



**ASSAM ELECTRICITY REGULATORY COMMISSION
(AERC)**

TARIFF ORDER

March 07, 2020

**True-Up for FY 2018-19, APR for FY 2019-20 and
Revised ARR and Tariff for FY 2020-21 for AEGCL**

and

**APR for FY 2019-20 and Revised ARR and Tariff for
FY 2020-21 for SLDC**

**Assam Electricity Grid Corporation Limited
(AEGCL)**

Petition No.s 11 & 12/2019

Table of Contents

<u>1.INTRODUCTION.....</u>	<u>11</u>
1.1 CONSTITUTION OF THE COMMISSION	11
1.2 TARIFF RELATED FUNCTIONS OF THE COMMISSION	11
1.3 BACKGROUND.....	12
1.4 MULTI YEAR TARIFF REGULATIONS, 2015	12
1.5 MULTI YEAR TARIFF REGULATIONS, 2018	13
1.6 PROCEDURAL HISTORY	15
1.7 STATE ADVISORY COMMITTEE MEETING.....	16
<u>2 SUMMARY OF AEGCL'S PETITION.....</u>	<u>17</u>
2.1 BACKGROUND.....	17
2.2 TRUE-UP FOR FY 2018-19.....	17
2.3 ANNUAL PERFORMANCE REVIEW OF FY 2019-20	18
2.4 REVISED ARR FOR FY 2020-21(Rs. CRORE)	19
2.5 PRAYERS OF AEGCL.....	21
<u>3 BRIEF SUMMARY OF STAKEHOLDERS' COMMENTS, RESPONSE OF THE AEGCL AND COMMISSION'S VIEW.....</u>	<u>22</u>
STAKEHOLDERS' COMMENTS.....	26
<u>4 TRUING UP FOR FY 2018-19</u>	<u>37</u>
4.1 METHODOLOGY FOR TRUING UP	37
4.2 TRANSMISSION LOSS	37
4.3 PGCIL CHARGES.....	38
4.4 O&M EXPENSES	39
4.5 O&M EXPENSES FOR SLDC	43
4.6 THE SHARING OF (GAINS)/LOSSES ON ACCOUNT OF O&M EXPENSES IS SHOWN IN THE FOLLOWING TABLE:..	43
4.7 CAPITALISATION	44
4.8 DEPRECIATION	45
4.9 INTEREST AND FINANCE CHARGES	47
4.10 RETURN ON EQUITY.....	48
4.11 INTEREST ON WORKING CAPITAL (IoWC).....	49

4.12	BST FOR PENSION FUND (SPECIAL CHARGES FOR TERMINAL BENEFITS).....	50
4.13	NET PRIOR PERIOD EXPENSES/(INCOME).....	50
4.14	INCOME TAX.....	52
4.15	INCENTIVE FOR TRANSMISSION AVAILABILITY	52
4.16	NON-TARIFF INCOME	54
4.17	REVENUE FROM OPERATIONS	57
4.18	ARR AFTER TRUING UP OF FY 2018-19	58
5	<u>ANNUAL PERFORMANCE REVIEW FOR FY 2019-20.....</u>	60
5.1	METHODOLOGY FOR ANNUAL PERFORMANCE REVIEW	60
5.2	TRANSMISSION LOSS	61
5.3	TRANSMISSION AVAILABILITY	61
5.4	PGCIL CHARGES.....	62
5.5	OPERATION AND MAINTENANCE EXPENSES.....	62
5.6	CAPITALISATION	66
5.7	DEPRECIATION	67
5.8	INTEREST AND FINANCE CHARGES	68
5.9	INTEREST ON WORKING CAPITAL (IOWC).....	69
5.10	BST FOR PENSION FUND	70
5.11	RETURN ON EQUITY.....	70
5.12	INCOME TAX.....	71
5.13	OTHER DEBITS, PRIOR PERIOD EXPENSES/(INCOME), AND INCENTIVE.....	71
5.14	NON-TARIFF INCOME	72
5.15	REVENUE FROM OPERATIONS	73
5.16	ARR AFTER ANNUAL PERFORMANCE REVIEW OF FY 2019-20.....	73
5.17	REVENUE GAP/(SURPLUS) FOR FY 2019-20	74
6	<u>REVISED ARR OF AEGCL FOR FY 2020-21.....</u>	75
6.1	INTRODUCTION	75
6.2	TRANSMISSION LOSS	75
6.3	TRANSMISSION AVAILABILITY	76
6.4	OPERATION AND MAINTENANCE EXPENSES.....	76
6.5	CAPITALISATION	80
6.6	DEPRECIATION	82

6.7	INTEREST ON LOAN CAPITAL	83
6.8	RETURN ON EQUITY.....	84
6.9	INTEREST ON WORKING CAPITAL	85
6.10	INCOME TAX.....	85
6.11	BST FOR PENSION FUND	86
6.12	NON-TARIFF INCOME	87
6.13	SUMMARY OF ARR FOR FY 2020-21	87
7	APR FOR SLDC FOR FY 2019-20.....	89
7.1	INTRODUCTION	89
7.2	REVISED ARR OF SLDC FOR FY 2019-20 UNDER APR	89
7.3	OPERATION AND MAINTENANCE EXPENSES.....	90
7.4	TRAINING AND CAPACITY BUILDING	94
7.5	CAPITALISATION	94
7.6	DEPRECIATION	95
7.7	INTEREST AND FINANCE CHARGES	96
7.8	RETURN ON EQUITY.....	97
7.9	INTEREST ON WORKING CAPITAL (IOWC).....	97
7.10	NON-TARIFF INCOME	98
7.11	REVENUE FROM SLDC CHARGES.....	99
7.12	ARR AFTER ANNUAL PERFORMANCE REVIEW OF FY 2019-20.....	99
7.13	REVENUE GAP/(SURPLUS) FOR FY 2019-20	100
8	ARR FOR SLDC FOR FY 2020-21.....	101
8.1	INTRODUCTION	101
8.2	TARIFF DETERMINATION FOR FY 2020-21.....	101
8.3	OPERATION AND MAINTENANCE EXPENSES.....	101
8.4	TRAINING AND CAPACITY BUILDING	105
8.5	SLDC PROPOSED TO INVEST IN EDUCATING AND ENHANCING THE EMPLOYEES THROUGH VARIOUS WORKSHOPS AND ESTIMATED THE COST FOR CONDUCTING WORKSHOPS AS RS. 10 LAKH FOR FY 2020-21.	105
8.6	CAPITALISATION	106
8.7	DEPRECIATION	108
8.8	INTEREST ON LOAN CAPITAL	109
8.9	RETURN ON EQUITY.....	111

8.10	INTEREST ON WORKING CAPITAL (IoWC)	111
8.11	NON-TARIFF INCOME	112
8.12	ARR FOR FY 2020-21	112
9	<u>TRANSMISSION TARIFF FOR FY 2020-21</u>	114
9.1	CUMULATIVE REVENUE GAP/(SURPLUS) AND NET ARR FOR RECOVERY	114
9.2	TRANSMISSION TARIFF FOR FY 2020-21	115
10	<u>ANNUAL SLDC CHARGES FOR FY 2020-21</u>	118
11	<u>APPLICABILITY OF TARIFF</u>	119
12	<u>DIRECTIVES</u>	120
13	<u>ANNEXURE 1: MINUTES OF THE 26TH MEETING OF THE STATE ADVISORY COMMITTEE</u>	126

List of Abbreviations

A&G	Administrative and General
ABITA	Assam Branch of Indian Tea Association
ADB	Asian Development Bank
AEGCL	Assam Electricity Grid Corporation Limited
AERC	Assam Electricity Regulatory Commission
APDCL	Assam Power Distribution Company Limited
APGCL	Assam Power Generation Corporation Limited
APTEL	Appellate Tribunal for Electricity
ARR	Aggregate Revenue Requirement
AS	Accounting Standards
ASEB	Assam State Electricity Board
BST	Bulk Supply Tariff
CAG/C&AG	Comptroller and Auditor General
CEA	Central Electricity Authority
CERC	Central Electricity Regulatory Commission
CPC	Centralised Processing Centre
CPI	Consumer Price Index
CSGS	Central Sector Generating Stations
CTU	Central Transmission Utility
CWIP	Capital Work-In-Progress
DA	Dearness Allowance
DISCOM	Distribution Company
FAR	Fixed Asset Register
FINER	Federation of Industry & Commerce of North Eastern Region
GFA	Gross Fixed Assets
GoA	Government of Assam
GPF	General Provident Fund
H1	First Half of the year
H2	Second Half of the year
HRA	House Rent Allowance
IWC/loWC	Interest on Working Capital
kW	kilo Watt
kWh	kilo Watt Hour

LTA	Leave Travel Allowance
MCA	Ministry of Corporate Affairs
MU	Million Units
MW	Mega Watt
MYT	Multi Year Tariff
MCLR	Marginal Cost Lending Rate
NTPC	NTPC Ltd.
O&M	Operation and Maintenance
PGCIL	Power Grid Corporation of India Limited
PoC	Point of Connection
R&M	Repairs and Maintenance
RoE	Return on Equity
ROI	Rate of Interest
ROP	Revision of Pay
SAC	State Advisory Committee
SBI	State Bank of India
SLDC	State Load Despatch Centre
SLM	Straight Line Method
STOA	Short Term Open Access
STU	State Transmission Utility
TVS	Technical Validation Session
WPI	Wholesale Price Index

ASSAM ELECTRICITY REGULATORY COMMISSION

Guwahati

Present

Shri S. C. Das, Chairperson

Smt. B. Borthakur, Member

Petition No. 11 & 12/2019

Assam Electricity Grid Corporation Limited (AEGCL) - **Petitioner**

ORDER

(Passed on March 07, 2020)

- (1) AEGCL filed Petitions for approval of Truing up for FY 2018-19, Annual Performance Review (APR) for FY 2019-20, revised Aggregate Revenue Requirement (ARR) for FY 2020-21 and determination of Tariff for FY 2020-21 for AEGCL, and APR for FY 2019-20, revised ARR for FY 2020-21 and determination of Tariff for FY 2020-21 for State Load Despatch Centre (SLDC) as per MYT Regulations, 2018 on November 30, 2019. The same was registered as Petition No.s 11 & 12/2019.
- (2) The Commission observed that there were few inconsistencies in the Petitions. The Commission raised queries in order to clarify the discrepancies, inconsistencies, and data gaps. The Commission sought additional data and clarifications on the Petitions vide letter dated December 18, 2019.
- (3) The Commission held an Admissibility Hearing on December 19, 2019 and admitted the Petitions (Petition No.11/2019 and Petition No.12/2019) vide Order dated December 19, 2019, with direction to furnish the additional data and clarifications, as sought vide letter dated December 18, 2019, by January 10, 2020.
- (4) On admission of the Petitions (Petition No.s 11 & 12/2019), in accordance with Section 64 of the Electricity Act 2003, the Commission directed AEGCL to publish a summary

of the ARR and Tariff filings in local dailies to facilitate due public participation.

- (5) Accordingly, a Public Notice was issued by the AEGCL inviting objections/suggestions from stakeholders to be submitted on or before January 21, 2020. The notice was published in five (5) leading newspapers and short notice was published in five (5) leading newspapers of the State, as shown in the Table below:

Date	Name of Newspaper	Content Published
27.12.2019	The Assam Tribune	Public Notice in English
28.12.2019	Amar Asom	Public Notice in Assamese
	Doinik Janambhumi	Public Notice in Assamese
	Dainik Jugasankha	Public Notice in English
	Purbanchal Prahari	Public Notice in English
29.12.2019	Asomiya Pratidin	Short Notice in English
	The Telegraph	Short Notice in English
	The Sentinel	Short Notice in English
	Bodosa (Bodo)	Short Notice in English
	Thekar (Karbi)	Short Notice in English

- (6) A copy of the Petition and other relevant documents were also directed to be made available to the consumers and other interested Parties at the office of the Managing Director of AEGCL, and offices of the Deputy General Manager of each circle of AEGCL. A copy of the Petition was also made available on the websites of the Commission and AEGCL.
- (7) In response to the Commission's letter dated December 18, 2019, AEGCL submitted their replies to data gaps on January 10, 2020.
- (8) The Petitions were also discussed in the 26th meeting of the State Advisory Committee (SAC) (constituted under Section 87 of the Electricity Act, 2003) held on February 13, 2020 at Bidyut Niyamak Bhawan, Six Mile, Guwahati.
- (9) The Commission received suggestions/objections from four (4) stakeholders on the Petitions filed by AEGCL. The stakeholders were notified about the place, date and time of Hearing, to enable them to take part in the Hearing. A notice was also published in Newspapers inviting participation from the general public as well as the Respondents. The Hearing was held at Bidyut Niyamak Bhawan, Six Mile, Guwahati on February 19, 2020 as scheduled. All stakeholders/respondents who participated in

the Hearing were given the opportunity to express their views on the Petitions. The details are discussed in Chapters attached to this Order.

- (10) The Commission, now in exercise of its powers and functions vested under Sections 61, 62, 86 and 181 of the Electricity Act, 2003 and all other powers enabling it in this behalf and taking into consideration the submissions made by the Petitioner, objections and suggestions received from stakeholders and all other relevant materials on record, has approved the Truing up for FY 2018-19 and APR for FY 2019-20, revised ARR for FY 2020-21 and determination of Tariff for FY 2020-21 for AEGCL and APR for FY 2019-20, revised ARR for FY 2020-21 and determination of Tariff for FY 2020-21 for SLDC as detailed in Chapters attached to this Order.
- (11) The Commission directs AEGCL to publish a Public Notice intimating the revised Transmission Tariff and SLDC Charges before the implementation of this Order, in English and Vernacular newspapers and on the website of AEGCL.
- (12) The approved Transmission Tariff and SLDC Charges shall be effective from April 1, 2020 and shall continue until replaced by any subsequent Order of the Commission.
- (13) Accordingly, the Petition Nos. 11 & 12/2019 stand disposed of.

Sd/-

(B. Borthakur)
Member, AERC

Sd/-

(S. C. Das)
Chairperson, AERC

1.INTRODUCTION

1.1 Constitution of the Commission

- 1.1.1 The Assam Electricity Regulatory Commission (hereinafter referred to as the AERC or the Commission) was established under the Electricity Regulatory Commissions Act, 1998 (14 of 1998) on February 28, 2001. The first proviso of Section 82(1) of the Electricity Act, 2003 (hereinafter referred as the Act or the EA, 2003) has ensured continuity of the Commission under the Electricity Act, 2003.
- 1.1.2 The Commission is mandated to exercise its powers and functions vested under Sections 61, 62, 86 and 181 of the Electricity Act, 2003 and all other powers enabling it in this behalf, to determine the ARR and Tariff of AEGCL.

1.2 Tariff related Functions of the Commission

- 1.2.1 Under Section 86 of the Act, the Commission has the following tariff related functions:
- a) To determine the tariff for electricity, wholesale, bulk or retail, as the case may be;
 - b) To regulate power purchase and procurement process of the distribution utilities including the price at which the power shall be procured from the generating companies, generating stations or from other sources for transmission, sale, distribution and supply in the State;
 - c) To promote competition, efficiency and economy in the activities of the electricity industry to achieve the objects and purposes of this Act.
- 1.2.2 Under Section 61 of the Act in the determination of tariffs, the Commission is to be guided by the following:
- a) The principles and methodologies specified by the Central Commission for determination of the tariff applicable to generating companies and transmission licensees;
 - b) The electricity generation, transmission, distribution and supply are conducted on commercial principles;
 - c) Factors that would encourage efficiency, economical use of the resources, good performance, optimum investments, and other matters which the State Commission considers appropriate for the purpose of this Act;

- d) The interests of the consumers are safeguarded and at the same time, the consumers pay for the use of electricity in a reasonable manner based on the cost of supply;
- e) The tariff progressively reflects the cost of supply of electricity at an adequate and improving level of efficiency and also gradually reduces cross subsidies;
- f) The National Power Plans formulated by the Central Government including the National Electricity Policy and Tariff Policy.

1.3 Background

- 1.3.1 AEGCL is the successor corporate entity of erstwhile ASEB formed pursuant to the notification of the Government of Assam, notified under sub-sections (1), (2), (5), (6) and (7) of Section 131 and Section 133 of the Electricity Act 2003 (Central Act 36 of 2003), for the purpose of transfer and vesting of functions, properties, interests, rights, obligations and liabilities, along with the transfer of personnel of the Board to successor entities.
- 1.3.2 AEGCL owns and operates the transmission system previously owned by Assam State Electricity Board (ASEB). AEGCL has started functioning as a separate entity from December 10, 2004.

1.4 Multi Year Tariff Regulations, 2015

- 1.4.1 The Commission, in exercise of the powers conferred under Section 61 read with Section 181(2) (zd) of the Act, notified the Assam Electricity Regulatory Commission (Terms and Conditions for determination of Multi Year Tariff) Regulations, 2015 (hereinafter referred as "MYT Regulations, 2015") on June 2, 2015. These Regulations are applicable for determination of Tariff for Generation, Transmission, SLDC, Wheeling and Retail Supply for the Control Period of three financial years from April 1, 2016 onwards up to March 31, 2019. These Regulations are applicable to all existing and future Generating Companies, Transmission Licensees and Distribution Licensees within the State of Assam.
- 1.4.2 AEGCL filed the MYT Petition for approval of revised ARR and Tariff for FY 2018-19 as per MYT Regulations, 2015. The Commission issued the Order on the said MYT Petition on March 19, 2018 and approved the Transmission Tariff for FY 2018-19.

- 1.4.3 Further, the Commission notified the AERC (Terms and Conditions for determination of Multi Year Tariff) Regulations, 2015, First Amendment, 2017 on November 8, 2017. In the said Regulations, certain provisions regarding the scope of APR, rate of interest for consumer security deposit, etc., were amended.
- 1.4.4 Regulation 10 of the MYT Regulations, 2015, as amended in November 2017, specifies that the Commission shall undertake the APR and True-up for the respective years of the Control Period from FY 2016-17 to FY 2018-19, as reproduced below:
“10.3 The scope of the annual review and True up shall be a comparison of the actual performance of the Generating Company or Transmission Licensee or SLDC or Distribution Licensee with the approved forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges and shall comprise the following:
- a) True Up: a comparison of the audited performance of the applicant for the previous financial year with the approved forecast for the financial year and truing up of expenses and revenue in line with Regulation 11 including pass through of impact of uncontrollable items;*
 - b) Annual Review: a comparison of the revised performance targets of the applicant for the current financial year with the approved forecast in the Tariff order corresponding to the Control period for the current financial year subject to prudence check including adjusting trajectories of uncontrollable and controllable items”.*

1.5 Multi Year Tariff Regulations, 2018

- 1.5.1 The Commission, in exercise of the powers conferred under Section 61 read with Section 181(2) (zd) of the Act, notified the AERC (Terms and Conditions for determination of Multi Year Tariff) Regulations, 2018 (herein after referred as “MYT Regulations, 2018”) on July 17, 2018. These Regulations are applicable for determination of Tariff for Generation, Transmission, SLDC, Wheeling and Retail Supply for the Control Period of three financial years from April 1, 2019 onwards up to March 31, 2022. These Regulations are applicable to all existing and future Generating Companies, Transmission Licensees and Distribution Licensees within the State of Assam.
- 1.5.2 Regulation 18 of the MYT Regulations, 2018, specifies the MYT framework, as reproduced below:

“4.2 The Multi-Year Tariff framework shall be based on the following elements, for

calculation of Aggregate Revenue Requirement and expected revenue from tariff and charges for Generating Companies, Transmission Licensee, SLDC, Distribution Wheeling Business and Retail Supply Business:

...

(vi) Annual Performance review vis-à-vis the approved forecast and categorization of variation in performance as those caused by factors beyond the control of the applicant (uncontrollable items) shall be undertaken by the Commission;

(vii) True up of the past years based on audited annual accounts of the licensees and the Generation companies.

