ASSAM ELECTRICITY REGULATORY COMMISSION

FILE NO. AERC. 745/2020 Petition No.: 11/2020

ORDER SHEET

22.06.2020

Before the Assam Electricity Regulatory Commission
ASEB Campus, Dwarandhar,
G. S. Road, Sixth Mile, Guwahati – 781 022

Assam Electricity Grid Corporation Ltd. (AEGCL) -------Petitioner
Consumer Advocacy Cell(CAC) --------Respondent-1
Assam Power Distribution Company Ltd. (APDCL) --------Respondent- 2

Date of Hearing: 22 June 2020

Petitioner Present: Mr A. K. Nath, GM (HQ)
Mr S. Kaimal, DGM (F&A)
Mr G. K. Bhuyan, DGM
Mr A. J. Choudhary, AGM
Mr Debasish Paul, AGM (F&A)
Mr B. B. Das, Consultant

Respondent Presents: Shri Subodh Sharma, CAC
Shri K Talukdar, CAC
Shri A N Ahmed, APDCL
Shri N M Deb, APDCL

In the matter of

Petition No.11/2020 for Review of AEGCL's Tariff Order dated March 7, 2020, regarding Truing up for FY 2018-19, Annual Performance Review for FY 2019-20 and Revised Annual Revenue Requirement and Tariff for FY 2020-21

CORAM

Shri S. C. Das, Chairperson
Smt. B. Borthakur, Member

ORDER

1. The Assam Electricity Grid Corporation Ltd. (hereinafter referred as "the Petitioner" or "AEGCL") filed a Petition before the Commission on May 04, 2020, for review of the Tariff Order dated March 7, 2020, in petition no. 11/2019 for Truing up of FY 2018-19, Annual Performance Review for FY 2019-20 and Revised Annual Revenue Requirement and Tariff for FY 2020-21.

2. The Petitioner in their petition dated 4th May, 2020 raised certain issues including computation of Depreciation for FY 2018-19, FY 2019-20 and FY 2020-21, consideration of Non-Tariff Income and Prior Period expenses/(income) for FY 2018-19, Capacity building of employees and Revision of Pay for FY 2019-20, Interest and Finance Charges for FY 2018-19, FY 2019-20 and FY 2020-21, and Interest on Working Capital for FY 2018-19, FY 2019-20 and FY 2020-21 and prayed for review of the aforesaid order dated 07.03.2020.

3. The AERC (Conduct of Business) Regulations, 2004 specifies as under:

*"**34. Review of the decisions, directions and orders: -***

1) *Any person aggrieved by a decision or order of the Commission, from which no appeal is **preferred or allowed, and who, from the discovery of new and important matter or evidence which, after the exercise of due diligence was not within his knowledge or could not be produced by him at the time when the decision/order was passed by the Commission or on account of some mistake or error apparent from the face of the record, or for any other sufficient reason,** may apply for a review of such order within 60 days of the date of decision/ order of the Commission.*
2) *An application for review shall be filed in the same manner as a petition under Chapter II of these regulations.*
3) *When it appears to the Commission that there is no sufficient ground for review, the Commission shall reject such review application.*
4) *The application for review shall be accompanied by such fee as may be specified by Commission."(**emphasis added**)*

4. The Petitioner filed the Review Petition on May 04, 2020, which is within the specified time of 60 days from the date of issue of the Order in Petition No. 11 of 2019, i.e., March 7, 2020. Hence, the Petition is admissible under the relevant provisions of AERC (Conduct of Business) Regulations, 2004.

5. The Commission scrutinized the Review Petition and found eligible for admission and the Petition was admitted on 18.05 2020.

6. The Commission sent the copies of the Review Petition to the respondents in the original Petition No. 11/2019 for their comments within 15th June 2020 and also directed AEGCL to submit their replies on the above within 20th June 2020. The petitioner and respondent were heard on 22.06.2020. APDCL also participated in the hearing.

7. Shri Subodh Sharma, Consumer Advocacy Cell submitted his views on 15.06.2020

8. The petitioner reiterated the submissions made in the Review Petition and requested the Commission to allow the prayers made in the Petition.

9. APDCL in their oral submission mentioned that they will agree to the order approved by the Commission as deem fit and proper. However, any financial impact will have to be passed on to the Consumer.

10. The submissions of petitioner, and respondents and Commission's analysis and decisions are discussed in the following paragraphs:

11. Issue 1 - Depreciation – Computation of Depreciation for FY 2018-19, FY 2019-20 and FY 2020-21

AEGCL's Submission

The Petitioner was not satisfied with the computation of Depreciation for FY 2018-19, FY 2019-20 and FY 2020-21 and prayed to allow depreciation based on the submission made by AEGCL. The Petitioner made the following submissions:

