Provided that in the event of the licensee not filing the application despite the aforesaid proceeding, the Commission may on its own, decide the tariff based on previous year's tariff details and after incorporating suitable adjustments.

Provided further that the Commission may also pass directions under Section 129 and/or Section 142 of the Act, if required.

Unquote

The Commission in the matter of Suo Motu Proceedings on Truing Up for FY 2015-16, Annual Performance Review (APR) for FY 2016-17 and FY 2017-18 and Tariff for FY 2018-19 for the State Discoms (DVVNL, PVVNL. PuVVNL, KESCO and MVVNL) & UPPTCL issued the Order for Suo Motu

उ० प्र० विद्युत नियामक आयोग ★ U P ELECTRICITY REGULATORY COMMISSION proceedings on August 30, 2018. The relevant extract of the aforementioned Order is produced hereunder:

Quote

"..................

Thus, the Commission is greatly concerned by this delay in filing the Petitions as per the provisions of Tariff Regulations and hence decides to start the Suo-moto proceedings for Truing Up of Tariff for FY 2015-16, Annual Performance Review (APR) for FY 2016-17 and 2017-18 and Tariff for FY 2018- 19 for the State DISCOMs (DVVNL, MVVNL, PVVNL, PuVVNL, KESCO) & UPPTCL immediately.

The Commission even under Suo-moto proceedings would require necessary data to assess the revenue requirement and fix the tariff. In this respect, it would place reliance on the audited accounts, provisional accounts and other submissions of the Licensee.

In view of the above, the Licensees are required to submit the following in the form of Petitions:

1. *Audited Accounts for FY 2015-16, along with provisional accounts for FY 2016-17 for State DISCOMs (DVVNL, MVVNL, PVVNL, PuVVNL and KESCO) and UPPTCL along with the data in prescribed forms provided in the MYT (Distribution and Transmission) Regulations, 2014.*
2. *Details of Power purchase Cost for State DISCOMs from Long term, Medium term, short term sources of power procurement. During the presentation of the DISCOMs before the Commission on July 9, 2018, UPPCL have submitted the current power purchase mix and projections from FY 2018-19 to FY 2023-24. They had also stated that there has been decrease in the power purchase cost as compared the figures approved in MYT Order dated November 30, 2017. Hence the details for the same should be submitted and the benefit should be passed on to the consumers.*
3. *Submit the updated details of sales and revenue for the FY 2017-18 and actual sales up to of FY 2018-19 (up to July 2018) for State DISCOMs.*
4. *Categorisation of variations in performance with reference to approved forecast into factors within the control of the applicant (controllable factors) and those caused by factors beyond the control of the applicant (un-controllable factors) in accordance with the provisions of Regulation 9 of UPERC MYT Regulations.*
5. *Computation of the sharing of gains and losses on account of controllable factors for the previous year in accordance with the provisions of Regulation 10 of UPERC MYT Regulations.*

6. *Submit the impact of the UDAY scheme in the performance and financial position of the utilities for FY 2017-18 and FY 2018-19.*
7. *Submit the details of current collection efficiencies along with trajectory of targets for improving collection efficiency. It is a well-known fact that for certain categories having metered and unmetered sub-categories, the ABR of the metered sub-category is always higher. With massive efforts in improvement of Metering and network augmentation there must have been a quantifiable improvement in ABR resulting in higher revenue streams for the DISCOMs as compared to the one assessed in the MYT Tariff Order dated November 30, 2017. Therefore, you are required to assess the benefit that should be passed on to the consumers.*
8. *Submit the consumer category and sub - category wise details of actual Regulatory Surcharge (separately for Regulatory Surcharge – 1 (RS - 1) & Regulatory Surcharge – 1 (RS - 2)) collected for each year since inception along with the amounts towards deemed recovery of RS -1 & RS – 2 failing which the Commission may take a strict view on the same as this submission has already been much delayed.*

The above submission is to be made within 15 days failing which the Commission may be compelled to initiate proceedings under Section 142 of the Electricity Act, 2003 simultaneously. ...."

Unquote

The Commission vide Letter No. UPERC/Secy/D(Tariff)152/2018-1055 dated September 15, 2018, directed the State Discoms (DVVNL, PVVNL, PuVVNL, MVVNL and KESCO) and the Transmission Licensee (UPPTCL) to make a detailed and comprehensive presentation before the Commission on September 28, 2018 on the above subject matter.