(viii) The mechanism for pass-through of approved gains or losses on account of uncontrollable items as specified by the Commission in these Regulations;

(ix) The mechanism for sharing of approved gains or losses arising out of controllable items as specified by the Commission in these Regulations;

(x) Tariff determination for Generating Companies, SLDC, Transmission Licensee and Distribution Wheeling Business and Retail Supply Business, for each financial year within the Control period based on the approved forecast. The tariff shall be reviewed at the time of the true-up and annual performance review.

(xi) There will be no true-up of the controllable items except on account of Force Majeure events or on account of variations attributable to uncontrollable items. The variations in the controllable items, as defined in regulation 10, over and above the norms specified will be governed by incentive and penalty framework specified in these regulations.

(xii) The tariff determined by the Commission and the directions given in the MYT order shall be the quid pro quo and mutually inclusive. The tariff determined shall, within the time period specified in the order, be subject to the compliance of the directions by the generating company and the licensees to the satisfaction of the Commission. Non-compliance of directions given in the tariff order may also lead to invocation of the provisions of section 142 of the Act.

(xiii) The tariff determined by the Commission shall continue to operate till it is modified or revised by the Commission.”

1.6 Procedural History

- 1.6.1 In accordance with Regulation 18 of the MYT Regulations, 2018, AEGCL and SLDC are required to file an application for true-up for previous year, i.e., FY 2018-19, APR of current year, i.e., FY 2019-20, and revised ARR and Tariff for ensuing year, i.e., FY 2020-21, by 30th November of each year of the Control Period. AEGCL filed the Petition for approval of Truing up for FY 2018-19, APR for FY 2019-20, revised ARR and Tariff for FY 2020-21 for AEGCL, and APR for FY 2019-20 and revised ARR and Tariff for FY 2020-21 for SLDC as per MYT Regulations, 2018, on November 30, 2019. The same were registered as Petition No.s 11 & 12/2019.
- 1.6.2 The Commission observed that there were few inconsistencies in the Petitions. The Commission raised queries in order to clarify the discrepancies, inconsistencies, and data gaps. The Commission sought additional data and clarifications on the Petitions vide letter dated December 18, 2019.
- 1.6.3 The Commission held an Admissibility Hearing on December 19, 2019 and admitted the Petitions (Petition No.11/2019 and Petition No.12/2019) vide Order dated December 19, 2019 with direction to furnish the additional data and clarifications, as sought vide letter dated December 18, 2019 by January 10, 2020.
- 1.6.4 On admission of the Petitions (Petition No.11/2019 and Petition No.12/2019), in accordance with Section 64 of the Electricity Act 2003, the Commission directed AEGCL to publish a summary of the ARR and Tariff filings in local dailies to facilitate due public participation.
- 1.6.5 Further, AEGCL was directed to publish advertisement in few other newspapers stating that the copy of the Petition is made available on their website. A copy of the Petition and other relevant documents were also directed to be made available to the consumers and other interested Parties at the office of the Managing Director of AEGCL, and offices of the Deputy General Manager of each circle of AEGCL. A copy of the Petition was also made available on the websites of the Commission and AEGCL.
- 1.6.6 Accordingly, a Public Notice was issued by the AEGCL inviting objections/suggestions from respondents to be submitted on or before January 21, 2020. The notice was published in five (5) leading newspapers on 27.12.2019 and 28.12.2019, and short notice was published in five (5) of the leading newspapers of the State on 29.12.2019, as shown in the Table below:

Date	Name of Newspaper	Content Published
27.12.2019	The Assam Tribune	Public Notice in English
28.12.2019	Amar Asom	Public Notice in Assamese
	Doinik Janambhumi	Public Notice in Assamese
	Dainik Jugasankha	Public Notice in English
	Purbanchal Prahari	Public Notice in English
29.12.2019	Asomiya Pratidin	Short Notice in English
	The Telegraph	Short Notice in English
	The Sentinel	Short Notice in English
	Bodosa (Bodo)	Short Notice in English
	Thekar (Karbi)	Short Notice in English

1.6.7 In response to the Commission's letter dated December 18, 2019, AEGCL submitted their replies to data gaps on January 10, 2020.

1.6.8 The Commission received suggestions/objections from four (4) stakeholders on the Petitions filed by AEGCL. AEGCL was asked to submit its responses to the submissions of the stakeholders. The stakeholders were notified about the place, date and time of Hearing, to enable them to take part in the Hearing. A Newspaper notice was also published inviting participation from the general public as well as the Respondents. The Hearing was held at Bidyut Niyamak Bhawan, Six Mile, Guwahati on February 19, 2020 as scheduled. All stakeholders/respondents who participated in the Hearing were given the opportunity to express their views on the Petitions.

1.6.9 All the written representations submitted to the Commission and oral submissions made before the Commission in the Hearing and the responses of AEGCL have been carefully considered while issuing this Tariff Order. The major issues raised by different consumers and consumer groups along with the response of AEGCL, and views of the Commission are elaborated in **Chapter 3** of this Order.

1.7 State Advisory Committee Meeting

1.7.1 A meeting of the SAC was convened on February 13, 2020 and members were briefed on the Tariff Petition of AEGCL. The Minutes of the SAC Meeting are appended to this Order as **Annexure 1**.

2 Summary of AEGCL's Petition

2.1 Background

2.1.1 AEGCL submitted the Petition on November 30, 2019 seeking approval for APR for FY 2019-20 and ARR and Tariff for FY 2020-21 along with True up for FY 2018-19. The Transmission Charges are to be recovered from the Assam Power Distribution Company Limited (APDCL), IPPs and other Generators, Traders and others who utilize the transmission system.

2.2 True-up for FY 2018-19

2.2.1 AEGCL submitted the True-up for FY 2018-19 based on the audited accounts. The summary of ARR and Revenue Gap/(Surplus) claimed by AEGCL for FY 2018-19 is shown in the following Table:

Table 1: True-up for FY 2018-19 as submitted by AEGCL (Rs. Crore)

Sl. No.	Particulars	Approved in Order dt. 19.03.18	AEGCL Submission
1	PGCIL Charges	526.33	584.11
2	O&M Expenses	183.79	181.78
a	Employee Cost	158.89	155.31
b	R&M Expenses	18.00	17.07
c	A&G Expenses	6.90	9.40
3	SLDC Charges	3.61	2.76
4	Impact of Revision of Pay	25.30	19.31
5	Depreciation	26.29	27.79
6	Interest & Finance Charges (Approved in Revised T.O. dated 25.06.19)	5.03	7.04
7	Interest & Finance Charges (Approved in T.O. dated 19.03.18)	7.01	
8	Interest on Working Capital	30.63	29.13
9	BST for Pension Trust Fund	187.22	173.38
10	Return on Equity	16.86	15.49
11	Income Tax	-	5.02
12	Net Prior period Charges/(Credits) (Excl. related to Int, Dep and O&M)	-	1.03

Sl. No.	Particulars	Approved in Order dt. 19.03.18	AEGCL Submission
13	Less: Non-Tariff Income/ Other Income	100.17	122.57
14	Aggregate Revenue Requirement	904.89	924.26
15	Add: Revenue Gap/(Surplus) after Truing up for FY 2016-17 along with carrying cost approved in MYT Order for recovery in FY 2017-18 and FY 2018-19	188.00	188.00
16	Carrying Cost for FY 2016-17	65.77	65.77
17	Net Aggregate Revenue Requirement	1,158.66	1,178.03
18	Incentive on Transmission Availability	-	4.78
19	Add: Sharing of (Gains)/Loss	-	(3.36)
20	ARR after Sharing (Gains)/Losses and Incentive	1,158.66	1,179.45
21	Revenue with Approved Tariff for FY 2018-19	1,158.66	1,158.66
22	Revenue Gap /(Surplus) for FY 2018-19	-	20.79

2.3 Annual Performance Review of FY 2019-20

2.3.1 AEGCL submitted the APR of FY 2019-20 based on the actual expenses incurred in the first half of FY 2019-20, as shown in the Table below:

Table 2: Annual Performance Review for FY 2019-20 (Rs. Crore)

Sl. No.	Particulars	Approved in T.O. dt. 01.03.19	FY 19-20 H1	FY 19-20 H2	AEGCL Estimation
1	PGCIL Charges	-	35.42	-	35.42
2	O&M Expenses	189.90	106.00	106.23	212.23
a	Employee Cost	162.96	91.72	91.72	183.44
b	R&M Expenses	17.29	9.51	9.51	19.01
c	A&G Expenses	9.35	4.62	4.62	9.24
3	Training Expenses	0.30	0.16	0.38	0.54
4	Depreciation	23.92	22.74	22.74	45.48
5	Interest & Finance Charges	5.95	4.65	5.58	10.24
6	Interest on Working Capital	11.98	7.02	6.53	13.54
7	BST for Pension Trust Fund	141.60	69.85	69.85	139.70
8	Return on Equity	15.49	7.74	7.74	15.49

Sl. No.	Particulars	Approved in T.O. dt. 01.03.19	FY 19-20 H1	FY 19-20 H2	AEGCL Estimation
9	Income Tax	-	-	-	-
10	Net Prior period Charges/(Credits) (Excl. related to Int, Dep and O&M)	-	(5.48)	-	(5.48)
11	Less: Non-Tariff Income/ Other Income	28.01	21.02	18.22	39.24
12	Aggregate Revenue Requirement	360.83	226.92	200.46	427.37
13	Add: Additional ARR approved after Truing up for FY 2017-18 vide Review Petition Order dated 25.06.2019	5.19			
14	Net Aggregate Revenue Requirement	366.02	226.92	200.46	427.37
15	Incentive on Transmission Availability	-	0.42	0.94	1.35
17	Add: Sharing of (Gains)/Loss	-	-	-	-
18	ARR after Sharing (Gains)/Losses and Incentive	366.02	227.34	201.39	428.72
19	Revenue with Approved Tariff for FY 19-20				366.02
20	Revenue Gap/(Surplus) for FY 19-20	-			62.70

2.4 Revised ARR for FY 2020-21(Rs. Crore)

2.4.1 AEGCL has presented the revised ARR for FY 2020-21 as detailed in the Table below:

Table 3: Projected Revised ARR for FY 2020-21 as submitted by AEGCL

Sl. No.	Particulars	Approved in T.O. dt. 01.03.19	Revised ARR
1	PGCIL Charges		0.00
2	O&M Expenses	199.42	226.20
a	Employee Cost	170.81	193.08
b	R&M Expenses	18.68	22.60
c	A&G Expenses	9.63	9.52
d	Training Expenses	0.30	1.00
3	Depreciation	26.04	58.11
4	Interest & Finance Charges	7.26	14.90
5	Interest on Working Capital	12.62	14.18
6	BST for Pension Trust Fund	149.59	149.59

Sl. No.	Particulars	Approved in T.O. dt. 01.03.19	Revised ARR
7	Return on Equity	15.49	19.47
8	Income Tax	0.00	0.00
9	Less: Non-Tariff Income/ Other Income	29.41	40.76
10	Aggregate Revenue Requirement	381.00	441.68

2.4.2 AEGCL has also submitted the APR for SLDC of FY 2019-20 as shown in the following Table:

Table 4: APR of SLDC for FY 2019-20 as submitted by AEGCL (Rs. Crore)

Sl. No.	Particulars	Approved in T.O. dt. 01.03.19	AEGCL Estimation
1	O&M Expenses	4.36	4.44
a	Employee Cost	3.29	3.07
b	R&M Expenses	0.38	0.61
c	A&G Expenses	0.44	0.76
2	Training Expenses	0.25	0.25
3	Depreciation	0.07	0.07
4	Interest & Finance Charges	0.08	0.07
5	Interest on Working Capital	0.19	0.20
6	Return on Equity	-	-
7	Less: Non-Tariff Income/ Other Income	0.85	0.42
8	Aggregate Revenue Requirement	3.85	4.61
9	Net Aggregate Revenue Requirement	3.85	4.61
10	Revenue with Approved Tariff for FY 19-20		3.85
11	Revenue Gap /(Surplus) for FY 19-20	-	0.76

2.4.3 AEGCL has also presented the revised ARR for SLDC of FY 2020-21 as shown in the following Table:

Table 5: ARR of State Load Despatch Centre (SLDC) for FY 2020-21 as submitted by AEGCL (Rs. Crore)

Sl. No.	Particulars	Approved in T.O. dtd 01.03.19	Revised ARR
1	O&M Expenses	5.28	5.79
a	Employee Cost	4.45	3.49
b	R&M Expenses	0.38	1.11
c	A&G Expenses	0.46	1.18
d	Training Expenses	0.00	0.10
2	Depreciation	0.13	0.07
3	Interest & Finance Charges	0.14	0.11
4	Interest on Working Capital	0.23	0.26
5	Return on Equity	0.00	0.03
6	Less: Non-Tariff Income/ Other Income	0.89	0.44
7	Aggregate Revenue Requirement	4.89	5.92

2.5 Prayers of AEGCL

2.5.1 AEGCL, in its Petition, has prayed as under:

“

- *Accept the Annual Revenue Requirement and Tariff proposal for Transmission Business respectively in accordance with the guidelines outlined in previous AERC Orders passed in various matters relating to AEGCL; and the principles contained in AERC (Terms and Conditions for determination of Multi Year Tariff) Regulations 2018;*
- *To admit the Tariff Petition as per the provisions of the AERC (MYT) Regulations 2018 and consider present Petitions for further proceedings before Hon'ble Commission;*
- *To approve the total recovery of Aggregate Revenue Requirement and revenue gap for FY 2019-20 and FY 2020-21 along with other claims as proposed by AEGCL;*
- *To grant any other relief as the Hon'ble Commission may consider appropriate;*
- *To pass any other order as the Hon'ble Commission may deem fit and appropriate under the circumstances of the case and in the interest of justice;*
- *To condone any error/omission and to give opportunity to rectify the same;*
- *To permit AEGCL to make further submissions, addition and alteration to this Petition as may be necessary from time to time;”*

3 Brief Summary of Stakeholders' Comments, Response of the AEGCL and Commission's View

3.1.1 The Commission received suggestions/objections from four (4) stakeholders on the Petitions filed by AEGCL, from the following Respondents:

Sl. No.	Name of Respondents
1	Assam Branch of Indian Tea Association (ABITA)
2.	Consumer Advocacy Cell (CAC)
3.	Federation of Industries and Commerce of North Eastern Region (FINER)
4.	Sterlite Power Transmission Limited (SPTL)

3.1.2 A Consumer Advocacy Cell was constituted by the Commission vide Notification No. AERC./668/2018/188 dated 13.08.2019 primarily to represent the interest of the consumers from domestic segment, educational institutions, small commercial units and small scale industries and any other consumers who does not have an organized forum to represent their case before the Commission. The Cell was an outcome of a resolution taken during the 25th Meeting of the State Advisory Committee (SAC) held on 26.07.2019. The Cell consists of members from SAC and others having expertise and experience in the electricity sector. The Notification regarding formation of CAC is available in the website of the Commission.

3.1.3 AEGCL submitted its responses to the objections/suggestions received from the above stakeholders.

3.1.4 The Commission considered the objections / suggestions received and notified the Respondents to take part in the Hearing process by presenting their views in person before the Commission, if they so desired.

3.1.5 The Commission held the Public Hearing at Bidyut Niyamak Bhawan, Six Mile, Guwahati on February 19, 2020.

3.1.6 The respondents attended the Hearing and submitted their views/ suggestions. All the written representations submitted to the Commission and the oral submissions made before the Commission in the Hearing and the responses of AEGCL have been carefully considered while issuing this Tariff Order.

3.1.7 The objections/suggestions made by the stakeholders and responses of the Petitioner are briefly dealt with in this Chapter. The major issues raised by the Respondents are

discussed below along with the response of the Petitioner (AEGCL) and views of the Commission.

- 3.1.8 The figures quoted in the submissions by the respondents/Petitioner are as mentioned by them in their respective submissions. While all the objections /suggestions have been given due consideration by the Commission, only major responses/ objections received on the Petitions and also those raised during the course of Hearing have been grouped and addressed issue-wise, in order to avoid repetition.

Issue 1: Operation and Maintenance (O&M) Expenses

Stakeholders' Comments

FINER submitted that AEGCL has claimed O&M expenses of Rs 181.78 Crore against the approved amount of Rs 183.79 Crore for FY 2018-19 due to incorrect calculation of WPI and CPI Inflation rates at 2.34% and 4.28%, respectively. FINER submitted that as per the AERC regulations, the WPI Inflation rate comes out to be 0.33%.

FINER further submitted that while calculating R&M expenses for FY 2021, AEGCL has considered K-factor to be 1.01% which is contrary to what has been approved in Order dated 01.03.2019. FINER submitted that the normative R&M expenses should be Rs 20.20 Crore as opposed to the projected Rs 22.60 Crore. FINER requested that no expenses be allowed towards Pay revision unless the same is justified by proper facts and figures, submitted by AEGCL.

FINER submitted that the Commission had granted Rs 1 Crore to AEGCL for FY 20 towards capacity building of its employees with the direction to submit detailed information about how the said fund was spent. AEGCL in its petition has simply claimed INR 54 Lakh towards "training expenses" without giving any details of the same. Thus, it is prayed that the said amount be disallowed

CAC submitted that employees' costs have increased significantly in FY 2019-20. Details of employees engaged in O&M applicable for FY 2018-19 and FY 2019-20 is required to justify such additional expenditure. CAC further submitted that a pragmatic manpower planning incorporating skilled / semiskilled employees needs to be done immediately.

CAC submitted that since tariff is determined based on projections for the upcoming years, the Commission allows expenses to be determined on some normative basis for particular heads of expenses, in order to regulate such expenses. However, after

the audited accounts become available for the entity in the subsequent year, true up Petition is submitted to the Commission. CAC submitted that, if the actual expenditure is less than the normative one fixed by AERC, only the actual expenditure should be allowed. For FY 2018-19, while actual employee expense is Rs 11.01 Crore, AEGCL claimed Rs 17.11 Crore as normative expenses.

ABITA submitted that AEGCL has projected O&M Expenses of Rs. 211.69 Crore and Rs. 225.21 Crore towards O&M Expense for FY 2019-20 and FY 2020-21 respectively, which are very high than the corresponding numbers approved by the Commission and FY 2018-19 O&M Expenses.

Response of AEGCL

AEGCL submitted that AEGCL has considered the WPI and CPI inflation for FY 2018-19 as the average increase in preceding 3 years and also the Growth factor and K factor as approved by the Commission. The Commission in its previous Order dated 01.03.2019 did not consider the negative WPI of FY 2015-16 for calculating WPI inflation rate, hence, the WPI inflation for FY 2018-19 arrived at 2.34% instead of 0.33%.

AEGCL further submitted that the detailed computation of the impact of ROP was submitted to the Commission during the submission of reply to TVS dated 17.12.2019.

AEGCL submitted that it proposes to conduct technology and safety training workshops at regular intervals. An amount of Rs. 0.16 Crore has already been incurred in the 1st half of FY 2019-20 and therefore, requested the Commission to approve Rs 0.54 Crore for the year.

AEGCL further submitted that the residential colony of AEGCL needs repair and renovation of most of the residential quarters which are in dilapidated condition. As such R&M plans are being drawn up for gradual improvement of this quarter and associated roads of the colony. In view of the above, AEGCL has considered the K-factor as 1.01% as approved by the Commission for FY 2018-19.

AEGCL submitted that the details of employee engaged in O&M applicable for FY 2018-19 and FY 2019-20 were attached with the True Up Petition for FY 2018-19. As per regulations 11 and 13 of the MYT Regulations, 2015 provides the mechanism for pass through of gains or losses on account of Controllable Factor. Hence, AEGCL has made the submission of gain of Rs. 3.36 Crore which has been shared and passed on through ARR.

Commission's View

The Commission has allowed the O&M expenses in accordance with the MYT Regulations.