<u>FY 2018-19</u>

- **i.** AEGCL submitted that it had claimed depreciation on assets, which were procured prior to FY 2018-19, but were accounted in FY 2018-19. As these assets were not accounted for in any of the previous years for computation of depreciation at the time of truing-up, the same was considered in truing-up of FY 2018-19.
- **ii.** AEGCL submitted that the detailed computation of approved depreciation of Rs. 66.19 Crore was not provided by the Commission in its Tariff Order due to which it was unclear whether the disallowed amount against the claim of Rs. 72.99 Crore is with respect to prior period depreciation or not. The deprecation for the prior period amounts to Rs. 8.24 Crore.
- **iii.** AEGCL has provided the detailed computation of deprecation for FY 2018-19 as Annexure-I of its Review Petition. AEGCL submitted that the Commission might have reduced the prior period depreciation from the claimed amount but even then, the numbers do not tally.
- **iv.** AEGCL requested the Commission to consider the claim of depreciation related to the prior period while reviewing this Petition and approve the revised depreciation amount, as inadvertently, the transactions related to the procurement of assets were not considered in the accounts of FY 2017-18, and were hence, not claimed in True-Up of FY 2017-18.
- **v.** Computation of the depreciation allowed in the ARR is not synced with the amount of Gross Fixed Assets (GFA) and Grants. AEGCL has written to the Commission for providing the calculation of approved Depreciation of Rs. 19.34 Crore vide letter dated March 23, 2020. Hence, the Commission is requested to review the computation of depreciation for FY 2018-19.

<u>FY 2019-20</u>

- **vi.** The Commission has approved the amounts of opening GFA and capitalisation for FY 2019-20 in line with the submission of AEGCL. However, the amount approved as depreciation is Rs. 16.32 Crore against the claimed amount of Rs. 45.48 Crore.
- **vii.** AEGCL requested the Commission to review the depreciation amount approved by the Commission, as the depreciation rate and depreciation on grants considered by AEGCL were in line with the approach adopted by the Commission. AEGCL has already written to the Commission for providing a calculation of approved Depreciation of Rs. 16.32 Crore vide letter dated March 23, 2020.

<u>FY 2020-21</u>

- **viii.** The Commission approved opening GFA equal to closing GFA of FY 2019-20. Capitalisation considered was Rs. 404.09 Crore against the claim of Rs. 1064.13 Crore.
- **ix.** Grants/Consumer Contribution was considered as Rs.339.03 Crore against the claim of AEGCL of Rs. 892.80 Crore. However, the depreciation on Grant/Consumer Contribution arrived by the Commission was Rs. 96.22 Crore, while as per AEGCL this depreciation worked out to Rs. 89.39 Crore.
- **x.** AEGCL submitted that there seems to be an error apparent in the calculation of

depreciation on Grant/Consumer Contribution funded assets. The explanation given in the Tariff Order for computation of depreciation is not sufficient and therefore, AEGCL had written a letter to the Commission to which AEGCL has not received any reply.

xi. As per AEGCL, after considering the approved capitalisation of Rs. 404.09 Crore, the depreciation works out to Rs. 130.70 Crore instead of Rs. 105.13 Crore and depreciation towards assets funded through grant shall be Rs. 89.62 Crore instead of Rs. 96.22 Crore. Accordingly, the net depreciation shall be Rs. 41.07 Crore instead of Rs. 8.91 Crore for FY 2020-21.

xii. AEGCL requested the Commission to review the calculation of depreciation for FY 2020-21 and revise the calculation wherever required.

Respondents' Submission

Shri Subodh Sharma submitted that depreciation calculation should be supported by a detailed date-wise capitalisation of the assets created and the depreciation thereon. AEGCL has not shown the break-up of the addition of assets under various heads during FY 2018-19 in its Petition. The Commission has rightly computed the depreciation of Rs. 19.34 Crore for FY 2018-19 after scrutiny of annual accounts of AEGCL, which is justified.

AEGCL is now seeking to review the depreciation based on the submission made in Annexure-I of its Review Petition on assets and depreciation. This Annexure was not submitted along with the original Petition published for comments from consumers during the processing of Tariff Petition. As per the scope of the Review Petition, an additional document cannot be entertained other than the documents given with the original Petition. Therefore, the Review Petition is unsustainable as per law and needs to be rejected outright.

Also, the Annexure provided by AEGCL contains 285 entries dated from July 2015 to March 2019. However, no document has been provided to justify that all these assets prior to FY 2018-19, which are now been claimed, were neither recorded in the corresponding Balance Sheets of the respective years nor claimed in the ARR Petition filed before the Commission. Hence, AEGCL's claims are illegal and need to be rejected.

The claim raised by AEGCL reflects the incongruity in the Balance Sheets vis-a-vis GFA and the assets shown as added in the Financial Year in the true-up Petition. Therefore, the Commission should direct AEGCL to submit such details as the one annexed by AEGCL in this Petition shall be asked to submit at the time of Truing-up petition of each year.

Commission's View

For FY 2018-19, it appears that AEGCL is confused on the issue of prior period depreciation. AEGCL is referring to depreciation on assets "procured" prior to FY 2018-19 and stating that it has not claimed depreciation on such assets earlier, and that these are 'prior period' assets.