Subsequently, UPPCL made detailed presentations before the Commission on September 28, 2018 and on October 5, 2018 and UPPTCL made a presentation on September 28, 2018.

In view of the presentations made before the Commission, the Commission observed the following:

1. A revenue gap has been shown in the ARR of FY 2018-19. However, no details have been provided as to how the same will be recovered. In case the Licensees do not propose to increase the tariff then they must service the gap through their own means.
2. The Distribution Licensees and UPPCL are required to submit the investment sourced from schemes like Vyapar Vikas Nidhi, Dr. Ram Manohar Lohiya Samagra Gram Vikas Yojna, DDUGJY, IPDS and RGGVY for FY 2015-16, FY 2016-17 and FY 2017-18 for UPPCL and each Discom.

The same was communicated to UPPCL vide Letter No. UPERC/Secy/D(Tariff)/18-1136 dated October 5, 2018. UPPCL was directed to submit the above information through an affidavit, within

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7 days i.e. by October 12, 2018. However, UPPCL vide letter dated October 15, 2018 has requested the Commission to allow additional 7 days for the submission of the above information.

Subsequently various submissions have been made by UPPCL along with the audited accounts for FY 2015-16 & 2016-17, provisional accounts FY 2017-18, details of power purchase cost for State DISCOMs, amounts capitalized under various schemes, updated details of sales & revenue for the period from 2015-16 to FY 2017-18 for State DISCOMs and other details along with financial models. However, certain queries / data, audited accounts of UPPCL for FY 2015-16 & 2016-17 and revised power purchase cost for the FY 2018-19 are still pending and will be submitted shortly. UPPTCL will also be shortly submitting the revised estimates for the years covered under these proceedings.

The submissions made by the licensee are found to be satisfactory, though some information is still pending. However, since the determination of ARR / Tariffs has already been delayed, keeping all the above into consideration, the Commission admits the information and data for further processing. The Licensees shall furnish the above pending data submission along with other pending information / clarifications as raised in the Deficiency Note / letters / e-mails and any further information / clarifications as deemed necessary by the Commission during the Suo- Motu proceedings and provide such information and clarifications to the satisfaction of the Commission within the time frame as stipulated by the Commission failing which the Commission may be compelled to initiate proceedings under Section 142 of the Electricity Act, 2003.

The Commission hereby directs each Distribution Licensee (MVVNL, DVVNL, PuVVNL, PVVNL & KESCO) & transmission licensee (UPPTCL) to publish within 3 days from the issue of this Order, the Public Notice detailing the summary and highlights of the Truing Up for FY 2015-16 and FY 2016-17, Annual Performance Review (APR) for FY 2017-18 and Aggregate Revenue Requirement (ARR) for FY 2018-19 etc. along with their website address, in at least two (2) English and two (2) Hindi language daily newspapers for two successive days inviting views / comments / suggestions / objections / representations within 15 days from the date of publication of the Public Notice(s) by all stakeholders and public at large.

The Public Notice(s) should also contain the details of the cumulative revenue gap (regulatory asset) if any, and its treatment, proposed 'Regulatory Surcharge', Distribution losses, average power purchase cost, average cost of supply, average retail Tariff realized from each category / sub-category of consumers and the % of average Tariff rise for each category / sub-category of consumers and the increase required to cover the revenue gap, wheeling charges, transmission charges, open access related charges etc. The Licensees shall also submit a set of the notices along with copies of original newspapers.

Further, the Public Notice should inform the stakeholders and public at large to regularly check the websites of Distribution Licensees / Transmission Licensee / UPPCL for further submissions made in

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respect to these proceedings. The Commission further directs the Licensees to put all details on its internet website, in PDF format, showing detailed computations, the application made to the Commission along with all regulatory filings, information, particulars and documents, clarification and additional information on inadequacies / deficiencies, Benchmarking studies report, etc. and all subsequent events and material placed on record if any, made from time to time before the issuance of final Order. The Licensees will also inform the Commission of the same by providing the internet links.

The Licensees may not provide or put up any such information, particulars or documents, which are confidential in nature, without the prior approval of the Commission. The Commission reserves the right to seek any further information / clarifications as deemed necessary during this Suo- Motu Proceedings.

12/11/18		
(Kaushal Kishore Sharma) Member	(Suresh Kumar Agarwal) Member	(Raj Pratap Singh) Chairman

Place: Lucknow
Date: 12th November, 2018

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