Issue 2: Capital Expenditure and Capitalisation

Stakeholders' Comments

ABITA & FINER submitted that AEGCL has sought total capitalization of Rs 291.10 Crore, Rs. 399.09 Crore and Rs. 1064.1 Crore for FY 2018-19, FY 2019-20 and FY 2020-21 respectively. Capitalisation of Rs 1064.1 Crore includes NERSIP projects amounting to Rs 682.73 Crore expected to be commissioned by FY 2020-21. ABITA and FINER observed that given the past trend, this figure appears unrealistic and requested the Commission to allow capitalization of Rs 140 Crore as approved in Tariff Order dated 01.03.2019 subject to change at the time of truing up.

CAC submitted that AEGCL has received more grant than approved by AERC for 2018-19 and in the corresponding year. However, debt component as claimed in its submission is lesser than what was approved by AERC. Since, AEGCL receives Government grant on 90:10 percent basis, an explanation is required as to how an increase of grant amount resulted in lesser debt.

CAC further submitted that AEGCL had a surplus of Rs 6.74 Crore which could have been converted into equity. However, no equity has been infused by AEGCL in the FY 2018-19. In fact, the loan liabilities of erstwhile ASEB was converted to equity and no additional equity in reality was infused. CAC requested the Commission to give a programme to ensure equity funding in AEGCL for the future as a part of financial turnaround of its business.

Response of AEGCL

AEGCL submitted that the capitalization for FY 2018-19 is based on actual addition of assets by AEGCL. During FY 2019-20, AEGCL has commissioned 220/132 kV Rangia substation (2x100 MVA) and Rangia-Salakati line of 162.04 km. AEGCL submitted that it expected to achieve the proposed capitalization of Rs. 404.08 Crore during FY 2019-20. AEGCL further submitted that the proposed capitalization of Rs. 1064.13 Crore is including NERSIP projects amounting to INR 682.73 Crore expected to be commissioned by FY 2020-21 as per the October 2019 progress report provided by POWERGRID. The progress report has been

submitted along with the True Up Tariff Petition for FY 2018-19.

AEGCL submitted that the capitalization for FY 2018-19 amounting to Rs. 291.10 Crores is based on actual addition of assets by AEGCL. The Capital expenditure has been funded by normative debt and grant, no infusion of equity has been made other than equity capital allocated to the companies in the Opening Balance Sheets (OBS) of the Companies in the Reorganization. Also, all the sources don't fall under the norms 90:10 except the ADB funds.

Commission's View

The Commission has approved the Capitalisation for FY 2018-19, FY 2019-20 and FY 2020-21, as elaborated in Chapters 4, 5 and 6 of this Order.

Issue 3: Depreciation

Stakeholders' Comments

ABITA and FINER submitted that AEGCL is seeking approval of Rs 27.79 Crore, Rs. 45.48 Crore and Rs. 58.11 Crore for FY 19, FY20 and FY21, respectively, towards depreciation after excluding assets funded through grant. They requested that AEGCL be directed to submit complete information along with table showing calculation of depreciation.

Response of AEGCL

AEGCL submitted the necessary information.

Commission's View

The Commission has allowed depreciation in accordance with the MYT Regulations.

Issue 4: Interest and Finance Charges

Stakeholders' Comments

ABITA and FINER submitted that AEGCL has proposed interest and finance charges of Rs. 7.04 Crore, which includes finance charge amounting to Rs 0.28 Crore in FY 2018-19 against Rs. 2.86 Crore approved in the March 2019 Order.

ABITA submitted that AEGCL has proposed interest and finance charges of Rs. 10.24 Crore and Rs. 14.90 for FY 2019-20 and FY 2020-21, respectively. AEGCL has not

followed the methodology adopted in previous tariff orders or the provisions of the Tariff Regulations. Due to high projected capitalization in FY 2020-21, the projected interest and finance charges are also very high.

FINER submitted that AEGCL has not submitted any details of its loan portfolio to calculate weighted average rate of interest for FY 2020-21.

CAC submitted that any interest charges claimed needs to be supported by lender's certificate. Even if these loans were Government loan, its certification and date of payment needs to be furnished by AEGCL.

Response of AEGCL

AEGCL submitted that considering the approved net normative closing loan of FY 2017- 18 as opening net normative loan for FY 2018-19, the normative Interest & Finance charge for FY 2018-19 arrives at Rs. 7.04 Crore. Rs 0.28 Crore are expenses mostly comprising of bank charges which are directly debited by the banks as charges for maintaining various bank transactions. Hence non allowance of these expenses will result in a revenue loss of AEGCL.

AEGCL further submitted that the Interest & Finance charges for FY 2019-20 and FY 2020-21 has been calculated based on the net normative opening loan as approved by the Commission vide Review Order dated 25.06.2019.

Commission's View

The Commission has allowed the interest expenses in accordance with the MYT Regulations as discussed in the relevant Chapters of this order.

Issue 5: Interest on Working Capital

Stakeholders' Comments

ABITA proposed revised interest on Working Capital of Rs 28.77 Crore, Rs 11.73 Crore, and Rs 12.37 Crore for FY 2018-19, FY 2019-20, FY 2020-21, respectively based on the revised estimates, against AEGCL's figures of Rs 29.13 Crore, Rs 13.53 Crore, and Rs 14.15 Crore, respectively.

CAC submitted that it cannot be presumed that Rs. 238.75 Crore was taken as loan from the bank to meet up the working capital requirement without a lender's certificate and actual interest realized. Therefore, these documents are to be provided by AEGCL.

Response of AEGCL

AEGCL submitted that the interest on working capital for FY 2019-20 and FY 2020-21 has been calculated based on the normative formula prescribed in the AERC MYT Regulations, 2015 and AERC MYT Regulations, 2018.

AEGCL submitted that the working capital requirements of the company to finance the business cycle is generally financed through internal mobilization of funds that remains in the hand of the company such as GPF contributions, pension fund, etc. The funds are liable to receive adequate return for the application of fund. AEGCL clarified that Rs. 238.75 crore is not a loan taken from bank by AEGCL as its working capital is computed as per the normative formula.

Commission's View

The Commission has approved the IoWC in accordance with the MYT Regulations, 2015 while truing up for FY 2018-19, and in accordance with the AERC MYT Regulations, 2018 for FY 2019-20 and FY 2020-21.

Issue 6: BST for Pension Trust Fund

Stakeholders' Comments

ABITA submitted that AEGCL has claimed Rs. 173.38 Crore towards Special Charges on Bulk Supply Tariff for FY 2018-19. As per audited financial accounts, AEGCL has supplied 8929.69 MU to APDCL and Open Access consumers together. ABITA requested the Commission to do the prudence check and only allow BST as applicable for the energy injected into APDCL.

CAC submitted that earning against BST falls short of approved amount in FY 2018-19 apparently due to lesser quantity of power drawn by APDCL. The Commission reduced BST by 5 Paisa per unit in recent times on the understanding that the gap between actual liabilities and earning from BST would be compensated by the GOA. As stated by AEGCL, the past unfunded liabilities estimated at Rs.2169.00 Crore on December 2004 has risen to Rs.7086.24 Crore as on 31.1.2019, which is a matter of concern. CAC requested the Commission not to burden the consumers for such past liabilities.

Response of AEGCL

AEGCL submitted that the BST claimed is as per audited annual accounts for FY 2018-19 and computation was done at 20 Paisa per unit as approved by the

Commission vide tariff order dated 01.03.2019 on the energy transmitted to APDCL for FY 2018-19. Energy transmitted to APDCL for FY 2018-19 is 8668.85 MU excluding Open Access consumers.

AEGCL further submitted that the BST for FY 2019-20 and FY 2020-21 have been computed at 15 paise per unit on the energy sent out to APDCL.

Commission's views

The Commission has noted the submissions.

Issue 7: Transmission Loss

Stakeholders' Comments:

ABITA, CAC & FINER submitted that AEGCL has projected higher transmission loss of 3.45% and 3.40% for FY 2019-20 and FY 2020-21, respectively, as against 3.39% approved by the Commission.

CAC questioned as to how exactly these figures are projected, and whether any load flow studies have been made through computer simulation in order to optimize the losses.

ABITA stated that the transmission losses of various STUs are in the range of 2-3% while that of AEGCL would be amongst the highest in the country. Reduction of transmission loss would help in reducing the overall cost of delivered power to the consumer and AEGCL should be continuously working towards the same. ABITA and FINER requested the Commission not to relax the approved loss for AEGCL.

Response of AEGCL

AEGCL submitted that a significant reduction in transmission losses in recent years has been achieved. In FY 2018-19, the actual transmission loss was 3.54%, which is lesser than loss level of preceding year. Though APDCL has stressed on power factor improvement for bulk load consumers, the compensation in domestic loads especially the rural loads have not been commensurate. Hence, AEGCL expects substantial reduction in transmission loss once the ongoing projects are commissioned.

AEGCL submitted that the transmission loss data are calculated based on the data recorded by SLDC. Projection was based on the progress of work for different transmission projects. AEGCL further submitted that the load flow studies were carried out for augmentation and expansion of transmission network with a view to achieve

optimal load flow.

Further, AEGCL submitted that the estimated transmission loss for FY 2019-20 has been reduced significantly in comparison to previous years due to:

a) Commissioning of 220 kV Salakati-Rangia lines which has improved the voltage profile at Salakati and Rangia.

b) Replacement of old transformers having higher loss in few numbers of GSS

c) The efforts at APDCL end to improve power factor at their bulk load centres may have reduced the reactive power drawl from grid, thereby, improving the bus voltage at GSS & hence lesser transmission loss. However, there remains a lot to be done by APDCL for improvement of voltage like tap-changing of their 33/11 kV transformers (at least on seasonal basis or periodically if it is not possible to do it on daily basis), commissioning and re-commissioning of capacitors at the transformers.

Commission's views

The Commission noted the submissions made. AEGCL is directed to take steps to carry out Energy Audit during FY 2020-21 and submit the report with details of Transmission Losses along with the next Tariff Petition. Further, in accordance with MYT Regulations, 2018, AEGCL will be penalised if the transmission losses are higher than the approved loss levels from FY 2019-20 onwards.

Issue 8: Non-Tariff Income (NTI)

Stakeholders' Comments

FINER submitted that AEGCL has claimed non-tariff income of Rs 122.57 Crore against approved Rs 100.17 Crore, while NTI is Rs 144.91 Crore in the Audited Annual Accounts for FY 2018-19. AEGCL claimed NTI of Rs. 39.24 Crore for FY 2019-20 and Rs 40.76 Crore for FY 2020-21. FINER submitted that the same seems to be a mistake as in true-up for FY 2018-19 AEGCL itself claimed NTI of Rs 122.57 Crore Further, the actual NTI for the past 5 years was between Rs 85 Crore to Rs 205 Crore

CAC submitted that apparently AEGCL has made some investment on fixed deposit out of its surplus as shown in Table 23. It has also shown an earning of Bank interest separately and income from Dividend. CAC asked for clarification regarding the investments.

Response of AEGCL

The major reason for lesser claim of NTI in FY 2018-19 in the tariff petition is due to Deduction of Interest on GPF and Deduction of Open Access Consumer's wheeling charges from NTI.

AEGCL submitted that the reduction of estimated Non-Tariff Income in comparison with previous Financial Years is due to the transfer of PGCIL charges from AEGCL to APDCL from FY 2019-20 onwards as per the directives of the Commission. In almost every previous financial year, the NTI included approximately Rs. 60 to 80 Crore as income received from PGCIL on account of rebate for timely payment made, STOA, MTOA, Credit bills, etc., which were included in the PGCIL bills. Due to separation of PGCIL charges, these incomes have been shifted from AEGCL to APDCL from FY 2019-20. Another reason for reduction of NTI during the FY 2019-20 is withdrawal of Fixed Deposits with Banks for capital works resulting in reduction of income from FD with banks.

AEGCL submitted that interest amounting to Rs. 2.85 Crore was earned from their savings deposit accounts. Dividend of Rs. 2.67 Crore has been earned against investment of Rs. 53.48 Crore against 13% equity shares of M/s. NETCL (North East Transmission Company Ltd.).

Commission's view

The Commission has approved NTI in accordance with the MYT Regulations and necessary prudence check. Further, as the interest expense on GPF has never been allowed to be recovered through the tariff, the interest income earned should also not be considered under NTI, and the Commission has accordingly not considered the same under Non-Tariff Income.

Issue 9: Income Tax

Stakeholders' Comments

FINER submitted that AEGCL has delayed payment of income tax and GST. Further, there is an outstanding demand for income tax amounting to Rs 13.2 Crore for FY 2009-10.

The Auditor's Report for FY 2018-19 stated that the balance recovery from income tax authorities has been understated by Rs 105.64 Lakh. The auditors have also reported a mismatch of Rs 2 Crore in the bank balance.

Response of AEGCL

AEGCL submitted that the Income Tax demand was raised by the CPC, Bengaluru and necessary application for rectification was filed with jurisdiction officer and the issue is still pending with the Income Tax department. Delay in payment of GST is a procedural delay. In this context, AEGCL has not claimed any penal liability in the tariff petitions.

AEGCL informed that rectification regarding, and IT and bank balance has already been made and will be shown in the Annual Accounts for the FY 2019-20.

Commission's view

The Commission has allowed Income tax in True-up in accordance with the MYT Regulations, 2015, and has not allowed any interest or penalty on delayed payment of Income Tax.

Issue 10: Transmission Incentives

Stakeholders' Comments

FINER submitted that AEGCL has claimed INR 4.78 Crore as incentive for higher transmission availability in FY 2018-19. AEGCL has submitted that it has raised monthly bills on APDCL depending on the monthly transmission availability. However, AEGCL has not submitted any computation/information regarding these monthly bills. FINER further submitted that considering the high capital expenditure which has gone into strengthening of the system which has resulted in purported transmission availability, no incentive should be passed to AEGCL at the cost of the consumer.

Response of AEGCL

AEGCL submitted that it has claimed Incentive on Transmission Availability as per AERC MYT Regulations. Information required has been submitted.

Commission's view

The Commission has allowed incentive in True-up in accordance with the MYT Regulations, 2015. The detailed ruling of the Commission is elaborated in Chapter 4.

Issue 11: PGCIL Charges

Stakeholders' Comments

CAC submitted that PGCIL charges of Rs.57.78Crore in excess of AERC approved amount has been claimed without assigning any reason for such excess payment. It has been stated that this payment has been made as per the bills submitted by PGCIL. CAC submitted that one of the primary reasons for high transmission tariff in the State is the high cost of transmission charges payable to PGCIL.

CAC observed that while ARR of AEGCL for 2018-19 was Rs.924.76 Crore out of which AEGCL's own requirement is Rs 340.65 Crore and Rs.584.11 Crore payment to PGCIL.

It further submitted that out of 9730.2 MU bought by APDCL only 1959.26 MU of power (20%) was directly handled by AEGCL and the balance 7771.00 MU of energy (80%) came via PGCIL network. The per unit charge of PGCIL is Rs0.76/unit approximately against Rs0.35/unit for AEGCL. The high transmission charge of PGCIL is always a matter of concern for the electricity consumers of APDCL.

FINER submitted that AEGCL has claimed Rs 35.42 Crore towards charges for PGCIL for bills raised during FY 2019-20. The Commission in its Order dated 19.03.2018 had directed that henceforth PGCIL charges shall be paid by APDCL. Accordingly, the said expense should be disallowed.

Response of AEGCL

AEGCL submitted that the PGCIL amounting to Rs. 584.11 Crore for FY 2018-19 is at actual and corresponding bills of PGCIL for FY 2018-19 has been submitted to the Commission during the submission of True Up Tariff Petition for FY 2018-19.

AEGCL submitted that PGCIL bills amounting to Rs. 35.42 Crore has been received by AEGCL during FY 2019-20. Although the PGCIL bills were received during the FY 2019-20 but these were related to the FY 2018-19, until when the PGCIL charges were included in the expenses of AEGCL and AEGCL requested the Commission not to disallow these expenses.

Commission's view

The matter regarding high PGCIL (POC) charges have been discussed extensively in different fora of the Commission in presence of representatives from the Power Department, Government of Assam. The Central Electricity Regulatory Commission (CERC) constituted a Task Force under Shri A.S. Bakshi, Former Member, CERC to

review the framework of POC charges. AEGCL and APDCL have also participated in the deliberations of the Committee and expressed their views. As per the Report submitted by the Bakshi Committee, CERC has prepared a draft Regulations for sharing of interstate transmission charges and losses which will be notified soon.

Issue 12: Sharing of Gains & Losses

Stakeholders' Comments

CAC and FINER noted that the mechanism for sharing of gain & losses of AEGCL has already been fixed in the AERC Regulations. CAC submitted that the surplus retained by the Company could be converted into equity as a signal for turnaround. CAC also suggested that AEGCL must ensure good management practice in order to optimize the cost of its service.

Response of AEGCL

AEGCL submitted that the utility in its Letter dated 13th August 2018 to Additional Chief Secretary, GoA has requested to raise the Authorized Share Capital of the Company, following the approval of Board of Directors of AEGCL vide 67th Board Meeting held on 27th July 2018. Hence on approval by GoA, the grants and subsidies towards creation of capital assets funded by GoA to the company shall be treated as Promoter's Contribution.

In view of the above, AEGCL is expected to add equity amounting to Rs. 51.40 Crore during FY 2020-21.

Commission's view

The Commission has allowed sharing of gains and losses after truing up for FY 2018-19 in accordance with the MYT Regulations and the same is elaborated in Chapter 4.

Issue 13: Fixed Assets

Stakeholders' Comments

CAC submitted that delay in execution of projects is impacting the financial health of the entity as it adversely affects fixed asset creation and capitalization of expenditures, causing financial loss to AEGCL, which is eventually passed on to consumers. A strong project management system with PERT/CPM as its essential features needs to be implemented in AEGCL. CAC requested the Commission to issue directive on this matter.

FINER submitted that in contravention of Commission's direction to prepare and maintain Fixed Asset Register (FAR), duly approved by Chartered Accountants, AEGCL is yet to update the FAR. The last update is that of 31.03.2018.

Response of AEGCL

AEGCL submitted that the time overrun of projects also resulted in cost overrun, however, this is basically a problem which is beyond control of utilities as settlement of ROW issues (in some cases, litigation has also delayed) has extended the completion period.

AEGCL further submitted that the AEGCL has a separate Project Management Cell headed by Project Director in the rank of General Manager.

AEGCL submitted that FAR will be updated till 31.03.2020 after finalization of the Annual Accounts of AEGCL for the FY 2019-20.

Commission's view

Noted. AEGCL was directed to prepare and maintain updated Fixed Assets Registers duly certified by Chartered Accountants so that these can be submitted to the Commission as and when asked during tariff proceedings. The Commission is also monitoring the implementation of ongoing projects through the Monitoring Subcommittee of SAC.

Issue 14: Tariff Based Competitive Bidding (TBCB) for Transmission Projects

SPTL submitted that competitively discovered tariffs have proven cheaper than cost plus tariffs in the Inter-State (ISTS) and Intra-State (InSTS) transmission projects awarded by the Central Government, as well as by States such as Uttar Pradesh, Madhya Pradesh, and Rajasthan, among others. Because of wide-spread participation, the competitive tariff for these projects has witnessed an average reduction of ~40% vis-a vis cost-plus tariffs, with a maximum reduction of 57%.

SPTL requested the Commission to issue notification of 'threshold limit' value of Rs 100Cr or less, as the Commission may deem appropriate. SPTL submitted that the Commission may direct applicability of threshold limit over non funded projects to start with and later lay down suitable mechanism to ensure development of all InSTS projects under the TBCB route only.

Response of AEGCL

AEGCL requested to approve the threshold limit proposed by AEGCL at Rs. 225 Crore (for transmission line) and Rs. 160 Crore (for substation).

Commission's view

The Commission has already taken up the process of notifying threshold limit for transmission projects in a separate proceeding.