AEGCL should note that the depreciation is allowed only after the asset is capitalized and put to use, irrespective of when it was 'procured'. The claim is not with respect to 'prior period depreciation' as being stated by AEGCL. The Commission has been allowing prior period expenses/income as a separate head in the ARR of each year. However, since depreciation is allowed on normative basis, prior period depreciation is not allowed separately. The relevant extracts of the Tariff Order dated March 7, 2020, is as follows:

"4.13.3 The Commission has disallowed the prior period expenses towards depreciation since this expense had not been allowed by the Commission in the past Orders based on audited accounts and had allowed depreciation based on its own computations…"

The approved depreciation for FY 2018-19 is against the capitalisation of Rs. 291 Crore, which neither includes any part of prior period capitalisation nor has any depreciation been reduced on this account.

As per submissions made by AEGCL on the date of commissioning of assets worth Rs. 291 Crore, it is observed that Rs. 151 Crore of assets are appearing in years prior to FY 2018-19. Assets are shown to have been capitalised in FY 2015-16, FY 2016-17, etc. It appears that AEGCL has confused asset procurement with asset capitalisation. The Commission also feels that improper accounting is also an issue of concern for AEGCL if assets capitalised four years ago are being considered for tariff now.

The Commission has also verified the computation of deprecation for FY 2018-19, FY 2019-20 and FY 2020-21 along with the financial model. The computation of gross depreciation is correct. However, the values of addition to GFA have inadvertently been linked to the GFA addition considered in the Model of MYT Order, as a result of which, the depreciation considered on the grant component has been higher; hence, net depreciation allowed to AEGCL for each of these years has been lower. **There is an error apparent on the face of the record in the computation of depreciation, and hence, the Review is admissible on this issue.**

The Commission has, therefore, recomputed the depreciation on grants/consumer contribution and accordingly allowed revised depreciation for FY 2018-19, FY 2019-20 and FY 2020-21. The following table shows the Net Depreciation allowed in this Review Petition for each year:

Table 1: Depreciation for FY 2018-19, FY 2019-20 and FY 2020-21 (Rs. Crore)

Sl.	Particulars	FY 2018-19		FY 2019-20		FY 2020-21	
		T.O. dt. March 7, 2020	Allowed in Review	T.O. dt. March 7, 2020	Allowed in Review	T.O. dt. March 7, 2020	Allowed in Review
1	Depreciation for FY 18-19	66.19	66.19	84.13	84.13	105.13	105.13
2	Less: Depreciation on Grants/Consumer Contribution	46.85	44.88	67.81	58.69	96.22	75.34
3	**Net Depreciation allowable**	**19.34**	**21.31**	**16.32**	**25.44**	**8.91**	**29.79**
4	**Additional Depreciation allowable**		**1.97**		**9.12**		**20.88**

Thus, additional depreciation of Rs. 1.97 crore, Rs. 9.12 Crore and Rs. 20.88 Crore is allowable to AEGCL for FY 2018-19, FY 2019-20 and FY 2020-21, respectively. The additional depreciation allowed for FY 2018-19 is to be considered along with the

associated carrying cost to be recovered in FY 2020-21.

There is no impact of the additional depreciation of FY 2019-20 on the Tariff approved for FY 2020-21 since the Revenue Gap/(Surplus) of FY 2019-20 has not been passed through in the ARR of FY 2020-21. The impact of the additional depreciation on the tariff of FY 2020-21 is discussed subsequently in this Order.

12. Issue 2 –Non-Tariff Income of FY 2018-19

The Petitioner has made the following submissions:

i. The Commission has accepted AEGCL's submission and not considered wheeling charges of Rs. 18.07 Crore received from Open Access consumers under Non-Tariff Income. However, the Commission has included the wheeling charge revenue of Rs. 18.07 Crore while calculating the Revenue Gap. This has resulted in Revenue Surplus of Rs. 4.33 Crore after True-up of FY 2018-19.

ii. At the time of determination of tariff of FY 2018-19 vide Tariff Order dated March 19, 2020, the Commission had considered Income from wheeling charges received from Open Access consumers under Non-Tariff Income and reduced the ARR entitlement of AEGCL for FY 2018-19 to that extent. However, for computation of tariff for FY 2018-19, the Commission had considered the total energy sent out, which includes energy sent out to APDCL as well as Open Access consumers. Thus, to neutralize the effect of the same, income of Rs. 18.07 Crore from wheeling charges from Open Access consumers for FY 2018-19 should not be considered while calculating the Revenue Gap in the True-Up for FY 2018-19.

iii. AEGCL has requested the Commission to revise the Revenue Gap for FY 2018-19 accordingly, and allow recovery of the resultant Revenue Gap for FY 2018-19 along with carrying cost in the Tariff for FY 2020-21.

Respondents' Submission

Shri Subodh Sharma submitted that since all expenditures incurred by AEGCL in transmitting power through its network to all the consumers including the Open Access consumers are taken into account to ascertain the ARR of the utility, therefore Non-Tariff Income earned from Open Access consumers should also be part of the revenue of AEGCL.

AEGCL's contention of not considering such income under Non-Tariff Income would amount to passing on the additional burden on the consumers, which is unjustified and inadmissible.

Commission's View

AEGCL is mixing up the issue of units considered for computing the Transmission Charges per kWh with the revenue considered from levy of Transmission Charges. The Tariff Order clearly states the rationale behind considering the Revenue from Transmission Charges from Open Access consumers under Revenue from Transmission Charges rather than Non-Tariff Income, as reproduced below:

"4.16.10 In the context of AEGCL's submission on income from wheeling charges to Open Access consumers amounting to Rs. 18.07 Crore, the Commission sought justification from AEGCL for not considering such income, either under NTI or revenue from operations for FY 2018-19. AEGCL was asked to submit the revised Revenue Gap for FY 2018-19, after considering the impact of the same. In reply, AEGCL submitted that it is a presentational error in the Annual Accounts of AEGCL, ***as the same should have been considered under revenue from operations for FY 2018-19****. AEGCL added that considering the same as Revenue from operations for FY 2018-19, the total ARR after Sharing of (Gains)/Losses and Incentive works out to Rs. 1197.52 crore instead of Rs.1179.45 crore, which will further enhance the Revenue Gap to Rs. 38.86 crore, as against Rs. 20.79 crore submitted in the Petition.*

4.16.11 The Commission is of the view that AEGCL has rightly not considered income from wheeling charges to Open Access consumers amounting to Rs. 18.07 Crore under NTI, as this is revenue from operations as a Transmission Licensee and not NTI. However, ***the income of Rs. 18.07 crore has to be included under Revenue from operations****. In this regard,* ***the Commission fails to understand how AEGCL has submitted that the ARR and Revenue Gap will increase after considering additional revenue from operations of Rs. 18.07 crore. The additional revenue will not impact the ARR, which is the sum of all expenses and RoE, and will help to reduce the Revenue Gap or increase the Revenue Surplus, as the case may be****…*

4.16.14 The income from wheeling charges from Open Access consumers amounting to Rs. 18.07 Crore has been excluded from NTI. However, the same has been separately considered as additional revenue of AEGCL for the computation of Revenue Gap/(Surplus) in True-up of AEGCL for FY 2018-19….

*The Commission has approved ARR after sharing of (Gains)/Losses and Incentive after Truing-up for FY 2018-19 as Rs. 1172.40 Crore. After considering the Revenue at approved Tariff and Revenue from STOA/MTOA charges, the Revenue Surplus of Rs. 4.33 Crore is approved after truing up for FY 2018-19, with associated holding cost. This Surplus has been considered for adjustment in the net ARR of APDCL during FY 2020-21."(****emphasis added****)*

As can be seen from the above extract, AEGCL in its reply to the queries raised by the Commission had itself considered the Revenue from Transmission Charges levied to Open Access consumers under the Revenue. However, AEGCL had increased the ARR and Revenue Gap by the same amount, which is patently incorrect, and was, therefore, rightly disallowed by the Commission in the Tariff Order.

Hence, there is no error apparent in the consideration of Revenue from Transmission Charges levied to Open Access consumers in the Tariff Order, and the Review is not admissible on this issue.

13. Issue 3 –Net Prior Period Expenses/(Income) for FY 2018-19

The Petitioner has made the following submissions:

i. The Commission has approved total Net Prior Period expenses/(income) of Rs. (-) 1.53 Crore against the submission of Rs. 1.03 Crore. While approving Net Prior Period expenses/(income), the Commission has considered only the Prior Period income and ignored the Prior Period expenses.
ii. Both, Prior Period income and expenses are accounted in the audited annual accounts for FY 2018-19 as per the Accounting Standard-5 (AS-5), as they have arisen due to omission in earlier periods.
iii. Since non-consideration of Prior Period expenses is an error apparent, AEGCL has requested the Commission to approve the Prior Period expenses amounting to Rs. 3.82 Crore for FY 2018-19. The details of Prior Period expenses are as shown in the table below:

Table 2: Prior Period Expenses for FY 2018-19 (Rs. Crore)

Sl.	Particulars	FY 2018-19 (Actual)
1	Short provision of bonus made during earlier years	0.20
2	Provision for Audit Fees not made in earlier years	0.03
3	Adjustment entry for the recording of expense earlier recorded under liability for expense head	0.01
4	Rectification of the journal of passing entry tax of Saraighart electricals wrongly booked in Material Purchase A/c head	0.01
5	Loss of tower member (store material) due to theft related to FY 2017-18 now booked & credited to a material issue.	0.01
6	Rectification of entries earlier recorded as revenue expenditure now booked as capital expenditure (asset booked as Transformers) as per St. Audit FY 2017-18 observation	-0.10
7	Rectification of St. Audit FY 2017-18 objection regarding the interest income earned on FD	0.13
8	Liability for service tax pertaining to previous years paid after the process of Service Tax Audit	2.45
9	Liability for income tax paid against demand notice served for FY 2013-14 dated 25-05-2019	1.08
	Total Prior Period Expenses	**3.82**

Respondents' Submission

Shri Subodh Sharma mentioned that the various claims of AEGCL on different heads deserve to be rejected outright and must be considered as per actual at the time of filing the true-up petition for 2019-20 in November 2020 for the same logic as explained in the preceding paras. It would be worth mentioning that all the past tariff orders will have to be revised if the claim of AEGCL is accepted which would amount to fresh public hearings and a repetition of the legal process already completed. Such a review would make the earlier Public Hearing process redundant and an overall review of the entire tariff fixation process would be necessary.