4 Truing up for FY 2018-19

4.1 Methodology for Truing Up

- 4.1.1 The Commission had approved the ARR and Tariff for FY 2018-19 in the Tariff Order dated March 19,2018.
- 4.1.2 AEGCL submitted the Truing-up Petition for FY 2018-19 based on audited annual accounts and provisions of MYT Regulations, 2015, wherever applicable. AEGCL has sought true-up for FY 2018-19, with the Revenue Gap/(Surplus) to be recovered/(adjusted) during FY 2020-21.
- 4.1.3 The Commission approves the relevant cost parameters through approval of the ARR at the beginning of the year, keeping in view the data available at that point of time. The cost approvals for each of the items are based on projection of expenses and revenue before beginning of the year and the provisions of MYT Regulations, 2015. The projections might vary over the course of the year.
- 4.1.4 The actual cost/values for certain elements/parameters may vary as against the approved cost during the year due to various controllable and uncontrollable factors. The Licensee may end up with higher or lower expenditure, as the case may be, at the end of the year as against the approved cost.
- 4.1.5 The Commission analyses the actual expenditure for the previous year based on the audited Annual Accounts of the Licensee and allows/disallows the recovery of the actual expenditure through the ensuing year's tariff, subject to prudence check.
- 4.1.6 In the present Chapter, the Commission has carried out the Truing up for FY 2018-19 based on the submissions of AEGCL, audited annual accounts for FY 2018-19 and provisions of MYT Regulations, 2015. The Commission has approved the sharing of gains and losses on account of controllable factors between AEGCL and its beneficiaries, in accordance with Regulation 13 of the MYT Regulations, 2015.

4.2 Transmission Loss

- 4.2.1 AEGCL submitted the Transmission Loss of 3.54% for FY 2018-19 for the purpose of Truing up, as shown in the following Table:

Table 5: Transmission Loss for FY 2018-19 as submitted by AEGCL

Sl. No.	Particulars	Approved in T.O. dt. 19.03.2018	AEGCL Submission
1	Energy Injected (MU)	10461	9257.40
2	Energy Sent Out to APDCL (MU)	10101	8668.85
3	Energy Sent Out to OA Consumers (MU)		260.84
4	Total Energy Sent Out	10101	8929.69
4	Transmission Loss (MU)	360	327.71
5	Transmission Loss (%)	3.44%	3.54%

Commission's Analysis

- 4.2.2 The Commission has verified the Transmission loss through documentary evidences submitted by AEGCL. It is noted that the actual Transmission loss for FY 2018-19 is higher than the Transmission Losses approved by the Commission in the MYT Order dated March 19, 2018.
- 4.2.3 For the true-up, the Commission has considered the actual Transmission Loss of 3.54% for FY 2018-19, for the purpose of Energy Balance for APDCL. AEGCL is directed to maintain the transmission loss within the approved levels, in light of the significant capital expenditure proposed by AEGCL towards system strengthening.

4.3 PGCIL Charges

- 4.3.1 AEGCL has claimed actual PGCIL Charges of Rs. 584.11 Crore for FY 2018-19, against PGCIL Charges of Rs. 526.33 Crore approved in the MYT Order dated March 19, 2018.

Commission's Analysis

- 4.3.2 The Commission has scrutinised PGCIL Charges claimed by AEGCL vis-à-vis monthly bills of PGCIL. The Commission notes that PGCIL Charges claimed are gross billed amount. However, rebate received, and credit given to Open Access consumers has been shown separately under Non-Tariff Income. The PGCIL Charges are to be paid in accordance with the Orders issued by the CERC. The actual expenditure incurred by AEGCL towards PGCIL charges as per the Audited Accounts is Rs. 584.11 Crore for FY 2018-19.

4.3.3 **Therefore, the Commission approves PGCIL Charges of Rs. 584.11 Crore for FY 2018-19 after truing up.**

4.4 O&M Expenses

4.4.1 AEGCL submitted the O&M expenses for FY 2018-19 comprising following heads:

- a) Employee expenses
- b) R&M expenses
- c) A&G expenses

The claim of AEGCL under various heads of O&M expenses are discussed below:

4.4.2 Employee Expenses

AEGCL submitted that Employee Expenses comprise salaries, dearness allowance, bonus, terminal benefits in the form of pension and gratuity funding, leave encashment, and staff welfare expenses. AEGCL has claimed Rs. 155.31 Crore towards employee expenses for FY 2018-19, as against employee expenses of Rs. 158.89 crore approved in the MYT Order dated March 19, 2018.

4.4.3 Repairs and Maintenance (R&M) Expenses

AEGCL submitted that R&M Expenses are incurred for the day-to-day upkeep of the transmission network and form an integral part of the Licensee's efforts towards providing reliable and quality power transmission as also in reduction of losses in the system.

AEGCL has claimed R&M expenses of Rs. 17.07 Crore for FY 2018-19 as against R&M expenses of Rs. 18 Crore approved in the MYT Order dated March 19, 2018.

4.4.4 Administrative and General (A&G) expenses

AEGCL submitted that A&G expenses comprise rents, telephone and other communication expenses, professional charges, conveyance and travelling allowances, other debits. AEGCL has claimed A&G expenses of Rs. 9.40 Crore for FY 2018-19 as against A&G expenses of Rs. 6.90 Crore approved in the MYT Order dated March 19, 2018.

Commission's Analysis

4.4.5 The O&M Expenses for FY 2018-19 were allowed on normative basis in the MYT Order in accordance with Regulation 68.9 of the MYT Regulations, 2015. AEGCL has

claimed the normative O&M expenses as per the formula specified in the MYT Regulations, 2015, as shown in the Table below:

Table 6: Normative O&M Expenses for FY 2018-19 as submitted by AEGCL

Sl. No.	Particulars	Approved in T.O. dtd 19.03.18	AEGCL Submission
	O&M Expenses	183.79	181.78
a	Employee Cost	158.89	155.31
b	R&M Expenses	18.00	17.07
c	A&G Expenses	6.90	9.40

4.4.6 For the purpose of truing up for FY 2018-19, the Commission has computed the O&M Expenses on normative basis as per Regulation 68 of the MYT Regulations, 2015. The variation between normative O&M expenses and actual O&M Expenses has been considered under sharing of gains and loss on account of controllable items as per Regulation 13 of the MYT Regulations, 2015.

Employee Expenses

4.4.7 For computation of normative employee expenses for FY 2018-19, the Commission has adopted the following approach:

- a) The employee expenses approved after True-up for FY 2017-18 in MYT Order dated March 01, 2019 have been considered as base expenses;
- b) CPI inflation has been computed as average increase of CPI for the period from FY 2015-16 to FY 2017-18, which works out to 4.28%;
- c) The growth factor of 1.00% has been considered as per the MYT Order.

4.4.8 The normative employee expenses approved in the true-up for FY 2018-19 are shown in the following Table:

Table 7: Approved Employee Expenses for FY 2018-19 (Rs. Crore)

Normative Employee Expense for FY 2018-19	Amount
Base Employee Cost (n-1)	149.74
CPI Inflation	4.28%
Gn (Growth Factor for n th Year)	1.00%
Normative Employee Cost for FY 2018-19 (Excl. ROP)	157.72

Normative Employee Expense for FY 2018-19	Amount
Normative Employee Expense for SLDC	2.41
Normative Employee Expense for Transmission	155.31
Revision of Pay arrears	19.31
Normative Employee Expenses for Transmission including ROP Arrears	174.61

R&M Expenses

4.4.9 For computation of R&M Expenses for FY 2018-19, the Commission has considered the following approach:

- a) WPI inflation has been computed as average increase of WPI index for the period from FY 2016-17 to FY 2017-18, after excluding the negative WPI of FY 2015-16, which works out to 2.33%.
- b) K-factor governs the relationship between R&M expenses and Gross Fixed Assets. The Commission has analysed the relationship between approved R&M expenses and Gross Fixed Assets for the period from FY 2011-12 to FY 2015-16 in the MYT Order. Accordingly, the K-factor for the Control Period has been approved as 1.01%. The same K-factor has been considered for computation of normative R&M Expenses for FY 2018-19. Since, K-factor has been computed on the basis of average GFA, for working out R&M expenses for FY 2018-19, average GFA for previous years has been considered.

4.4.10 The normative R&M expenses approved in the true-up for FY 2018-19 is shown in the following Table:

Table 8: Approved R&M Expenses for FY 2018-19 (Rs. Crore)

Sl. No.	Normative R&M Expense for FY 2018-19	Amount
1	Opening GFA for previous year	1,628.68
2	Closing GFA for previous year	1,681.83
3	Average GFA for previous year	1,655.26
4	K Factor	1.01%
5	WPI Inflation	2.33%
6	Normative R&M Expenses	17.11
7	Normative R&M Expenses for SLDC	0.04
8	Normative R&M Expenses for Transmission	17.07

A&G Expenses

4.4.11 For computation of A&G expenses for FY 2018-19, the Commission has adopted the following approach:

- a) The A&G expenses approved after True-up for FY 2017-18 in MYT Order dated March 01, 2019 have been considered as base expenses.
- b) WPI inflation has been computed as average increase of WPI index for period from FY 2016-17 to FY 2017-18, after excluding the negative WPI of FY 2015-16, which works out to 2.33%.

4.4.12 The normative A&G expenses approved in the true-up for FY 2018-19 is shown in the following Table:

Table 9: Approved A&G Expenses for FY 2018-19 (Rs. Crore)

Sl. No.	Normative A&G Expenses for FY 2018-19	Amount
1	A&G Expenses for Previous year	9.49
2	WPI Inflation	2.33%
3	Normative A&G Expenses for the year	9.71
4	Normative A&G Expenses for the year - SLDC	0.31
5	Normative A&G Expenses for the year - Transmission	9.40

4.4.13 The normative O&M expenses approved by the Commission for FY 2018-19 are shown in the following Table:

Table 10: Normative O&M Expenses approved by Commission for Transmission for FY 2018-19 (Rs. Crore)

Sl. No.	Particulars	MYT Order	AEGCL	Approved after Truing up
1	Employee Expenses	158.89	155.31	155.31
2	R&M Expenses	18.00	17.07	17.07
3	A&G Expenses	6.90	9.40	9.40
Total		183.79	181.78	181.77

4.4.14 AEGCL has also claimed the impact of actual ROP arrears of Rs. 19.31 crore in FY 2018-19, as against ROP arrears of Rs. 25.30 crore approved in the Tariff Order dated March 19, 2018. The Commission has verified the ROP arrears payment from the Audited Accounts and approved the actual ROP arrears of Rs. 19.31 crore in the true-

up for FY 2018-19.

4.4.15 Further, Regulation 11.2 of the MYT Regulations, 2015 specifies *O&M Expenses (excluding terminal liabilities with regard to employees on account of changes in pay scales or dearness allowance due to inflation)* as controllable factor. Hence, for undertaking sharing of gains or losses, the Commission has excluded the terminal liabilities from normative as well as actual Employee Expenses. Accordingly, terminal liabilities are allowed on actual basis.

4.5 O&M Expenses for SLDC

In FY 2018-19, the SLDC Charges are Rs. 2.76 crore as compared to Rs. 3.61 crore approved in the MYT Order. The SLDC Charges comprise Employee expenses, R&M expenses, and A&G expenses. The Table below highlights the SLDC charges for FY 2018-19:

Table 11: Break-Up of O&M Expenses of SLDC (Rs. Crore)

Sl. No.	Particulars	MYT Order	AEGCL	Approved after Truing up
1	Employee expenses	2.75	2.41	2.41
2	R&M expenses	0.12	0.04	0.04
3	A&G Expenses	0.74	0.31	0.31
	Total	3.61	2.76	2.76

Commission's Analysis

The Commission approves the O&M Expenses of SLDC of Rs. 2.76 Crore for FY 2018-19 as submitted by AEGCL, after truing up.

4.6 The sharing of (gains)/losses on account of O&M Expenses is shown in the following Table:

Table 12: Sharing of (gains)/losses for O&M Expenses for FY 2018-19 (Rs. Crore)

Sl. No.	Particulars	Actual	Normative	(Gains)/Losses	(Gains)/Losses to be shared with APDCL
		a	b	c=b-a	d=c x 1/3
1	Employee Cost	171.92	177.02	(5.10)	-
2	Less: Terminal Liabilities	24.27	25.58	(1.31)	
3	Less: ROP Arrears	19.31	19.31	-	-

Sl. No.	Particulars	Actual	Normative	(Gains)/ Losses	(Gains)/Losses to be shared with APDCL
		a	b	c=b-a	d=c x 1/3
4	Employee Cost excluding Terminal Liabilities	128.35	132.13	(3.79)	(1.26)
5	R&M Expenses	11.01	17.11	(6.10)	(2.03)
6	A&G Expenses	9.51	9.71	(0.20)	(0.07)
	Total (A)	148.87	158.95	(10.09)	(3.36)

Note – * - As per audited accounts

No sharing of gains or losses has been considered for Terminal liabilities.

4.6.1 Normative O&M expenses are higher than actual expenses; the gain of Rs. 3.36 Crore has been shared and passed on through the ARR.

4.7 Capitalisation

4.7.1 AEGCL submitted the actual Capitalisation for FY 2018-19 as shown in the following Table:

Table 13: Actual Capitalisation as submitted by AEGCL (Rs. Crore)

Sl. No.	Particulars	Approved in MYT Order	Actual
1.	Capitalisation	303.79	291.10

4.7.2 AEGCL submitted that funding of Capital Expenditure is done through various sources namely Loans, Grants, Equity and Debt. No infusion of equity has been made other than equity capital allocated to the Companies in the Opening Balance Sheets (OBS) of the Companies. Accordingly, all new addition of assets is created by funding from grants and loan. The funding of capitalisation as submitted by AEGCL is shown in the following Table:

Table 14: Funding of Capitalisation for FY 2018-19 as submitted by AEGCL (Rs. Crore)

Sl. No.	Particulars	Approved in T.O. dtd 19.03.18	AEGCL Submission
1	Grant	201.44	233.81
2	Equity	6.74	-
3	Debt	95.61	57.29
4	Total Capitalisation	303.79	291.10

Commission's Analysis

- 4.7.3 The Commission has approved the scheme-wise capital expenditure and capitalisation in the Business Plan Order dated September 1, 2016. However, in the Tariff Order dated March 19, 2018, the Commission has approved the capital expenditure and capitalisation based on the past trends for the purpose of tariff computation. The Commission notes that the actual capital expenditure and capitalisation incurred in FY 2018-19 are slightly lower than the values approved in the MYT Order dated March 19, 2018. The Commission sought the details of project-wise actual capital expenditure and capitalisation for FY 2018-19.
- 4.7.4 For the purpose of truing up, the Commission has considered the actual capitalisation for FY 2018-19 based on the audited accounts. As regards the funding of capitalisation, the Commission has considered the actual funding as submitted by AEGCL.
- 4.7.5 In view of the above, the Capitalisation and its funding as approved by the Commission in the true-up for FY 2018-19 is shown in the following Table:

Table 15: Capital Expenditure and Capitalisation for FY 2018-19 approved by Commission (Rs. Crore)

Sl. No.	Particulars	Approved in T.O. dt. 19.03.18	AEGCL	Approved after Truing up
1	Capitalisation	303.79	291.10	291.10
	Funding of Capitalisation			
2	Grant	201.44	233.81	233.81
3	Equity	6.74	-	-
4	Debt	95.61	57.29	57.29
5	Total	303.79	291.10	291.10

4.8 Depreciation

- 4.8.1 The Commission had approved the Depreciation of Rs. 26.29 Crore for FY 2018-19 in the Order dated March 19, 2018. As against this, AEGCL has claimed depreciation of Rs. 27.79 Crore for FY 2018-19 for the purpose of True-up.

Commission's Analysis

- 4.8.2 The Commission has considered the opening GFA for FY 2018-19 as per the closing GFA value approved in True up of FY 2017-18 vide the Tariff Order dated March 1, 2019. The Commission has computed depreciation as per scheduled rates specified

in the Tariff Regulations, 2015.

4.8.3 As per Regulation 33 of the MYT Regulations, 2015, the total depreciation during the life of the asset shall not exceed 90% of the original cost of the asset. The Commission has computed the depreciation separately for assets added under each asset head in each year. The Commission has disallowed the depreciation in excess of 90% of the original cost of asset under different asset heads.

4.8.4 In line with the approach adopted in the previous Orders and as specified in Regulation 33 of the MYT Regulations, 2015, the Commission has not considered the depreciation on assets funded through grants, consumer contribution or capital subsidy, for FY 2018-19.

4.8.5 The depreciation approved in the truing up for FY 2018-19 is given in the Table below:

Table 16: Depreciation approved for FY 2018-19 (Rs. Crore)

Sl. No.	Particulars	Opening GFA	Addition during the year	Rate of depreciation	Depreciation as per MYT Regulations, 2015
1	Land owned under full ownership	37.67	-	-	-
	Land under lease	0.30	-	3.34%	-
2	Building	34.20	9.00	3.34%	0.73
3	Hydraulic	2.64	-	5.28%	-
4	Other Civil Works	70.95	13.64	3.34%	2.60
5	Plant & Machinery	789.14	191.75	5.28%	42.75
6	Lines & Cable Net work	734.87	76.06	5.28%	19.70
7	Vehicles	4.90	0.06	9.50%	0.10
8	Furniture & Fixtures	4.08	0.37	6.33%	0.16
9	Office Equipment	3.07	0.22	6.33%	0.16
10	Grand Total	1,681.83	291.10		66.19
14	Less: Depreciation for Grants/ Consumer Contribution				46.85
15	Net Total				19.34

4.8.6 The Commission accordingly approves Depreciation of Rs. 19.34 Crore for FY 2018-19 after truing up.

4.9 Interest and Finance Charges

4.9.1 The Commission had approved Interest and Finance Charges of Rs. 5.03 Crore for FY 2018-19 in the revised Tariff Order dated June 25, 2019. As against this, AEGCL has claimed Interest and finance charges of Rs. 7.04 Crore for FY 2018-19 based on Audited Accounts.

Commission's Analysis

4.9.2 The Commission has approved Interest on loan capital for FY 2018-19 on normative basis in accordance with Regulation 35 of the MYT Regulations, 2015. The Normative Loan outstanding as on April 1, 2018 is derived after reducing the cumulative repayment as admitted by the Commission up to March 31, 2018 from the Gross Normative Loan.

4.9.3 Accordingly, the Commission has considered the opening net normative loan as on April 1, 2018 as Rs. 51.60 Crore. The addition of loan has been considered equal to debt portion of capitalised works as approved by the Commission in this Order. The loan repayment has been considered equivalent to depreciation approved in this Order. The approved addition of normative loan during FY 2018-19 and normative repayment during FY 2018-19 are thus, considered as Rs. 57.29 crore and Rs. 19.34 crore, respectively. After computation, the net normative closing loan works out to Rs. 89.56 Crore for FY 2018-19.

4.9.4 As per MYT Regulations, 2015, weighted average rate of interest shall be computed based on outstanding loan as on April 1, 2018. The Commission sought details of outstanding loan as on April 1, 2018 along with documentary evidences, which was submitted by AEGCL. The Commission notes that ADB loan of Rs. 95.68 Crore at interest rate of 10.50%, State Government loan of Rs. 504.33 Crore at interest rate of 10.00%, and General Provident Fund (GPF) loan of Rs 52.99 Crore at interest rate of 8.00% are outstanding in FY 2018-19. However, as the Commission has not allowed interest on GPF loan, the same has not been considered for computation of weighted average rate of interest. Accordingly, the weighted average interest rate has been computed as 10.08% for computation of interest on loan capital.

4.9.5 The Interest on loan capital approved by the Commission after truing up for FY 2018-

19 is shown in the following Table:

Table 17: Approved Interest on loan Capital for FY 2018-19 (Rs. Crore)

Particulars	Approved in Revised Order dt. 25.06.19	AEGCL	Approved after Truing up
Net Normative Opening Loan	51.60	51.60	51.60
Addition of normative loan during the year	21.85	57.29	57.29
Normative Repayment during the year	26.29	27.79	19.34
Net Normative Closing Loan	47.16	81.11	89.56
Interest Rate	10.19%	10.19%	10.08%
Interest Expenses on Loan	5.03	6.76	7.11
Finance Charges		0.28	0.28
Total Interest and Finance Charges	5.03	7.04	7.39

4.9.6 The Commission approves Interest on loan Capital as Rs 7.39 Crore in the truing up for FY 2018-19.

4.10 Return on Equity

4.10.1 AEGCL has claimed the Return on Equity of Rs. 15.49 Crore for FY 2018-19 as compared to the RoE of Rs. 16.86 Crore approved by the Commission in the Tariff Order dated March 19, 2018. AEGCL has considered nil addition of equity during FY 2018-19.