Commission's View

The Commission, vide Tariff Order dated March 7, 2020, has ruled as under as regards Prior Period expenses and income:

"4.13.3 … The Other Expenses of Rs. 3.83 crore and Other Income of Rs. 2.78 crore pertaining to the prior period have not been considered, as no details have been submitted by AEGCL for the same."

As stated above, at the time of processing of Tariff Petition, AEGCL did not submit the above details. In the absence of such details of the identified Prior Period expenses as well as Prior Period income, the Commission did not consider these amounts in the true-up for FY 2018-19.

The Commission is of the view that such detailing was very much available with the Petitioner at the time of processing of Truing-up of FY 2018-19. Further, in the Review Petition, AEGCL has only submitted the details of the Other Expenses of Rs. 3.83 crore, and has sought pass-through of the same. The Commission had also not considered Other Income of Rs. 2.78 crore under Prior Period expenses, for which no details have been submitted by AEGCL even in the Review Petition.

Regulation 34 of the AERC (Conduct of Business) Regulations, 2004, specifies that review shall be allowed on the grounds such as
"*discovery of new and important matter or evidence which, after the exercise of due diligence was not within his knowledge or could not be produced by him at the time when the decision/ order was passed by the Commission".*

Since this information on Prior Period expenses and Prior Period income was very much in the knowledge of the Petitioner and could have been produced at the time of processing of Truing-up, this issue does not qualify for review and hence, the Review is not admissible on this issue.

14. Issue 4 –Interest and Finance charges for FY 2018-19, FY 2019-20 and FY 2020-21

The Petitioner has requested the Commission to re-compute the Interest and Finance Charges by considering the revised amount of depreciation, as sought in the Review Petition.

Respondents' Submission

Shri Subodh Sharma requested the Commission to revise the methodology of allowing interest expenses at the time of True-up based on actual interest expenses instead of normative interest expenses since it results into profit to the Licensee and unnecessary burden on the consumers. AEGCL is claiming an additional unjustified value of GFA for 2018-19 in its Review Petition, which increases its dues in all the heads related to GFA. Such a review would make the earlier Public Hearing process redundant and an overall review of the entire tariff fixation process would be necessary.

Commission's View

Shri Subodh Sharma is seeking an amendment to the MYT Regulations, 2018. The reasons for allowing interest on the normative loan and considering depreciation as normative repayment, etc., are all aspects that have been considered while framing the MYT Regulations, after a due public consultation process. Hence, this issue is not relevant to the subject matter in hand. The interest has been allowed on normative loans in the Tariff Order, in accordance with the MYT Regulations.

As regards AEGCL's submission regarding revision in interest computation based on the revised amount of depreciation, t**here is an error apparent on the face of the record in the computation of interest, on account of the impact of error in the computation of depreciation, and hence, the Review is admissible on this issue.**

The Commission has computed the revised Interest and Finance Charges for FY 2018-19, FY 2019-20 and FY 2020-21 based on the depreciation approved in this Review Order. The following table shows the amounts of Interest and Finance Charged additionally allowed/(reduced) by the Commission:

Table 3: Interest and Finance charges for FY 2018-19, FY 2019-20 and FY 2020-21 (Rs. Crore)

Particulars	FY 2018-19		FY 2019-20		FY 2020-21	
	T.O. dt. March 7, 2020	Allowed in Review	T.O. dt. March 7, 2020	Allowed in Review	T.O. dt. March 7, 2020	Allowed in Review
Net Normative Opening Loan	51.60	51.60	89.56	87.59	156.18	145.09
Addition of normative loan during the year	57.29	57.29	82.94	82.94	65.06	65.06
Normative Repayment during the year	19.34	21.31	16.32	25.44	8.91	29.79
Net Normative Closing Loan	89.56	87.59	156.18	145.09	212.33	180.36
Interest Rate	10.08%	10.08%	10.08%	10.08%	10.08%	10.08%
Interest Expenses on Loan	7.11	7.01	12.38	11.73	18.58	16.40
Finance Charges	0.28	0.28	-	-	-	-
Total Interest and Finance Charges	**7.39**	**7.29**	**12.38**	**11.73**	**18.58**	**16.40**
Additional Interest allowable		**-0.10**		**-0.65**		**-2.18**

Thus, interest expenses have to be reduced by Rs. 0.10 crore for FY 2018-19, Rs. 0.65 Crore for FY 2019-20, and Rs. 2.18 Crore for FY 2020-21. The interest and finance charges disallowed for FY 2018-19 is to be considered along with the associated holding cost to be recovered in FY 2020-21.

There is no impact of the reduction in interest and finance charges of FY 2019-20 on the Tariff approved for FY 2020-21 since the Revenue Gap/(Surplus) of FY 2019-20 has not been passed through in the ARR of FY 2020-21. The impact of the reduction in interest and finance charges on the tariff of FY 2020-21 is discussed subsequently in this Order.