Commission's Analysis

4.10.2 The Commission has approved the Return on Equity in accordance with Regulation 34 of the MYT Regulations, 2015. The Commission has considered the addition of equity equivalent to equity portion of capitalised works as approved in this Order, which is Nil. Therefore, the approved Return on Equity at 15.50% is shown in the Table below:

Table 18: Return on Equity approved by the Commission for FY 2018-19 (Rs. Crore)

Sl. No.	Particulars	Approved in T.O. dt. 19.03.18	AEGCL Submission	Approved after Truing up
1	Equity (Opening Balance)	106.67	99.93	99.93
2	Net additions during the year	4.21	-	-
3	Less: Reduction during the year	0.00	0.00	0.00
4	Equity (Closing Balance)	110.88	99.93	99.93
5	Average Equity	108.78	99.93	99.93

Sl. No.	Particulars	Approved in T.O. dt. 19.03.18	AEGCL Submission	Approved after Truing up
6	Rate of Return on Equity	15.50%	15.50%	15.50%
7	Return on Equity	16.86	15.49	15.49

4.10.3 The Commission approves the Return on Equity of Rs. 15.49 Crore for FY 2018-19 after Truing up.

4.11 Interest on Working Capital (IoWC)

4.11.1 The Commission had approved normative Interest on Working Capital (IoWC) of Rs. 30.63 crore in the Tariff Order dated March 19, 2018. AEGCL submitted that IoWC has been calculated on normative basis as per the provisions of MYT Regulations, 2015. The rate of interest is State Bank of India (SBI) Base Rate as on April 1, 2018 plus 350 basis points. AEGCL has claimed IoWC of Rs. 29.13 Crore for FY 2018-19 for Truing up as per the following Table:

Table 19: Interest on Working Capital as submitted by AEGCL for FY 2018-19 (Rs. Crore)

Sl.No.	Particulars	Approved in T.O. dt. 19.03.18	AEGCL Submission
1	O&M expenses for 1 month	17.72	15.15
2	Maintenance spares @ 15% of O&M expenses	31.90	27.27
3	Receivables for two months	193.44	196.34
4	Total Working Capital	243.06	238.75
5	Rate of Interest	12.60%	12.20%
6	Interest on Working Capital	30.63	29.13

Commission's Analysis

4.11.2 The Commission has computed normative IoWC in accordance with Regulation 37.2 of the MYT Regulations, 2015. The rate of Interest has been considered equal to State Bank of India Base Rate as on 1stApril of FY 2018-19 plus 350 basis points, i.e., 12.20%.

4.11.3 For computation of working capital requirement, the normative O&M Expenses and

actual revenue billed as receivables have been considered. IoWC approved by the Commission in the truing up for FY 2018-19 is shown in the following Table:

Table 20: IoWC for FY 2018-19 as approved by the Commission (Rs. Crore)

Sl. No.	Particulars	Approved in Order dt. 19.03.18	AEGCL Submission	Approved after Truing up
1	O&M expenses for 1 month	17.72	15.15	15.15
2	Maintenance spares @ 15% of O&M expenses	31.9	27.27	27.27
3	Receivables for two months	193.44	196.34	193.11
	Total Working Capital	243.06	238.75	235.52
	Rate of Interest	12.60%	12.20%	12.20%
	Interest on Working Capital	30.63	29.13	28.73

4.11.4 Accordingly, the Commission approves Interest on Working Capital of Rs. 28.73 Crore for FY 2018-19 after truing up.

4.12 BST for Pension Fund (Special Charges for Terminal Benefits)

4.12.1 In the Order dated March 19, 2018, the Commission had approved special charges on Bulk Supply Tariff at 20 paise per unit amounting to Rs. 187.22 Crore for FY 2018-19. AEGCL has claimed Rs. 173.38 Crore as BST for Pension Fund as per the audited annual accounts for FY 2018-19.

Commission's Analysis

4.12.2 The Commission has verified the BST computations at 20 paise per unit on the Energy Input to APDCL, from the SLDC certificate. Hence, the Commission approves the BST for Pension Fund (Special Charges for Terminal Benefits) of Rs. 173.38 Crore for FY 2018-19 as claimed by AEGCL based on audited accounts.

4.13 Net Prior Period Expenses/(income)

4.13.1 AEGCL has claimed net prior period expenses of Rs. 1.03 Crore for FY 2018-19 based on the Audited Accounts.

Commission's Analysis

- 4.13.2 The Commission has analysed the component-wise details and justification for Net Prior Period expenses/(income) for FY 2018-19 as submitted by AEGCL. The Commission has considered the treatment of prior period items based on the treatment allowed to that particular item in the true-up for the year to which the expenses/(income) pertain.
- 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 prior period entries towards adjustment of excess transmission incentive, excess BST and excess Transmission Surcharge for FY 2017-18 have not been considered, as the correct amounts have been considered in the truing up for FY 2017-18. The Other Expenses of Rs. 3.83 crore and Other Income of Rs. 2.78 crore pertaining to prior period have not been considered, as no details have been submitted by AEGCL for the same.
- 4.13.4 For prior period income against excess booking of controllable expenses such as O&M expenses, 2/3rd of AEGCL claim under prior period is considered as in earlier years, sharing of the gains/losses has been allowed. As regards Rs. 2.14 crore appearing as Prior Period income in the Accounts towards non-booking of Dividend from North East Transmission Company Limited (NETCL) for FY 2017-18, the same amounts to Other Business Income of AEGCL, and hence, the Commission has considered 1/3rd of this amount, in accordance with Regulation 70 of the MYT Regulations, 2015.
- 4.13.5 The Net prior period expenses/(income) submitted by AEGCL and approved by the Commission after truing up for FY 2018-19, are shown in the following Table:

Table 21: Net Prior Period expenses/(income) approved for FY 2018-19 (Rs. Crore)

Sl. No.	Particulars	AEGCL's Submission (as per Accounts)	Approved after Truing up
	Prior Period Expenses		
1	Depreciation under provided in prior period	8.24	0.00
2	Other Expenses relating to prior period		
	<i>Adjustment of Excess Transmission Incentive Bill for FY 2017-18</i>	6.39	0.00
	<i>Adjustment of Excess BST for FY 2017-18</i>	9.42	0.00
	<i>Adjustment of Excess Transmission</i>	37.31	0.00

Sl. No.	Particulars	AEGCL's Submission (as per Accounts)	Approved after Truing up
	<i>Surcharges raised to APDCL for FY 2017-18</i>		
	<i>Other Expenses relating to prior period</i>	3.83	0.00
	Sub-total	65.19	0.00
	Prior Period Income		
3	Amount wrongly booked as O&M expenses instead of Capex in FY 2017-18	1.13	0.75
4	Rectification of R&M Expenses in FY 2017-18	0.04	0.03
5	Rectification of entry against vehicle hiring in FY 2017-18	0.06	0.04
6	Non-booking of Dividend from NETCL for FY 2017-18	2.14	0.71
7	Other Income relating to prior period	2.78	0.00
8	Sub-total	6.15	(1.53)
	Net Prior Period Expenses/(Income)	59.04	(1.53)

4.13.6 Accordingly, the Commission approves the Net Prior Period Income of Rs. 1.53 Crore for FY 2018-19 after Truing-up.

4.14 Income Tax

4.14.1 AEGCL has claimed an amount of Rs. 5.02 Crore towards Income Tax as per the audited accounts for FY 2018-19.

Commission's Analysis

4.14.2 The Commission has verified the actual Income Tax paid on the basis of Tax paid challans submitted by AEGCL and the Calculation of Income Tax submitted by AEGCL in response to queries raised by the Commission. It is observed that AEGCL has not claimed Tax Deduction at Source (TDS) amount of Rs. 2.62 crore but has claimed interest on tax of Rs. 0.50 crore under Income Tax. The TDS paid by AEGCL has to also be allowed, whereas the interest paid by AEGCL due to delayed payment of Tax cannot be allowed. Hence, the Commission has considered the Income Tax of Rs. 7.14Crore including TDS, after truing up for FY 2018-19.

4.15 Incentive for Transmission Availability

4.15.1 AEGCL has billed the amount of Rs 4.78 Crore towards incentive for Transmission

Availability higher than normative Availability as per the MYT Regulations, 2015.

Commission's Analysis

4.15.2 Regulation 67 of the MYT Regulations, 2015 specifies Normative Transmission Availability of 98% for full recovery of transmission charges and 98.5% for incentive consideration.

4.15.3 The actual Transmission Availability for AEGCL for FY 2018-19 is 98.83% on annual basis. The Commission sought the details of monthly Transmission Availability duly certified by SLDC, which was submitted by AEGCL. The computation and payment of Transmission Charges has been linked to monthly Transmission Availability computed as per Regulation 71 of the MYT Regulations, 2015. Accordingly, the Commission has computed the Incentive on Transmission Availability as shown in the following Table:

Table 22: Incentive on Transmission Availability for FY 2018-19 as approved by the Commission (Rs. Crore)

Sl. No.	Month	No. of Days in Month	Monthly Transmission Charges	Actual Availability (%)	Transmission Charges inclusive of incentive	Incentive
1	April'18	30	96.24	99.42	97.14	0.90
2	May'18	31	99.44	98.88	99.83	0.38
3	June'18	30	96.24	97.9	96.14	-0.10
4	July'18	31	99.44	98.83	99.78	0.33
5	August'18	31	99.44	99.22	100.17	0.73
6	September'18	30	96.24	99.16	96.88	0.64
7	October'18	31	99.44	99.17	100.12	0.68
8	November'18	30	96.24	98.9	96.63	0.39
9	December'18	31	99.44	97.67	99.11	-0.33
10	January'19	31	99.44	98.68	99.63	0.18
11	February'19	28	89.82	98.93	90.21	0.39
12	March'19	31	99.44	99.18	100.13	0.69
	Total	365	1170.88	98.83	1175.76	4.88

4.15.4 The Commission approves the Incentive of Rs. 4.88 Crore on account of higher Transmission Availability after truing up for FY 2018-19, which has been added to the ARR.

4.16 Non-Tariff Income

4.16.1 The Commission had approved Non-Tariff Income (NTI) of Rs. 100.17 crore in the Tariff Order dated March 19, 2018 for FY 2018-19.

4.16.2 AEGCL submitted that NTI mainly comprises income from investments and miscellaneous receipts, receivables from Central Transmission Utility (CTU) for utilization of its network for wheeling Central Sector Generating Station (CSGS) power to some States of the region. AEGCL submitted that it has considered the actual NTI of Rs. 122.57 crore earned during FY 2018-19 in the truing up, as shown in the Table below:

Table 23: NTI as submitted by AEGCL for FY 2018-19 (Rs. Crore)

Sl. No.	Particulars	Approved in Order dtd 19.03.18	AEGCL Submission
A	Income from Investment, Fixed & Call Deposits		
	Income from Investments		-
	Interest on fixed deposits		32.77
	Income on other investments (Dividend)		2.67
	Interest from Banks		2.85
	Interest on GPF		(4.28)
	Sub Total		34.01
B	Other Non-Tariff Income		
	Miscellaneous Receipts		79.99
	Hire Charges from Contractors/Suppliers/Others		0.19
	Penalty for contractor/supplier for delay, etc.		-
	Rebate received from PGCIL		8.22
	Rentals from staff quarters		0.16
	Sub-Total		88.56
	Total	100.17	122.57

4.16.3 AEGCL submitted that the Miscellaneous receipts includes income received from PGCIL on STOA, MTOA, etc., of Rs 60.24 crore and Application Fees from STOA customers, STOA from IEX, PGCIL, etc., of Rs. 11.48 crore.

4.16.4 As regards the deduction of interest on GPF from NTI, AEGCL submitted that it has been utilizing GPF subscription from its employees as internal resources and the fund has been parked with different banks from which AEGCL has been earning interest. It has been shown as other income in the Profit and Loss account of AEGCL, which has

been adjusted with the ARR at the time of filing Tariff Petition. AEGCL submitted that the interest on GPF, which is payable by AEGCL to its retired employees, is an expense of AEGCL that has never been allowed by the Commission to be recovered through tariff. AEGCL is facing losses due to normative calculation of interest and finance charges, wherein interest on GPF has never been considered. Therefore, AEGCL requested the Commission to allow the interest on GPF amounting to Rs. 4.28 Crore for FY 2018-19 by deducting the same from Non-Tariff Income.

- 4.16.5 AEGCL submitted that Wheeling Charges of Rs. 18.07 crore received from Open Access consumers is included in the Miscellaneous Receipts of Rs. 98.05 crore under NTI as per Audited Accounts of AEGCL. In this regard, AEGCL submitted that the Commission, vide Tariff Order dated March 1, 2019, while computing the tariff for the ensuing year, has considered total energy sent out, which includes energy sent out to APDCL as well as Open Access consumers. However, income from Open Access consumers was considered under NTI as other income of AEGCL.
- 4.16.6 AEGCL submitted that it has been wheeling electricity to Open Access consumers like it has been wheeling electricity to APDCL, hence, income from Open Access consumers is in the nature of "Revenue from Operations" and not "Other Income". Hence, income from wheeling charges to Open Access consumers amounting to Rs. 18.07 Crore has been excluded from NTI while arriving at the computation of net ARR for True-up of AEGCL for FY 2018-19. However, the same has not been separately added as the revenue of AEGCL for the computation of net ARR for True-up of AEGCL for FY 2018-19. AEGCL added that similar approach has been considered for computation of APR for FY 2019-20 and ARR for FY 2020-21.
- 4.16.7 In view of the above, AEGCL requested the Commission to approve NTI amounting to Rs. 122.57 crore for FY 2018-19 as shown in the above Table.

Commission's Analysis

- 4.16.8 The Commission has verified the head-wise NTI from the Audited Accounts of AEGCL for FY 2018-19.
- 4.16.9 As regards AEGCL's submission on interest on GPF amounting to Rs. 4.28 Crore for FY 2018-19, the Commission is of the view that there is merit in AEGCL's submission. As the interest expense on GPF has never been allowed to be recovered through the tariff, the interest income earned should also not be considered under NTI.

- 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.
- 4.16.12 As regards Rs. 2.67 crore appearing as Dividend from North East Transmission Company Limited (NETCL) for FY 2017-18, the same amounts to Other Business Income of AEGCL, and hence, the Commission has considered 1/3rd of this amount, in accordance with Regulation 70 of the MYT Regulations, 2015
- 4.16.13 **The Commission has therefore, considered the NTI in the truing up for FY 2018-19, as Rs. 120.78 crore, based on the Audited Accounts, and after reducing the Interest on GPF of Rs. 4.28 crore, and considering 1/3rd of the Dividend Income, as shown in the Table below:**

Table 24: NTI approved by the Commission for FY 2018-19 (Rs. Crore)

Sl. No.	Particulars	Approved in Order dtd 19.03.18	AEGCL Submission	Approved after Truing up
A	Income from Investment, Fixed & Call Deposits			
	Income from Investments		-	-

Sl. No.	Particulars	Approved in Order dtd 19.03.18	AEGCL Submission	Approved after Truing up
	Interest on fixed deposits		32.77	32.77
	Income on other investments (Dividend)		2.67	0.89
	Interest from Banks		2.85	2.85
	Interest on GPF		(4.28)	(4.28)
	Sub Total		34.01	32.23
B	Other Non-Tariff Income			
	Miscellaneous Receipts		79.99	79.98
	Hire Charges from Contractors/Suppliers/Others		0.19	0.19
	Penalty for contractor/supplier for delay, etc.		-	-
	Rebate received from PGCIL		8.22	8.22
	Rentals from staff quarters		0.16	0.16
	Sub-Total		88.56	88.55
	Total	100.17	122.57	120.78

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.

4.17 Revenue from Operations

4.17.1 AEGCL has claimed Revenue of Rs. 1158.66 Crore for FY 2018-19 for Truing up purpose.

Commission's Analysis

4.17.2 The Commission had approved net ARR of Rs. 1157.03 Crore for AEGCL and Rs. 3.61 Crore for SLDC, for FY 2018-19 in the MYT Order dated March 19, 2018. Further, in the Review Order dated 25 June 2019, the approved ARR was revised to Rs. 1158.66 crore. Accordingly, for FY 2018-19, AEGCL has billed APDCL based on the MYT Order dated March 19, 2018 and the Review Order dated June 25, 2019. The audited accounts for FY 2018-19 reflect the actual revenue of Rs. 1158.66 Crore.

4.17.3 In view of the above, the Commission approves the actual revenue of Rs. 1158.66 Crore as per the audited accounts, for the Truing up for FY 2018-19.

4.18 ARR after Truing Up of FY 2018-19

4.18.1 Considering the above heads of expense and revenue as per the Audited Accounts for FY 2018-19 and after due prudence check, the net ARR and Revenue Gap/(Surplus) approved after true-up for FY 2018-19 is shown in the following Table:

Table 25: ARR approved after Truing up for FY 2018-19 (Rs. Crore)

Sl. No.	Particulars	Approved in Order dtd 19.03.18	Proposed by AEGCL	Approved after truing up
1	PGCIL Charges	526.33	584.11	584.11
2	O&M Expenses	183.79	181.78	181.77
a	Employee Cost	158.89	155.31	155.31
b	R&M Expenses	18.00	17.07	17.07
c	A&G Expenses	6.90	9.40	9.40
3	SLDC Charges	3.61	2.76	2.76
4	Impact of Revision of Pay	25.30	19.31	19.31
5	Depreciation	26.29	27.79	19.34
6	Interest & Finance Charges (Approved in Revised T.O. dated 25.06.19)	5.03	7.04	7.39
7	Interest on Working Capital	30.63	29.13	28.73
8	BST for Pension Trust Fund	187.22	173.38	173.38
9	Return on Equity	16.86	15.49	15.49
10	Income Tax	-	5.02	7.14
11	Net Prior period Charges/(Credits)		1.03	(1.53)
12	Less: Non-Tariff Income/ Other Income	100.17	122.57	120.78
13	Aggregate Revenue Requirement	904.89	924.26	917.11
14	Add: Revenue Gap/(Surplus) after Truing up for FY 2016-17 along with carrying cost approved in MYT Order for recovery in FY 2017-18 and FY 2018-19	188.00	188.00	188.00
15	Carrying Cost for FY 2016-17	65.77	65.77	65.77
16	Net Aggregate Revenue Requirement	1,158.66	1,178.03	1,170.88
17	Incentive on Higher Availability	-	4.78	4.87
18	Sharing of (Gains)/Losses	-	(3.36)	(3.36)
19	ARR after Sharing (Gains)/Losses and Incentive	1,158.66	1,179.45	1,172.40
20	Revenue with Approved Tariff	1,158.66	1,158.66	1,158.66
21	Revenue from STOA/MTOA Charges			18.07
22	Revenue Gap /(Surplus)	-	20.79	(4.33)

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.

5 Annual Performance Review for FY 2019-20

5.1 Methodology for Annual Performance Review

5.1.1 The Commission had approved the ARR for FY 2019-20 vide the MYT Order dated March 1, 2019.

5.1.2 Regulation 9.3 of the MYT Regulations, 2018, specifies that the Commission shall undertake the APR and True-up for the respective years of the Control Period from FY 2019-20 to FY 2021-22, as reproduced below:

*“9.3 The scope of **the annual review** and True up shall be a comparison of the actual performance of the Generating Company or Transmission Licensee or SLDC or Distribution Licensee with the approved forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges and shall comprise the following:*

...