15. Issue 5 – Training and Capacity Building of AEGCL Employees for FY 2019-20

AEGCL has made the following submissions in this regard:

i. The Commission has approved training expenses of Rs. 18 Lakh against the submission of Rs. 54 Lakh for FY 2019-20, without providing any rationale for the same. AEGCL had submitted the training expenses of Rs. 54 Lakh based on the actual expenses in 6 months (Apr 2019-Sept 2019) and estimated expenses for 6 months (Oct 2019-Mar 2020). Details of ongoing training expenses were submitted to the Commission during the replies to TVS data gaps.

ii. The Commission vide its Tariff Order dated March 1, 2019, had approved training expenses of Rs. 30 Lakh for FY 2019-20, whereas, AEGCL has incurred Rs. 42 Lakh as training expenses in FY 2019-20. AEGCL hence requested the Commission to approve the proposed training expenses for FY 2019-20.

Respondents' Submission

Shri Subodh Sharma submitted that the claim of AEGCL for APR of FY 2019-20 should be rejected and should be considered as per actuals at the time of Truing-up of FY 2019-20. Also, if the contentions of AEGCL are accepted, then all past Tariff Orders will have to be revised, requiring fresh public hearing and repetition of the legal process already completed.

Commission's View

AEGCL in its Petition had submitted the total expenses on the training of employees for FY 2019-20. AEGCL did not submit any further details in its reply to data gaps provided to the Commission. However, AEGCL submitted the following details in the formats along with the Petition:

Table 4: Training Expenses for FY 2019-20 as submitted by AEGCL (Rs. Crore)

Sl.	Particulars	MYT Order	FY 2019-20 - H1	FY 2019-20 - H2	FY 2019-20 – Total
1	Disaster Management activities of AEGCL	0.30		0.02	0.02
2	Others			0.36	0.36
3	Others-Actual		0.16		0.16
	Total		**0.16**	**0.38**	**0.54**

In the Tariff Order dated March 7, 2020, the Commission has approved total Training Expenses of Rs. 0.30 crore for FY 2019-20. The actual expenses of Rs. 0.16 crore in H1 of FY 2019-20 and the projected expenses of Rs. 0.02 crore on disaster management activities in H2 of FY 2019-20, were considered in the APR of FY 2019-20, as there were no details of the "Others" head projected by AEGCL. Thus, the total expenses of Rs.0.18 crore were allowed in APR of FY 2019-20.

Moreover, the expenses for training approved in the MYT Order dated March 01, 2019, is Rs. 0.30 crore, against which AEGCL had sought Rs. 0.54 crore in the original Petition and has now submitted in the Review Petition that actual expenses in FY 2019-20 are Rs. 0.42 crore.

As only APR of FY 2019-20 has been done in the Tariff Order, and the impact of Revenue Gap/(Surplus) of FY 2019-20 has not been passed through the ARR and Tariff approved for FY 2020-21, the prudence of expenses incurred by AEGCL on this account needs to be assessed at the time of true-up for FY 2019-20, and differential amount, if any, allowed at that stage. Hence, there is no impact on the Tariff approved for FY 2020-21 on this

account.

Hence, there is no error apparent in the training expenses allowed for FY 2019-20, and the Review is not admissible on this issue.

16. Issue 6–Revision of Pay for FY 2019-20

AEGCL has made the following submissions:

i. The Commission has considered Revision of Pay (ROP) of Rs. 2.90 Crore for calculation of Normative Employee Cost for FY 2019-20 (including ROP) as Rs. 166.37 crore, in Table No. 28 of the Tariff Order.
ii. However, while allowing total O&M expenses under 5.5.13 (Table No. 31) and also in the approved ARR Table, the Commission has not considered Rs. 2.90 Crore towards ROP.
iii. Non-consideration of Rs. 2.90 Crore is an error apparent, hence, AEGCL has requested the Commission to consider the same in the approved ARR for FY 2019-20.

Respondents' Submission

Shri Subodh Sharma submitted that the claim of AEGCL for APR of FY 2019-20 should be rejected and should be considered as per actuals at the time of Truing-up of FY 2019-20. Also, if the contentions of AEGCL are accepted then all past Tariff Orders will have to be revised, requiring fresh Public Hearing and repetition of the legal process already completed.

Commission's View

The O&M expenses allowed for FY 2019-20 have been verified by the Commission. The relevant extracts of the Tariff Order are reproduced below:

"…At the same time, the ROP arrears of Rs. 2.90 crore expected to be paid in FY 2019-20 have been considered separately, in addition to the normative expenses…

5.5.8 The normative employee expenses approved for FY 2019-20 is shown in the following table:

Table 28: Approved Employee Expenses for FY 2019-20 (Rs. Crore)

Particulars	***AEGCL***	***Approved in APR***
Base Employee Cost (n-1)	*174.27*	*155.31*
Avg. CPI rate of preceding three years	*4.22%*	*4.22%*
Gn (Growth Factor for nth Year)	*1.00%*	*1.00%*
Normative Employee Cost	*183.44*	*163.47*
Revision of Pay arrears	*-*	*2.90*
Normative Employee Cost for the year (Incl. ROP)	***183.44***	***166.37***

5.5.13 In view of the above, the Commission provisionally considers the O&M expenses as shown in the following Table in the APR for FY 2019-20:

Table 31: Approved O&M Expenses for FY 2019-20 (Rs. Crore)

Particulars	***Proposed by AEGCL***	***Approved in APR***
Total O&M Expenses	***212.22***	***190.84***

Particulars	*Proposed by AEGCL*	*Approved in APR*
Employee Expenses	*183.44*	*163.47*
R&M Expenses	*19.01*	*17.50*
A&G Expenses	*9.24*	*9.68*
Training Expenses	*0.54*	*0.18*

"

From the above extract, it can be seen that though the ROP arrears of Rs. 2.90 crore (expected to be paid in FY 2019-20) have been considered while approving the employee expenses in Table 28, the same have inadvertently not been considered while approving the O&M expenses in Table 31.

There is an error apparent on the face of the record in the employee expenses allowed for FY 2019-20, and hence, the Review is admissible on this issue. The additional expense of Rs. 2.90 crore is allowable to AEGCL for FY 2019-20. However, as only APR of FY 2019-20 has been done in the Tariff Order, and the impact of Revenue Gap/(Surplus) of FY 2019-20 has not been passed through the ARR and Tariff approved for FY 2020-21, the prudence of expenses incurred by AEGCL on this account needs to be assessed at the time of true-up for FY 2019-20, and differential amount, if any, allowed at that stage. Hence, there is no impact on the Tariff approved for FY 2020-21 on this account.

17. **Issue 7 – Interest on Working Capital for FY 2018-19, FY 2019-20 and FY 2020-21**

AEGCL has requested the Commission to re-compute the Interest on Working Capital (IoWC) in line with the revised amount of depreciation, Non-Tariff Income, Net Prior Period Expenses and Interest and Finance Charges, as sought in the Review Petition for FY 2018-19, FY 2019-20 and FY 2020-21.

Respondents' Submission

Review of IoWC on account of the revised amount of depreciation should be rejected as stated in earlier submissions.

Commission's View

The Commission is of the view that for FY 2018-19, there is no impact on IoWC on account of revision in the amount of depreciation and Interest and Finance Charges, as IoWC is linked to actual O&M expenses and actual Receivables during the year.

However, for FY 2019-20 and FY 2020-21, there is a consequential impact on IoWC on account of revision in the amount of depreciation, Interest and Finance Charges, and ROP impact, as IoWC is linked to O&M expenses and Receivables, which is linked to the ARR. The revised computation of IoWC for FY 2019-20 and FY 2020-21 is shown in the table below:

Table 5: Interest on Working Capital for FY 2019-20 and FY 2020-21 (Rs. Crore)

Sl. No.	Particulars	FY 2019-20		FY 2020-21	
		T.O. dt. March 7, 2020	Allowed in Review	T.O. dt. March 7, 2020	Allowed in Review

Sl. No.	Particulars	FY 2019-20		FY 2020-21	
		T.O. dt. March 7, 2020	Allowed in Review	T.O. dt. March 7, 2020	Allowed in Review
1	O&M expenses for 1 month	15.90	16.14	16.94	16.94
2	Maintenance spares @ 15% of O&M Expenses	28.63	29.06	30.49	30.49
3	Receivables for two months	62.64	64.58	59.79	62.97
4	**Total Working Capital**	**107.17**	**109.79**	107.22	**110.40**
5	Rate of Interest	11.22%	11.22%	11.22%	11.22%
6	**Interest on Working Capital**	**12.02**	**12.31**	**12.03**	**12.38**
7	**Additional IoWC**		**0.29**		**0.35**

There is an error apparent on the face of the record in the computation of IoWC, on account of the impact of error in the computation of depreciation, interest expenses, and ROP impact, and hence, the Review is admissible on this issue. Additional IoWC of Rs. 0.29 Crore for FY 2019-20 and Rs. 0.35 crore for FY 2020-21 is allowed.

There is no impact of the additional IoWC of FY 2019-20 on the Tariff approved for FY 2020-21 since the Revenue Gap/(Surplus) of FY 2019-20 has not been passed through in ARR. The impact of the additional IoWC on the tariff of FY 2020-21 is discussed subsequently in this Order.