Annual Performance Review: a comparison of the performance targets estimated to be achieved for the current financial year (based on 6 months actual data) with the approved forecast for that financial year including adjusting trajectories of uncontrollable if needed.” (emphasis added)

5.1.3 AEGCL submitted the APR for FY 2019-20, supported by actual information available till September 2019 and estimated values for the next six months. AEGCL has sought APR for FY 2019-20, with the estimated Revenue Gap/(Surplus), to be recovered from APDCL.

5.1.4 However, from the above said Regulation, it is clear that the main objective of APR is to compare the estimated performance for FY 2019-20 vis-à-vis forecast approved in the MYT Order dated March 1, 2019. The Revenue Gap/(Surplus) arising out of APR for FY 2019-20 shall not be passed on to the beneficiaries, and the same shall be considered at the time of True-up of FY 2019-20 only.

5.1.5 In the present Chapter, the Commission has analysed all the elements of ARR vis-à-vis values approved in the MYT Order for FY 2019-20. The Commission has computed the Revenue Gap/(Surplus) as an indication of the performance in FY 2019-20. No sharing of gains/(losses) has been undertaken at this stage and the same shall be

considered along with the Revenue Gap/(Surplus) to be passed through at the time of Truing up for FY 2019-20.

5.2 Transmission Loss

5.2.1 AEGCL submitted the Transmission Loss of 3.45% for FY 2018-19, as shown in the following Table:

Table 26: Transmission Loss for FY 2019-20 as submitted by AEGCL

Sl. No.	Particulars	Approved in T.O. dt. 1.03.19	AEGCL Estimation
1	Energy Injected (MU)		9866.38
2	Energy Sent Out to APDCL (MU)		9313.44
3	Energy Sent Out to OA Consumers (MU)		212.20
4	Total Energy Sent Out		9525.64
4	Transmission Loss (MU)		340.74
5	Transmission Loss (%)	3.39%	3.45%

Commission's Analysis

5.2.2 The Commission observes that the Transmission Loss submitted by AEGCL is higher than the targeted loss level approved in the MYT Order dated March 1, 2019. AEGCL should strive to meet the target set by the Commission, as increase in the Transmission Loss levels will result in increase in the power purchase quantum and cost of APDCL, thereby increasing the burden on the consumers.

5.3 Transmission Availability

5.3.1 AEGCL has submitted Transmission Availability for FY 2019-20 as 98.80% and claimed Incentive of Rs. 1.35 Crore for FY 2019-20.

Commission's Analysis

5.3.2 Regulation 65 of the MYT Regulations, 2018 specifies Normative Transmission Availability of 98% for full recovery of transmission charges and 98.5% for incentive consideration. Also, the computation and payment of Transmission Charges has been linked to monthly Transmission Availability computed as per Regulation 69 of the MYT Regulations, 2018.

5.3.3 AEGCL should strive to maintain and improve its Transmission Availability. The computation of incentive/disincentive on account of Transmission Availability shall be undertaken at the time of truing up for FY 2019-20 in line with the MYT Regulations, 2018.

5.4 PGCIL Charges

5.4.1 AEGCL submitted that in accordance with the Commission's directions in the Tariff Order dated March 19, 2018, from FY 2019-20 onwards, the PGCIL Transmission Charges shall be paid directly by APDCL. Hence, AEGCL has excluded PGCIL Charges in FY 2019-20. However, PGCIL bills amounting to Rs. 35.42 crore have been received by AEGCL during FY 2019-20 (dated 26.04.2019, 13.06.2019 and 25.06.2019). Copies of the bills were also attached along with the Tariff Petition.

5.4.2 AEGCL submitted that the Annual Accounts of AEGCL for FY 2018-19 were approved in the Board Meeting held on April 30, 2019. As AEGCL was unable to account for the said bills in the Annual Accounts for FY 2018-19, hence, AEGCL is accounting for these bills in FY 2019-20, and the same shall be shown in the Annual Accounts for FY 2019-20. Hence, AEGCL has claimed the said PGCIL charges of Rs. 35.42 crore in FY 2019-20.

Commission's Analysis

5.4.3 The Commission has considered the PGCIL charges for FY 2019-20 based on the actual bills received. Therefore, the Commission considers PGCIL Charges of Rs. 35.42 Crore for APR of FY 2019-20.

5.5 Operation and Maintenance Expenses

5.5.1 AEGCL submitted that O&M expenses for FY 2019-20 comprise employee expenses, R&M expenses, and A&G expenses, and have been computed on normative basis in accordance with Regulation 66.9 and 66.10 of the MYT Regulations, 2018. The normative expenses as claimed in the true-up for FY 2018-19 have been considered as the base expenses. The average WPI and CPI have been considered as 2.98% and 4.22%, respectively. The normative O&M expenses submitted by AEGCL for FY 2019-20 are shown in the Table below:

Table 27: Normative O&M Expenses Projected by AEGCL for FY 2019-20 (Rs. Crore)

Sl. No.	Particulars	Approved in T.O. dt. 1.03.19	AEGCL Submission
1	O&M Expenses	189.91	212.22
a	Employee Expenses	162.96	183.44
b	R&M Expenses	17.29	19.01
c	A&G Expenses	9.35	9.24
2	Training Expenses	0.30	0.54

5.5.2 AEGCL has also submitted the revised estimates of each component of O&M expenses for FY 2019-20, based on the actual expenses in the first six months and estimates for the remaining six months. The claim of AEGCL under various heads of O&M expenses is discussed below.

5.5.3 Employee Expenses

AEGCL has estimated the employee cost considering trend of past year's employee cost, increase in dearness allowance, and its impact on other allowances such as HRA, field allowances, Provident Fund (PF), etc. For estimating Employee Expenses for FY 2019-20, actual salaries paid during first 6 months plus estimate for the next 6 months have been considered. AEGCL has estimated the Employee Expenses of Rs. 174.65 Crore for FY 2019-20.

5.5.4 R&M Expenses

AEGCL submitted that that the current transmission infrastructure is old and the majority of the assets have already completed their useful life. To maintain the assets in a more efficient way, AEGCL has been carrying out R&M activities. AEGCL has considered the actual R&M expenses incurred during first 6 months plus estimate for the next 6 months. AEGCL submitted that the R&M works on assets during H1 is minimal on account of monsoon, and the expenses in H2 are nearly twice as the H1 expenses. AEGCL has estimated R&M expenses of Rs. 14.02 Crore for FY 2019-20.

5.5.5 A&G Expenses

AEGCL has considered the actual expenses incurred during 6 months plus estimated for 6 months. AEGCL has projected the A&G Expenses of Rs. 11.46 Crore for FY 2019-20.

Commission's Analysis

5.5.6 The Commission has approved the O&M Expenses on normative basis in the MYT Order as per Regulation 66.9 and 66.10 of the MYT Regulations, 2018.

Employee Expenses

5.5.7 For computation of normative employee expenses for FY 2019-20, the Commission has adopted the following approach:

- d) The normative employee expenses approved for FY 2018-19 have been considered as base expenses for FY 2019-20. However, the ROP arrears of Rs. 19.31 crore have been deducted for projection purposes, as the increased salary levels are already factored in the base salary of FY 2018-19 and considering the ROP arrears for projection purposes will lead to inflated employee expense projections. 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.
- e) CPI inflation has been computed as average increase of CPI for the period from FY 2016-17 to FY 2018-19, which works out to 4.22%.
- f) Considering the expansion of transmission network over the FY 2018-19, growth factor of 1% has been considered in accordance with the growth considered in the MYT Order.

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

R&M Expenses

5.5.9 For computation of normative R&M Expenses for FY 2019-20, the Commission has considered the following approach:

- a) K-factor governs the relationship between R&M expenses and Gross Fixed Assets. The Commission has analysed the relationship between approved R&M expenses and Gross Fixed Assets for the period from FY 2016-17 to FY 2018-19 in the MYT Order. Accordingly, the K-factor for the Control Period has been approved as 0.96%. The same K-factor has been considered for computation of normative R&M Expenses for FY 2018-19;
- b) WPI inflation for computation of R&M Expenses works out to 2.98% as per MYT Regulations, 2018, based on average increase of WPI for the period from FY 2017-18 to FY 2018-19;
- c) Since, K-factor has been computed on the basis of average GFA, for working out R&M expenses for FY 2019-20, average GFA for previous year has been considered;
- d) As the AMC of SCADA/EMS has been allowed under SLDC, the same has been deducted from AEGCL's normative R&M expenses.

5.5.10 The normative R&M expenses approved for FY 2019-20 is shown in the following Table:

Table 29: Approved R&M Expenses for FY 2019-20 (Rs. Crore)

Particulars	AEGCL	Approved in APR
Opening GFA for previous year	1,681.82	1681.83
Closing GFA for previous year	1,972.92	1972.92
Average GFA for previous year	1,827.37	1,827.38
K Factor	1.01%	0.96%
WPI Inflation	2.98%	2.98%
Normative R&M Expenses	19.01	18.06
Less: AMC of SCADA/EMS transferred to SLDC		0.56
Revised Normative R&M Expenses		17.50

A&G Expenses

5.5.11 For computation of A&G expenses for FY 2019-20, the Commission has adopted the following approach:

- a) The normative A&G expenses approved for FY 2018-19 have been considered as base expenses for computation of normative A&G expenses for FY 2019-20;
- b) As discussed in earlier para, the Commission has considered the WPI inflation of 2.98%.

5.5.12 The normative A&G expenses approved for FY 2019-20 is shown in the following

Table:

Table 30: Approved A&G Expenses for FY 2019-20 (Rs. Crore)

Particulars	AEGCL	Approved in APR
A&G Expense for Previous year	8.97	9.40
WPI Inflation	2.98%	2.98%
Provision	0	0.00
Normative A&G Expenses for the year	9.24	9.68

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
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

5.6 Capitalisation

5.6.1 AEGCL submitted that the capitalisation for FY 2019-20 has been estimated as Rs. 404.09crore based on 6 months actual addition of assets and estimated asset addition for the next6 months. No infusion of equity has been considered other than equity capital allocated in the Opening Balance Sheets (OBS) of AEGCL. The funding of capitalisation has been considered as Rs. 321.15 crore and Rs. 82.94 crore from Grants and Loan, respectively.

Commission's Analysis

5.6.2 The scheme-wise capital expenditure was approved by the Commission in the MYT Order dated March 1, 2019. In the MYT Order, the Commission had approved capital expenditure and capitalisation based on information regarding latest status of works and past trends of capital expenditure of AEGCL.

5.6.3 The Commission in the MYT Order dated March 1, 2019 had approved capitalisation of Rs. 140.00 Crore for FY 2019-20, against which AEGCL has proposed capitalisation of Rs. 404.09Crore. As FY 2019-20 is almost completed and AEGCL has already

capitalised Rs. 254 Crore in the first half of FY 2019-20, the Commission provisionally considers the Capitalisation of Rs. 404.09 submitted by AEGCL for APR of FY 2019-20.

- 5.6.4 The Commission has accepted the funding of capitalization for FY 2019-20, as proposed by AEGCL, as shown in the following Table:

Table 32: Funding of capitalised works for FY 2019-20 as considered by the Commission (Rs. Crore)

Particulars	Approved in APR
Grant	321.15
Equity	0.00
Debt	82.94
Total Capitalisation	404.09

5.7 Depreciation

- 5.7.1 The Commission had approved the Depreciation of Rs. 23.92 Crore for FY 2019-20 in the MYT Order dated March 1, 2019. As against this, AEGCL has claimed depreciation of Rs. 45.48 Crore for FY 2019-20 for APR.
- 5.7.2 AEGCL submitted that it has calculated Depreciation taking into consideration of opening balance of assets and projected capitalisation during FY 2019-20. AEGCL has not considered depreciation on assets created out of Grants.

Commission's Analysis

- 5.7.3 The Commission has considered the opening GFA for FY 2019-20 equivalent to the closing GFA for FY 2018-19 as approved in this Order. The Commission has computed depreciation as per scheduled rates specified in the MYT Regulations, 2018.
- 5.7.4 As per Regulation 32 of the MYT Regulations, 2018, the total depreciation during the life of the asset shall not exceed 90% of the original cost of Asset. The Commission has computed the depreciation separately for assets added under each asset head in each year. The Commission has disallowed the depreciation in excess of 90% of the original cost of asset under different asset heads. The Commission has not considered the depreciation on assets funded through grants, consumer contribution or capital subsidy, for FY 2019-20.

5.7.5 The depreciation provisionally approved for FY 2019-20 in the APR is given in the Table below:

Table 33: Depreciation approved for FY 2019-20 (Rs. Crore)

Sl.	Particulars	Opening GFA	Addition during the year	Rate of depreciation	Depreciation as per MYT Regulations, 2018
1	Land owned under full ownership	37.67	-	-	-
2	Land under lease	0.30	0.13	3.34%	-
3	Building	43.20	6.90	3.34%	0.99
4	Hydraulic	2.64	-	5.28%	-
5	Other Civil Works	84.59	10.15	3.34%	2.99
6	Plant & Machinery	980.89	119.17	5.28%	50.95
7	Lines & Cable Network	810.93	267.46	5.28%	28.77
8	Vehicles	4.96	-	9.50%	0.07
9	Furniture & Fixtures	4.45	0.08	6.33%	0.17
10	Office Equipment	3.29	0.18	6.33%	0.17
11	Grand Total	1,972.92	404.09		84.13
12	Less: Depreciation for Grants/ Consumer Contribution				67.81
13	Net Total				16.32

5.7.6 The Commission provisionally approves Depreciation of Rs. 16.32 Crore in the APR for FY 2019-20.

5.8 Interest and Finance Charges

5.8.1 The Commission had approved Interest and Finance Charges of Rs. 5.95 crore for FY 2019-20 in the revised Tariff Order dated 25 June 2019. As against this, AEGCL has claimed Interest and finance Charges of Rs. 10.24 Crore for FY 2019-20.

Commission's Analysis

5.8.2 The Commission in the revised Tariff Order dated 25 June 2019 had approved the normative Interest and Finance Charges of Rs. 5.95 Crore for FY 2019-20 as per Regulation 33 of the MYT Regulations, 2018. The closing net normative loan for FY 2018-19 is considered as Rs 89.56 Crore as discussed in the earlier Chapter. Hence, the Commission has considered the net normative loan as on April 1, 2019 as Rs 89.56 Crore. The addition of loan has been considered equal to debt portion of capitalised works as approved in this Order. The loan repayment has been considered equivalent to Depreciation approved in this Order.

5.8.3 As per MYT Regulations, 2018, weighted average rate of interest shall be computed based on actual outstanding loan as on April 1, 2019. Accordingly, weighted average interest rate has been considered as 10.08% for computation of interest on loan capital.

5.8.4 The Interest on loan capital as approved by the Commission for FY 2019-20 is shown in the following Table:

Table 34: Approved Interest on loan Capital for FY 2019-20 (Rs. Crore)

Sl. No.	Particulars	Approved in T.O. dt. 1.03.19	AEGCL Submission	Approved in APR
1	Net Normative Opening Loan	57.36	81.11	89.56
2	Addition of normative loan during the year	29.85	82.94	82.94
3	Normative Repayment during the year	23.92	45.48	16.32
4	Net Normative Closing Loan	63.28	118.56	156.18
5	Interest Rate	9.87%	9.92%	10.08%
6	Interest Expenses	5.95	10.24	12.38
7	Finance Charges		-	-
8	Total Interest and Finance Charges	5.95	10.24	12.38

5.8.5 **The Commission provisionally considers Interest on loan Capital of Rs.12.38 Crore in the APR for FY 2019-20.**

5.9 Interest on Working Capital (IoWC)

5.9.1 The Commission approved normative IoWC of Rs. 12.08 Crore for FY 2019-20 in the MYT Order dated March 1, 2019. As against this, AEGCL has claimed normative IoWC of Rs. 13.54 Crore for FY 2019-20.

Commission's Analysis

5.9.2 The Commission has computed IoWC in accordance with Regulation 36 of the MYT Regulations, 2018. The rate of Interest has been considered equal to SBI Base Rate as on 1st April 2019 plus 300 basis points, i.e., 11.22%. For computation of working capital requirement, normative O&M expenses have been considered. Further, receivables have been considered equal to the revenue approved for FY 2019-20 in the MYT Order. Normative IoWC approved by the Commission for FY 2019-20 is shown in the following Table:

Table 35: loWC for FY 2019-20 as approved by the Commission (Rs. Crore)

Sl. No.	Particulars	Approved in T.O. dt. 1.03.19	AEGCL Submission	Approved in APR
1	O&M expenses for 1 month	15.83	17.69	15.90
2	Maintenance spares @ 15% of O&M Expenses	28.49	31.83	28.63
3	Receivables for two months	61.01	71.23	62.64
4	Total Working Capital	105.33	120.75	107.17
5	Rate of Interest	11.47%	11.22%	11.22%
6	Interest on Working Capital	12.08	13.54	12.02

5.9.3 Accordingly, the Commission provisionally approves loWC of Rs. 12.02 Crore in the APR for FY 2019-20.

5.10 BST for Pension Fund

5.10.1 The Commission had approved BST for Pension fund at 15 paise per unit amounting to Rs. 141.60 Crore for FY 2019-20 in the MYT Order. AEGCL has claimed BST for Pension Fund of Rs. 139.70 Crore as per the estimated energy supplied to APDCL for FY 2019-20.

Commission's Analysis

5.10.2 The Commission approves BST for Pension Fund at 15 paise per unit on the energy transmitted to APDCL, as approved in the Tariff Order on APR of APDCL dated March 1, 2019, as shown in the following Table:

Table 36: Approved BST for Pension Fund for FY 2019-20 (Rs. Crore)

Particulars	Approved in T.O. dt. 1.03.19	AEGCL Submission	Approved in APR
Energy transmitted to APDCL (MU)	9440	9313	9229
BST for Pension Fund at 15paise per unit	141.60	139.70	138.43

5.11 Return on Equity

5.11.1 The Commission approved the RoE of Rs. 15.49 Crore for FY 2019-20 in the MYT

Order dated March 1, 2019. As against this, AEGCL has claimed RoE of Rs. 15.49 Crore for FY 2019-20, calculated at 15.5% as specified in Regulation 33 of the MYT Regulations, 2018.

Commission's Analysis

5.11.2 The Commission has computed the RoE in accordance with Regulation 33 of the MYT Regulations, 2018. As stated earlier, the Commission has considered zero addition of equity against capitalisation during FY 2019-20. Therefore, the approved RoE at 15.50% is shown in the Table below:

Table 37: Return on Equity for FY 2019-20 approved by the Commission (Rs. Crore)

Sl. No.	Particulars	Approved in T.O. dt. 1.03.19	AEGCL Submission	Approved in APR
1	Opening Equity Capital	99.93	99.93	99.93
2	Equity addition during the year	0.00	0.00	0.00
3	Closing Equity	99.93	99.93	99.93
4	Rate of Return on equity	15.50%	15.50%	15.50%
5	Return on Equity	15.49	15.49	15.49

5.11.3 Accordingly, the Commission considers RoE of Rs15.49 Crore in APR for FY 2019-20.

5.12 Income Tax

5.12.1 AEGCL has not claimed any amount towards Income Tax for FY 2019-20.

Commission's Analysis

5.12.2 The Commission has not considered any provision towards Income Tax. The actual Income Tax paid shall be considered based on the documentary evidence submitted at the time of truing up of FY 2019-20, subject to prudence check.

5.13 Other Debits, Prior Period Expenses/(Income), and Incentive

5.13.1 AEGCL has considered Prior Period Income of Rs. 5.48 crore for FY 2019-20. AEGCL has also claimed incentive of Rs. 1.35 crore on projected Availability higher than normative Availability during FY 2019-20.

Commission's Analysis

5.13.2 The Prior Period entries will get crystallised only after finalisation of Accounts for FY 2019-20, and cannot be considered at the time of APR. Also, the incentive on Transmission Availability can be computed only after the year is completed and needs to be certified by the SLDC, in order to be considered for incentive.

5.13.3 Hence, the Commission has not considered Prior Period Expenses/(Income) and Incentive on Transmission Availability in the APR for FY 2019-20. The actual Other Debits, Prior Period Expenses/(Income), and Incentive on Transmission Availability, if any, shall be considered based on the documentary evidence submitted at the time of truing up of FY 2019-20, subject to prudence check.

5.14 Non-Tariff Income

5.14.1 The Commission had approved NTI at Rs. 28.01 Crore for FY 2019-20 in the MYT Order dated March 1, 2019. As against this, AEGCL has submitted NTI of Rs. 39.24 Crore for FY 2019-20.

Commission's Analysis

5.14.2 The Commission has considered all heads of NTI for FY 2019-20 at the same level as the actual NTI in FY 2018-19. The interest on GPF of Rs. 4.04 crore as projected by AEGCL has been reduced from the NTI, in accordance with the approach adopted in the truing up for FY 2018-19. The rebate received from PGCIL in FY 2018-19 has not been considered for FY 2019-20, as the PGCIL no longer bills AEGCL, and is raising bills directly to APDCL, hence, any rebates shall be earned by APDCL and not AEGCL. Similarly, the other Miscellaneous Revenue earned by AEGCL in FY 2018-19, shall accrue to APDCL from FY 2019-20 onwards, as APDCL is paying PGCIL directly, and any set-off shall be available to APDCL rather than AEGCL. The income from Wheeling Charges to Open Access consumers has not been projected and shall be considered at actuals under Revenue from operations, at the time of truing up for FY 2019-20, in accordance with the approach adopted in the truing up for FY 2018-19.

5.14.3 Thus, the Commission after prudence check provisionally considers NTI of Rs. 45.05 crore. The actual NTI will be considered at the time of truing up, subject to prudence check.

5.15 Revenue from Operations

5.15.1 AEGCL has considered Revenue of Rs. 366.03 Crore in the APR for FY 2019-20, as approved in the MYT Order.

Commission's Analysis

5.15.2 The Commission has considered the Revenue of Rs. 366.03 Crore in the APR for FY 2019-20, as approved in the MYT Order.

5.16 ARR after Annual Performance Review of FY 2019-20

5.16.1 Considering the above heads of expense and revenue, the net ARR approved after APR for FY 2019-20 is shown in the following Table:

Table 38: ARR approved after APR for FY 2019-20 (Rs. Crore)

Sl. No.	Particulars	Tariff Order dt. March 1, 2019	Proposed by AEGCL	Approved after APR
1	PGCIL Charges	-	35.42	35.42
2	O&M Expenses	189.91	212.22	191.84
a	<i>Employee Cost</i>	<i>162.96</i>	<i>183.44</i>	<i>163.47</i>
b	<i>R&M Expenses</i>	<i>17.29</i>	<i>19.01</i>	<i>17.50</i>
c	<i>A&G Expenses</i>	<i>9.35</i>	<i>9.24</i>	<i>9.68</i>
d	<i>Training Expenses</i>	<i>0.30</i>	<i>0.54</i>	<i>0.18</i>
3	Depreciation	23.92	45.48	16.32
4	Interest & Finance Charges (Approved in Revised T.O. dated 25.06.19)	5.95	10.24	12.38
5	Interest on Working Capital	11.98	13.54	12.02
6	BST for Pension Trust Fund	141.60	139.70	138.43
7	Return on Equity	15.49	15.49	15.49
8	Income Tax	-	-	-
9	Net Prior period Charges/(Credits)		(5.48)	-
10	Less: Non-Tariff Income/Other Income	28.01	39.24	45.05
11	Sub Total	360.84	427.37	375.84
12	Incentive on Higher Availability		1.35	-
13	Add: Additional ARR approved after Truing up for FY 2017-18 vide Review Petition Order dated 25.06.2019	5.19		5.19
14	ARR	366.03	428.72	381.03

5.17 Revenue Gap/(Surplus) for FY 2019-20

5.17.1 AEGCL has claimed the Revenue Gap of Rs. 62.70 Crore after APR for FY 2019-20.

Commission's Analysis

5.17.2 The Commission has computed the Revenue Gap/(Surplus) arising out of APR for FY 2019-20 as shown in the following Table:

Table 39: Revenue Gap/(Surplus) after APR for FY 2019-20 (Rs. Crore)

Sl. No.	Particulars	Proposed by AEGCL	Approved after APR
1	Net ARR	428.72	381.03
2	Revenue with Approved Tariff	366.03	366.03
3	Revenue Gap/(Surplus)	62.70	15.00

5.17.3 The APR reveals a gap of Rs. 15.00 crore for FY 2019-20. It is only indicative, in the absence of Audited Annual Accounts for FY 2019-20. It will be considered during the Truing up process for FY 2019-20, after the Audited Annual Accounts are made available.

6 Revised ARR of AEGCL for FY 2020-21

6.1 Introduction

6.1.1 This Chapter deals with the approval of revised ARR of AEGCL for FY 2020-21 in accordance with the provisions of MYT Regulations, 2018.

6.2 Transmission Loss

6.2.1 AEGCL has projected the Transmission Loss for FY 2020-21, as detailed in the Table below:

Table 40: Transmission Losses Projected by AEGCL for FY 2020-21

SI. No.	Particulars	FY 2020-21
1	Energy Injected (MU)	10554.47
2	Energy Sent Out to APDCL (MU)	9972.47
3	Energy Sent Out to OA Consumers (MU)	223.00
4	Total Energy Sent Out (MU)	10195.47
4	Transmission Loss (MU)	359.00
5	Transmission Loss (%)	3.40%

Commission's Analysis

6.2.2 The Commission in the MYT Order dated March 1, 2019, had approved the Transmission Loss of 3.34% for FY 2020-21 as shown in the Table below:

Table 41: Transmission Losses Approved for FY 2020-21

SI. No.	Particulars	FY 2020-21
1	Transmission Loss	3.34%

6.2.3 The Commission observes that the Transmission Loss submitted by AEGCL is higher than the targeted loss level approved in the MYT Order dated March 1, 2019. AEGCL should meet the target set by the Commission, as increase in the Transmission Loss levels will result in increase in the power purchase quantum and cost of APDCL, thereby increasing the burden on the consumers. Further, the Commission has been approving system strengthening capital expenditure schemes proposed by AEGCL, one of the benefits of which is loss reduction. Hence, the Commission approves the

Transmission Loss for FY 2020-21 as 3.34%, as approved in the MYT Order.

6.3 Transmission Availability

6.3.1 AEGCL has projected the Transmission Availability of 99.50% for FY 2020-21.

Commission's Analysis

6.3.2 Regulation 65 of the MYT Regulations, 2018 specifies the Normative Transmission Availability of 98% for full recovery of transmission charges and 98.5% for incentive consideration. Also, the computation and payment of Transmission Charges has been linked to monthly Transmission Availability computed as per Regulation 69 of the MYT Regulations, 2018.

6.3.3 The Commission notes that AEGCL has projected Transmission Availability for FY 2020-21 higher than Normative Transmission Availability as specified in MYT Regulations, 2018. The computation of incentive/disincentive on account of Transmission Availability shall be undertaken at the time of truing up for FY 2020-21 in line with the MYT Regulations, 2018.

6.4 Operation and Maintenance Expenses

6.4.1 AEGCL submitted that O&M expenses for FY 2020-21 comprise employee expenses, R&M expenses, and A&G expenses, and have been computed on normative basis in accordance with Regulation 66.9 and 66.10 of the MYT Regulations, 2018. The normative expenses as claimed in the APR for FY 2019-20 have been considered as the base expenses. The average WPI and CPI have been considered as 2.98% and 4.22%, respectively. The normative O&M expenses submitted by AEGCL for FY 2020-21 are shown in the Table below:

Table 42: Normative O&M Expenses Projected by AEGCL for FY 2020-21 (Rs. Crore)

Sl. No.	Particulars	Approved in T.O. dt. 1.03.19	AEGCL Submission
1	O&M Expenses	199.42	226.20
a	Employee Expenses	170.81	193.08
b	R&M Expenses	18.68	22.60
c	A&G Expenses	9.63	9.52
2	Training Expenses	0.30	1.00

6.4.2 AEGCL has also submitted the revised estimates of each component of O&M expenses for FY 2020-21. The claim of AEGCL under various heads of O&M expenses is discussed below.

Employee Expenses

6.4.3 AEGCL submitted that base employee cost of FY 2019-20 has been computed considering the employee cost on account of Revision of Pay. Employee expenses include salaries, bonus, other benefits like medical expense reimbursement, LTA, revision of pay, etc., and terminal benefits in the form of pension, gratuity, leave encashment, staff welfare, etc. AEGCL has projected the head-wise employee expenses such that the total employee expenses are in line with the projected normative employee expenses of Rs. 193.08 crore for FY 2020-21.

R&M Expenses

6.4.4 AEGCL submitted that the Repairs & maintenance expenses are directly related to number of the substation and lines, age of the assets, its wear and tear during the period. R&M expenses are generally incurred in order to ensure the maintenance of the transmission lines/systems. AEGCL has projected the head-wise R&M expenses such that the total R&M expenses are in line with the projected R&M expenses of Rs. 22.60 crore for FY 2020-21.

A&G Expenses

6.4.5 AEGCL submitted that the AEGCL is presently in expansionary mode, and the asset base of AEGCL is expected to increase by FY 2020-21 with the increase in transmission lines and establishment of many substations as compared to current situation. With various future expansion of network, servicing new areas and offices to cater to the new areas, and investment in upgradation of technology, various components of A&G expenses such as insurance, technical fees, licence and Registration fees, vehicle expenses, electricity and water charges to office and various other incidental and miscellaneous expenses shall increase accordingly. AEGCL has projected the head-wise A&G expenses such that the total A&G expenses are in line with the projected normative A&G expenses of Rs. 9.52 crore for FY 2020-21.

Expenses towards Training and Capacity Building

6.4.6 AEGCL submitted that rigorous training is carried out at regular intervals at different

levels, which is effective and necessary for the employees. Technical training on “Operation, Maintenance and Testing for Transformer”, “Energy Efficiency in Electrical Utilities”, “Power System Protection”, etc. are being carried out by TICI (Mumbai), PSTI (Bangalore), AIPM (CESC-Kolkata) and others. The training on different aspects of regulatory affairs and current Regulations of CERC/SERCs are being provided by NTPC.

6.4.7 AEGCL estimated the cost of the Training Workshops as Rs. 1 Crore and requested the Commission to allow the Training and Capacity Building expenses.

Commission’s Analysis

6.4.8 The Commission has computed the normative O&M Expenses for FY 2020-21 in accordance with Regulation 66.6 of MYT Regulations, 2018. Any variation between normative O&M expenses and actual O&M Expenses shall be considered under sharing of gains and loss on account of controllable items as per Regulation 10 of MYT Regulations, 2018 at the time of truing up for FY 2020-21.

Employee Expenses

6.4.9 For computation of employee expenses for FY 2020-21, the Commission has adopted the following approach:

- a) The normative employee expenses for FY 2019-20 have been considered as base expenses, after deducting the ROP arrear payment considered for FY 2019-20;
- b) CPI inflation has been computed as average increase of CPI for the period from FY 2016-17 to FY 2018-19, which works out to 4.22%.
- c) Considering the projected expansion of transmission network and projected increase in number of employees over the Control Period, growth factor of 1% has been considered, as approved in the MYT Order.

6.4.10 The revised normative employee expenses approved for FY 2020-21 are shown in the following Table:

Table 43: Revised Approved Employee Expenses for FY 2020-21 (Rs. Crore)

Particulars	Approved in T.O. dt. 1.03.19	AEGCL Submission	Approved by Commission
Base Employee Expenses for the previous year	162.96	183.44	163.47
Growth factor	1.00%	1.00%	1.00%
CPI Inflation	3.77%	4.22%	4.22%
Normative Employee Expenses	170.81	193.08	172.07

R&M Expenses

6.4.11 For computation of R&M Expenses for the Control Period, the Commission has considered the following approach:

- a) WPI inflation has been computed as average increase of WPI for the period from FY 2016-17 to FY 2018-19, which works out to 2.98%;
- b) K-factor has been considered as 0.96% as approved in the MYT Order dated March 1, 2019;
- c) Since K-factor has been computed on the basis of average GFA for projection of R&M expenses for the Control Period, average GFA for the previous year has been considered;
- d) As the AMC of SCADA/EMS has been allowed under SLDC, the same has been deducted from AEGCL's normative R&M expenses.

6.4.12 The revised normative R&M expenses approved for FY 2020-21 is shown in the following Table:

Table 44: Revised Approved R&M Expenses for FY 2020-21 (Rs. Crore)

Particulars	Approved in T.O. dt. 1.03.19	AEGCL Submission	Approved by Commission
Opening GFA for previous year	1,817.49	1,972.92	1,972.92
Closing GFA for previous year	1,957.49	2,372.01	2,377.01
Average GFA for previous year	1,887.49	2,172.46	2,174.97
K Factor	0.96%	1.01%	0.96%
WPI Inflation	3.00%	2.98%	2.98%
R&M Expenses	18.68	22.60	21.50
Less: AMC of SCADA/EMS			0.56
Revised Normative R&M Expenses			20.94

A&G Expenses

6.4.13 For computation of A&G expenses for the Control Period, the Commission has adopted the following approach:

- a) The A&G expenses approved after APR for FY 2019-20 have been considered as base expenses;
- b) WPI inflation has been computed as average increase of WPI for period from FY 2016-17 to FY 2018-19 which works out to 2.98%.

6.4.14 The approved A&G expenses for the Control Period are shown in the following Table:

Table 45: Revised Approved A&G Expenses for FY 2020-21 (Rs. Crore)

Particulars	Approved in T.O. dt. 1.03.19	AEGCL Submission	Approved by Commission
A&G Expenses for Previous Year	9.35	9.24	9.68
WPI Inflation	3.00%	2.98%	2.98%
Provision	0.00	0.00	0.00
A&G Expenses	9.63	9.52	9.97

6.4.15 As regards the Training Expenses, the Commission in the MYT Order dated 1 March 2019 had approved additional amount of Rs. 30 lakhs as training expenses for AEGCL for FY 2020-21 and approves the same for FY 2020-21. Balance requirement for training expenses should be met from the O&M expenses.

6.4.16 The revised normative O&M expenses approved by the Commission for FY 2020-21 are shown in the Table below:

Table 46: Revised Normative O&M Expenses approved by the Commission for FY 2020-21 (Rs. Crore)

Sl. No.	Particulars	Approved in T.O. dt. 1.03.19	AEGCL Submission	Approved by Commission
1	O&M Expenses	199.42	226.20	203.28
a	Employee Expenses	170.81	193.08	172.07
b	R&M Expenses	18.68	22.60	20.94
c	A&G Expenses	9.63	9.52	9.97
2	Training Expenses	0.30	1.00	0.30

6.4.17 Thus, the Commission approves the revised normative O&M expenses for FY 2020-21 as Rs. 203.28 crore.

6.5 Capitalisation

6.5.1 The Commission had approved capitalisation of Rs. 140 Crore for FY 2020-21 in the MYT Order dated March 1, 2019. AEGCL has projected revised capitalisation of Rs. 1064.13 crore in its Petition. AEGCL submitted that funding of capitalization is envisaged through equity, grant, and loan, as shown in the following Table:

Table 47: Capitalisation and Funding submitted by AEGCL (Rs. Crore)

Particulars	Approved in T.O. dt. 1.03.19	AEGCL Submission
Capitalisation	140.00	1064.13
Funding of Capitalisation		
Grant	93.41	892.8
Equity	0.00	51.40
Debt	46.59	119.9

Commission's Analysis

- 6.5.2 The Commission has considered the revised Capitalisation for FY 2020-21 as Rs. 404.09 crore, at the same level as approved in the APR of FY 2019-20.
- 6.5.3 The Commission clarifies that the approach adopted by the Commission does not bar AEGCL from implementing the schemes as approved in the Capital Investment Plan for FY 2020-21. In case AEGCL achieves higher Capitalisation, the same may be submitted at the time of truing up for FY 2020-21.
- 6.5.4 As regards the funding of capitalisation, the Commission is of the view that apart from the opening equity, AEGCL has till date never invested equity in capital expenditure, and considering equity addition only adds to the ARR, which has to be adjusted at the time of true-up. Hence, the Commission has not considered any equity addition for funding capitalisation in FY 2020-21. In case AEGCL actually invests equity for capitalisation, the same shall be considered at the time of true-up for FY 2020-21. The grant funding of capitalisation has been considered at the same proportion as submitted by AEGCL for the proposed capitalisation for FY 2020-21, and the balance funds have been considered to be funded by loans.
- 6.5.5 The funding of capitalisation for FY 2020-21 as approved by the Commission is shown in the following Table:

Table 48: Funding of Capitalisation approved by the Commission for the Period (Rs. Crore)

Particulars	Approved in T.O. dt. 01.03.19	AEGCL Submission	Approved by the Commission
Grant/Consumer Contribution	93.41	892.80	339.03

Particulars	Approved in T.O. dt. 01.03.19	AEGCL Submission	Approved by the Commission
Equity	0.00	51.40	-
Debt	46.59	119.94	65.06
Total Capitalisation	140.00	1064.13	404.09

6.6 Depreciation

6.6.1 AEGCL submitted that depreciation has been computed for the Control Period in accordance with the MYT Regulations, 2018. Depreciation has been calculated taking into consideration the opening balance of assets at the beginning of the year and the provisional capitalization. The closing Gross Fixed Assets (GFA) for FY 2019-20 has been considered as the opening GFA for FY 2020-21. As specified in Regulation 33 of the MYT Regulations, 2018, depreciation is calculated on Straight Line Method (SLM) considering depreciation on opening GFA to the extent of 90% of the Asset Value. The depreciation of assets created through Grants has been reduced before arriving at Net depreciation.

6.6.2 AEGCL submitted that the GFA of SLDC has been segregated from AEGCL GFA and is filed separately under SLDC's Tariff Petition for the Control Period. AEGCL claimed depreciation of Rs. 58.11 Crore for FY 2020-21.

Commission's Analysis

6.6.3 For computation of depreciation, the Commission has considered the closing GFA for FY 2019-20 as approved in this Order as the Opening GFA for FY 2020-21. The capitalisation approved for FY 2020-21 has been considered as asset addition during the year. The Commission has considered the scheduled depreciation rates as specified in MYT Regulations, 2018.

6.6.4 In accordance with Regulation 32.1 of the MYT Regulations, 2018, the total depreciation during the life of the asset shall not exceed 90% of the original cost of GFA. The Commission has computed the depreciation separately for assets added under each asset head in each year. The Commission has disallowed the depreciation on assets where depreciation is in excess of 90% of the original cost of asset under different asset heads.

6.6.5 In view of the above, the Commission has approved depreciation for FY 2020-21 as

per MYT Regulations, 2018, as given in the Tables below:

Table 49: Depreciation approved for FY 2020-21 (Rs. Crore)

Sl.	Particulars	Opening GFA	Addition during the year	Rate of depreciation	Depreciation Approved
1	Land & Rights	37.67			-
	Land under lease	0.43			-
2	Building	50.10	2.15	3.34%	1.15
3	Hydraulic	2.64	-	5.28%	-
4	Other Civil Works	94.74	16.74	3.34%	3.44
5	Plant & Machinery	1,100.06	289.67	5.28%	61.75
6	Lines & Cable Network	1,078.39	93.56	5.28%	38.30
7	Vehicles	4.96	0.57	9.50%	0.10
8	Furniture & Fixtures	4.53	0.46	6.33%	0.19
9	Office Equipment	3.47	0.95	6.33%	0.20
10	Grand Total	2377.01	404.09		105.13
11	Asset excluding Land				
12	Less: Depreciation for Grants/ Consumer Contribution				96.22
13	Net Depreciation				8.91

6.6.6 Thus, the Commission approves depreciation for FY 2020-21 as Rs. 8.91 crore.

6.7 Interest on Loan Capital

6.7.1 AEGCL has considered the closing net normative loan for FY 2019-20 as per its submissions, as the opening net normative loan for FY 2020-21. AEGCL submitted that Opening balance of GoA Loan for FY 2020-21 amounts to Rs. 615.65 Crore (after segregation of loan component for SLDC). The loan addition during FY 2020-21 is considered as per the Capex funding plan. The rate of Interest computed based on the actual loan portfolio for FY 2020-21 is 9.96%.