18. Impact of Review Order

As discussed in the above sections of the Order, the impact on account of depreciation and interest and finance charges on the ARR and Revenue Gap/(Surplus) for FY 2018-19 has been computed as under:

Table 6: ARR approved after Truing up for FY 2018-19 (Rs. Crore)

Sl. No.	Particulars	Approved in Review
1	Aggregate Revenue Requirement approved in Tariff Order dated March 7, 2020	1,1,72.40
2	Additional Depreciation allowed in this Order	1.97
3	Reduction in Interest and Finance Charges	(0.10)
4	**Net Aggregate Revenue Requirement for FY 2018-19**	**1,174.28**
5	Less: Revenue from approved Tariff	1,158.66
6	Less: Revenue from STOA/MTOA Charges	18.07
7	**Revised Revenue Gap /(Surplus) for FY 2018-19**	**(2.45)**

Based on the revised Revenue Surplus of Rs. 2.45Crore approved in this Order; the Commission has worked out the Holding Cost on this Surplus amount. The following table shows the Holding cost approved for Revenue Surplus of FY 2018-19, as shown in the table below:

Table 7: Holding Cost on Revenue Surplus of FY 2018-19 (Rs. Crore)

Sl. No.	Particulars	FY 2018-19	FY 2019-20	FY 2020-21

Sl. No .	Particulars	FY 2018-19	FY 2019-20	FY 2020-21
1	Opening Balance	-	(2.45)	(2.45)
2	Recovery /(Addition) during year	(2.45)	-	(2.45)
3	Closing balance	(2.46)	(2.45)	-
4	Rate of Interest (%)	12.20%	11.22%	11.22%
5	Carrying /(Holding) Cost	(0.15)	(0.27)	(0.14)
6	**Total Gap /(Surplus) with Holding Cost**	**(3.01)**		

The Commission had earlier directed AEGCL to refund the surplus of Rs. 5.32 Crore in twelve monthly equal instalments of Rs 0.443 Crore in FY 2020-21, as an adjustment to the monthly bills.

The Commission has now computed a surplus of Rs. 3.01Crore along with the Holding Cost for FY 2018-19. The balance (surplus) amount is to be adjusted in the next subsequent bills in FY 2020-21.

19. As discussed in the above sections of the Order, the impact on account of depreciation, interest and finance charges, Revision of Pay and Interest on Working Capital on the ARR and Revenue Gap for FY 2019-20 has been computed as under:

Table 8: ARR approved after APR of FY 2019-20 (Rs. Crore)

Sl. No.	Particulars	Approved in Review
1	Aggregate Revenue Requirement approved in Tariff Order dated March 7, 2020	381.03
2	Additional Depreciation allowed in this Order	9.12
3	Impact of Revision of Pay	2.90
4	Reduction in Interest and Finance Charges	(0.65)
5	Additional Interest on Working Capital	0.29
6	**Net Aggregate Revenue Requirement for FY 2019-20**	**392.69**
7	Less: Revenue from approved Tariff	366.03
8	**Revised Revenue Gap /(Surplus) for FY 2019-20**	**26.66**

The Commission had approved Revenue Gap of Rs. 15.00 Crore for FY 2019-20 in the Tariff Order, which has now been revised to Rs. 26.66 Crore based on the relief granted to AEGCL in this Review Order. The Commission had decided in the Tariff Order dated March 7, 2020, that the Revenue Gap of FY 2019-20 is only indicative and the same will be considered during the Truing-up process of FY 2019-20 after the audited accounts are made available. In view of the same, the revision in Revenue Gap of FY 2019-20 has no financial impact on the Tariff of FY 2020-21.

20. As discussed in the above sections of the Order, the impact on account of depreciation, interest and finance charges, and Interest on Working Capital on the ARR of FY 2020-21 has been computed in the Table below:

Table 9: ARR approved for FY 2020-21 (Rs. Crore)

Sl. No.	Particulars	Approved in Review
1	Aggregate Revenue Requirement approved in Tariff Order dated March 7, 2020	358.75
2	Additional Depreciation allowed in this Order	20.88
3	Reduction in Interest and Finance Charges	(2.18)
4	Additional Interest on Working Capital	0.35
5	**Net Aggregate Revenue Requirement for FY 2019-20**	**377.81**

The Commission had approved Annual Transmission Charges of Rs. 358.75 Crore for FY 2020-21 in its Tariff Order dated March 7, 2020. After considering the impact of this Review Order, the Commission approves the revised Annual Transmission Charges of Rs. 377.81 Crore for FY 2020-21. The difference of Rs 19.06 Cr shall be recovered from APDCL from the bill of August, 2020 to March, 2021.

The Commission has revised the Transmission Charges to Open Access consumers based on the revised ARR for FY 2020-21 approved in this Review Order. The following table shows the revised Transmission Charges for FY 2020-21:

Table 10: Approved Transmission charges for Open Access Consumers

Sr. No.	Particulars	FY 2020-21
1	Net ARR for Transmission (Rs Crore)	377.81
2	Energy transmitted to APDCL and Open Access consumers (MU)	10,047.87
3	**Transmission Access Charges (Rs./kWh)**	**0.38**
4	**Transmission Charges for LTOA/MTOA (Rs./MW/day)**	**4,512.23**

The Transmission Charges for Open Access Consumers shall be as under with effect from August 1, 2020.

Transmission Charges for MTOA/LTOA: Rs. 4,512.23 per MW per day.
Transmission Charges for short-term OA customers: Rs. 0.38/kWh.

With the above observations and decisions on the issue submitted for review, the Review Petition filed by the Petitioner stands disposed of.

Sd/-
(Smt. B. Borthakur)
Member, AERC

Sd/-
(S. C. Das)
Chairperson, AERC