6.7.2 Accordingly, AEGCL has projected the Interest and Finance Charges for FY 2020-21 as Rs. 14.90 crore.

Commission's Analysis

6.7.3 The Commission has considered the opening net normative loan as on April 1, 2020 as Rs 156.18 Crore, equal to the closing net normative loan after APR of FY 2019-20

and after segregating the loan for SLDC. The addition of loan has been considered equal to debt portion of capitalized works as approved by the Commission in this Order. The loan repayment has been considered equivalent to depreciation approved in this Order.

6.7.4 The weighted average rate of Interest for FY 2020-21 has been considered as 10.08%, equal to the interest rate considered for FY 2019-20. The interest on loan capital as approved by the Commission for FY 2020-21 is shown in the following Table:

Table 50: Approved Interest on Loan for the Control Period (Rs. Crore)

Particulars	Approved in T.O. dt. 1.03.19	AEGCL Submission	Approved by the Commission
Net Normative Opening Loan	63.28	118.56	156.18
Addition of normative loan during the year	46.59	119.94	65.06
Normative Repayment during the year	26.04	58.11	8.91
Net Normative Closing Loan	83.84	180.39	212.33
Interest Rate	9.87%	9.96%	10.08%
Interest Expenses	7.26	14.90	18.58

6.7.5 **Thus, the Commission approves interest expenses for FY 2020-21 as Rs. 18.58 crore.**

6.8 Return on Equity

6.8.1 AEGCL submitted that RoE has been computed at the rate of 15.50% as specified in Regulation 33 of MYT Regulations, 2018, on the opening equity and normative addition of equity during the year. Accordingly, AEGCL has projected the RoE as Rs. 19.47 crore for FY 2020-21.

Commission's Analysis

6.8.2 The Commission has approved the RoE in accordance with Regulation 33 of the MYT Regulations, 2018. As discussed earlier, the Commission has not considered any addition of equity during the Period. Therefore, the approved RoE at 15.50% is shown in the Table below:

Table 51: Return on Equity approved by the Commission (Rs. Crore)

Sl. No.	Particulars	Approved in T.O. dt. 1.03.19	AEGCL Submission	Approved by the Commission
1	Opening Equity Capital	99.93	99.93	99.93
2	Equity addition during the year	-	51.40	-
3	Closing Equity	99.93	151.33	99.93
5	Rate of Return on equity	15.50%	15.50%	15.50%
6	Return on Equity	15.49	19.47	15.49

6.9 Interest on Working Capital

6.9.1 AEGCL submitted that the normative IoWC has been computed in accordance with the MYT Regulations, 2018. The rate of interest provided on the working capital is the normative interest rate of 300 basis points above the average SBI MCLR (one-year tenor) prevalent during last available six months. Accordingly, AEGCL has projected the IoWC as Rs. 14.18 crore for FY 2020-21.

Commission's Analysis

6.9.2 The Commission has computed the normative IoWC in accordance with the MYT Regulations, 2018. The rate of Interest has been considered equal to SBI MCLR (One Year Tenor) prevalent during last 6 months plus 300 basis points, i.e., 11.22%. IoWC approved by the Commission for FY 2020-21 is shown in the following Table:

Table 52: IoWC approved by the Commission for FY 2020-21 (Rs. Crore)

Sl. No.	Particulars	Approved in T.O. dt. 1.03.19	AEGCL Submission	Approved by the Commission
1	O&M expenses for 1 month	16.62	18.85	16.94
2	Maintenance spares @ 15% of O&M Expenses	29.91	33.93	30.49
3	Receivables for two months	63.50	73.61	59.79
4	Total Working Capital	110.03	126.39	107.22
5	Rate of Interest	11.47%	11.22%	11.22%
6	Interest on Working Capital	12.62	14.18	12.03

6.10 Income Tax

6.10.1 AEGCL submitted that as per MYT Regulations, 2018, Income Tax shall be reimbursed to the Transmission Licenses as per actual Income Tax paid, based on the documentary evidence submitted at the time of truing up of each year.

Commission’s Analysis

6.10.2 The Commission has not considered any provision towards Income Tax. The actual Income Tax paid shall be considered based on the documentary evidence submitted at the time of truing up for FY 2020-21, subject to prudence check.

6.11 BST for Pension Fund

6.11.1 AEGCL submitted that the special charges on account of Bulk Supply Tariff have been computed considering the prevailing Bulk Supply Tariff of 15 paise per unit of energy. Accordingly, the Special Charges for FY 2020-21 are tabulated below:

Table 53: Special charges - BST for FY 2020-21 as projected by AEGCL (Rs Crore)

Particulars	Approved in T.O. dt. 1.03.19	AEGCL Submission
Special Charges on Bulk Supply Tariff	149.59	149.59

Commission’s Analysis

6.11.2 The Commission approves BST for Pension Fund at 15Paise per unit on the energy transmitted to APDCL, as approved in MYT Order of APDCL, as shown in the following Table:

Table 54: BST for Pension Fund as approved by the Commission (Rs. Crore)

Particulars	Approved in T.O. dt. 1.03.19	AEGCL Submission	Approved by the Commission
Energy transmitted to APDCL (MU)	9,972.47	9,972.47	9,714.90
BST for Pension Fund at 15paise per unit	149.59	149.59	145.72

6.12 Non-Tariff Income

6.12.1 AEGCL has projected the NTI for FY 2020-21 as Rs. 40.76 crore. AEGCL submitted that since, the Transmission Charges to PGCIL shall henceforth be paid by APDCL, no PGCIL rebate has been considered under NTI for FY 2020-21.

Commission's Analysis

6.12.1 The Commission has considered all heads of NTI for FY 2020-21 at the same level as that considered in the APR of FY 2019-20. The interest on GPF of Rs. 3.84 crore as projected by AEGCL has been reduced from the NTI, in accordance with the approach adopted in the truing up for FY 2018-19.

6.12.2 **The Commission approves the Non-Tariff Income of Rs. 45.26 Crore for FY 2020-21.** The actual NTI shall be considered at the time of truing up for each year, after prudence check.

6.13 Summary of ARR for FY 2020-21

6.13.1 The summary of ARR as submitted by AEGCL and as approved by the Commission for FY 2020-21 is given in the Table below:

Table 55: ARR for FY 2020-21 as approved by the Commission (Rs. Crore)

Sl. No.	Particulars	Approved in T.O. dt. 1.03.19	AEGCL Submission	Approved by the Commission
1	PGCIL Charges	-	-	-
2	O&M Expenses	199.42	226.20	203.28
2.1	Employee Cost	170.81	193.08	172.07
2.2	R&M Expenses	18.68	22.60	20.94
2.3	A&G Expenses	9.63	9.52	9.97
3	Training Expenses	0.30	1.00	0.30
4	Depreciation	26.04	58.11	8.91
5	Interest & Finance Charges	7.26	14.90	18.58
6	Interest on Working Capital	12.62	14.18	12.03
7	BST for Pension Trust Fund	149.59	149.59	145.72
8	Return on Equity	15.49	19.47	15.49
9	Income Tax	-	-	-
10	Less: Non-Tariff Income/ Other Income	29.41	40.76	45.26
11	Aggregate Revenue Requirement	381.00	441.69	358.75

6.13.2 Thus, the Commission approves the ARR of Rs. 358.75 crore for FY 2020-21, as compared to the ARR of Rs. 441.69 crore projected by AEGCL.

7 APR for SLDC for FY 2019-20

7.1 Introduction

7.1.1 The Commission had approved the ARR for SLDC for FY 2019-20 vide the MYT Order dated March 1, 2019.

7.1.2 AEGCL submitted the APR for FY 2019-20 comparing actual performance during April to September (H1) and revised estimates for October to March (H2) of FY 2019-20 with approved figures for FY 2019-20 vide MYT Order dated March 1, 2019. AEGCL clarified that the GFA of SLDC has been segregated from AEGCL's GFA and is filed separately under SLDC's APR Petition for FY 2019-20 and ARR for FY 2020-21.

7.1.3 In the present Chapter, the Commission has analysed the submission of all the elements of ARR vis-à-vis values approved in the Tariff Order for SLDC for FY 2019-20. The Commission has computed the Revenue Gap/(Surplus) as an indication of the performance in FY 2019-20. No sharing of gains/(losses) has been undertaken at this stage and the same shall be considered, along with the Revenue Gap/(Surplus), at the time of Truing up for FY 2019-20.

7.2 Revised ARR of SLDC for FY 2019-20 under APR

7.2.1 AEGCL on behalf of SLDC has presented the revised ARR for FY 2019-20, as shown in the table below:

Table 56: Summary of ARR of SLDC for FY 2019-20 as submitted by AEGCL

Particulars	Approved in T.O. dt.. 01.03.19	APR Petition
O&M Expenses	4.36	4.44
Employee Cost	3.29	3.07
Repair and Maintenance Expenses	0.38	0.61
Administrative and General Expenses	0.44	0.76
Training Expenses	0.25	0.25
Depreciation	0.07	0.07
Interest & Finance Charges	0.08	0.07
Interest on Working Capital	0.19	0.20

Particulars	Approved in T.O. dt.. 01.03.19	APR Petition
Return on Equity	-	-
Less: Non-Tariff Income	0.85	0.42
Net ARR of SLDC	3.85	4.61
Revenue with Approved Tariff for FY 2019-20		3.85
Revenue Gap /(Surplus) for FY 2019-20	-	0.76

7.3 Operation and Maintenance Expenses

7.3.1 SLDC submitted that O&M expenses for FY 2019-20 comprise employee expenses, R&M expenses, and A&G expenses, and have been computed on normative basis. The share of SLDC in the O&M expenses as claimed in the true-up for FY 2018-19 have been considered as the base expenses. The average WPI and CPI have been considered as 2.98% and 4.22%, respectively. The normative O&M expenses submitted by SLDC for FY 2019-20 are shown in the Table below:

Table 57: Normative O&M Expenses Projected by SLDC for FY 2019-20 (Rs. Crore)

Sl. No.	Particulars	Approved in T.O. dt. 1.03.19	SLDC Submission
1	O&M Expenses	4.36	4.44
a	Employee Expenses	3.29	3.07
b	R&M Expenses	0.38	0.61
c	A&G Expenses	0.44	0.76
2	Training Expenses	0.25	0.25

7.3.2 SLDC has also submitted the revised estimates of each component of O&M expenses for FY 2019-20, based on the actual expenses in the first six months and estimates for the remaining six months. The claim of SLDC under various heads of O&M expenses is discussed below.

7.3.3 Employee Expenses

SLDC submitted that the base employee cost approved by the Commission in the previous Tariff Order has been considered. The Gn (Growth Factor) of SLDC has been considered as 7.14%, as the number of employees at the end of FY 2018-19 was 42, which is expected to reach 45 by the end of FY 2019-20. In view of the above,

SLDC requested the Commission to approve the normative Employee Expenses amounting to Rs. 3.07 Crore as shown in the above Table. SLDC also estimated the employee expenses for FY 2019-20, considering the actual employee expenses in H1 of FY 2019-20, as Rs. 2.40 crore.

7.3.4 R&M Expenses

SLDC submitted that the AMC cost for SCADA/EMS has been transferred from AEGCL accounts to SLDC from FY 2019-20 onwards. During H1 of FY 2019-20, the AMC cost incurred was Rs. 0.28 crore and the same amount has been projected for H2 of FY 2019-20. Hence, total AMC cost for FY 2019-20 has been considered as Rs. 0.56 Crore, which needs to be considered under R&M Expenses. SLDC submitted that considering WPI of 2.98% and “K” factor of AEGCL as 1.01% as approved by the Commission in the Tariff Order dated March 1, 2019, SLDC has estimated normative R&M expenses of Rs. 0.61Crore for FY 2019-20. SLDC also estimated the R&M expenses for FY 2019-20, considering the actual R&M expenses in H1 of FY 2019-20, as Rs. 0.56 crore.

7.3.5 A&G Expenses

AEGCL has considered the A&G expenses approved for previous year in the MYT Order dated March 1, 2019, as the base A&G expenses. SLDC requested the Commission to approve the normative A&G expenses amounting to Rs. 0.76 crore. SLDC also estimated the A&G expenses for FY 2019-20, considering the actual A&G expenses in H1 of FY 2019-20, as Rs. 0.46 crore.

Commission’s Analysis

7.3.6 The Commission has approved the O&M Expenses for SLDC on normative basis in the MYT Order as per Regulation 103 of the MYT Regulations, 2018. AEGCL has submitted O&M expenses based on previous year’s O&M expenses and applicable increase towards Salaries, Dearness Allowance, etc.

Employee Expenses

7.3.7 For computation of normative employee expenses for FY 2019-20, the Commission has adopted the following approach:

- a) The normative employee expenses approved for SLDC for FY 2018-19 in MYT Order dated March 01, 2019 have been considered as base expenses for FY

2019-20;

- b) CPI inflation has been computed as average increase of CPI for the period from FY 2016-17 to FY 2018-19, which works out to 4.22%;
- c) Growth factor of 1% has been considered as approved in the MYT Order;
- d) Additional employee expenses of Rs. 1 crore has been allowed for meeting the expenses on account of increase in employee base, as allowed in the MYT Order.

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

Table 58: Approved Employee Expenses for FY 2019-20 (Rs. Crore)

Particulars	Approved in T.O. dt. 1.03.19	SLDC Submission	APR FY 2019-20
Actual Employee Expenses for the previous year		2.75	2.41
Growth factor		7.14%	1.00%
CPI Inflation		4.22%	4.22%
Additional expenses for increase In number of employees			1.00
Employee expenses -SLDC	3.29	3.07	3.54

R&M Expenses

7.3.9 For computation of normative R&M Expenses for FY 2019-20, the Commission has considered the following approach:

- a) WPI inflation for computation of R&M Expenses works out to 2.98% as per MYT Regulations, 2018, based on average increase of WPI for the period from FY 2016-17 to FY 2018-19;
- b) K-factor has been considered as 0.96%, as approved in the MYT Order;
- c) No asset addition has been considered up to FY 2018-19, as all assets are being considered in Transmission till FY 2018-19.

7.3.10 The normative R&M expenses approved for FY 2019-20 is shown in the following Table:

Table 59: Approved R&M Expenses for FY 2019-20 (Rs. Crore)

Particulars	Approved in T.O. dt. 1.03.19	SLDC Submission	APR FY 2019-20
Opening GFA for previous year		5.006	5.006
Closing GFA for previous year		5.026	5.006
Average GFA for previous year		5.016	5.006
K Factor		1.01%	0.96%
WPI Inflation		2.98%	2.98%
R&M Expenses		0.052	0.049
AMC Cost for SCADA/EMS		0.560	0.560
R&M Expenses - SLDC	0.38	0.612	0.609

A&G Expenses

7.3.11 For computation of A&G expenses for FY 2019-20, the Commission has adopted the following approach:

- a) The normative A&G expenses approved for SLDC for FY 2018-19 in MYT Order dated March 01, 2019 have been considered as base expenses for computation of normative A&G expenses for FY 2019-20.
- b) As discussed in earlier para, the Commission has considered the WPI inflation of 2.98%.

7.3.12 The normative A&G expenses approved for FY 2019-20 is shown in the following Table:

Table 60: Approved A&G Expenses for FY 2019-20 (Rs. Crore)

Particulars	Approved in T.O. dt. 1.03.19	SLDC Submission	APR FY 2019-20
A&G Expenses for Previous Year		0.74	0.31
WPI Inflation		2.98%	2.98%
A&G Expenses-SLDC	0.44	0.76	0.32

7.3.13 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 61: Approved O&M Expenses for FY 2019-20 (Rs. Crore)

Particulars	Approved in T.O. dt. 1.03.19	SLDC Submission	APR FY 2019-20
Total O&M Expenses	4.36	4.44	4.47
Employee Expenses	3.29	3.07	3.54
R&M Expenses	0.38	0.61	0.61
A&G Expenses	0.44	0.76	0.32

7.4 Training and Capacity Building

- 7.4.1 SLDC submitted that on account of technological changes, training of manpower is required in order to achieve operational effectiveness along with the accident free workplace. SLDC proposes to conduct technology and safety training workshops at regular intervals for awareness of new technology and adapting to better working conditions to reduce accidents.
- 7.4.2 SLDC is expected to incur Rs. 25 lakh as training expenses in FY 2019-20 against the approved amount of Rs. 25 lakh. Therefore, SLDC requested the Commission to approve the above-mentioned amount as training expenses for FY 2019-20.

Commission's Analysis

- 7.4.3 The Commission has considered the amount of Rs. 0.25 crore towards training expenses for SLDC for FY 2019-20.

7.5 Capitalisation

- 7.5.1 The Commission had approved capitalisation of Rs. 0.870 crore for FY 2019-20 for SLDC in the MYT Order dated March 1, 2019. SLDC submitted that it expects to incur capitalisation of Rs. 24 lakh in FY 2019-20, which includes Rs. 20 lakh for annual maintenance of existing buildings along with masonry works, painting of boundary walls, Rs. 1 lakh for furniture and Rs. 3 lakhs for office equipment such as laptops, desktops and other accessories. SLDC submitted that the entire capitalisation is envisaged to be funded through loans.

Commission's Analysis

- 7.5.2 The Commission has not considered capitalisation of Rs. 0.20 crore claimed by SLDC against AMC of existing buildings along with masonry works and painting of boundary

walls. The Commission has considered capitalisation of Rs. 1 lakh for furniture and Rs. 3 lakh for laptops, desktops and other accessories, as submitted by SLDC. The entire capitalisation is considered to be funded through debt, as submitted by SLDC.

7.6 Depreciation

7.6.1 The Commission had approved the Depreciation of Rs. 0.07 Crore for FY 2019-20 in the Tariff Order dated March 1, 2019. As against this, AEGCL has claimed depreciation of Rs. 0.07 Crore in the APR for FY 2019-20.

7.6.2 AEGCL submitted that it has calculated Depreciation taking into consideration of opening balance of assets and provisional capitalisation during FY 2019-20. AEGCL has not considered depreciation on assets created out of Grants.

Commission's Analysis

7.6.3 The Commission has considered the opening GFA for FY 2019-20 equivalent to the closing GFA for FY 2018-19 as approved in this Order and considering the allocation of assets to SLDC. The Commission has computed depreciation as per scheduled rates specified in the MYT Regulations, 2018.

7.6.4 As per MYT Regulations, 2018, the total depreciation during the life of the asset shall not exceed 90% of the original cost of Asset. The Commission has computed the depreciation separately for assets added under each asset head in each year. The Commission has disallowed the depreciation in excess of 90% of the original cost of asset under different asset heads. The Commission has not considered the depreciation on assets funded through grants, consumer contribution or capital subsidy, for FY 2019-20.

7.6.5 The depreciation provisionally approved for FY 2019-20 in APR is given in the Table below:

Table 62: Depreciation approved for FY 2019-20 (Rs. Crore)

Sl. NO	Particulars	Opening GFA	Addition during the year	Rate of depreciation	Depreciation as per MYT Regulations, 2018
1	Land owned under full ownership			-	-
2	Land under lease	-		3.34%	-
3	Building	0.35		3.34%	-
4	Hydraulic	-		5.28%	-
5	Other Civil Works	-	-	3.34%	-
6	Plant & Machinery	4.59	-	5.28%	0.24
7	Lines & Cable Network	-	-	5.28%	-
8	Vehicles	-	-	9.50%	-
9	Furniture & Fixtures	0.02	0.01	6.33%	0.001
10	Office Equipment	0.05	0.03	6.33%	0.003
11	Grand Total	5.01	0.04		0.247
15	Less: Depreciation for Grants/ Consumer Contribution				0.19
	Net Total				0.05

7.6.6 **The Commission provisionally approves Depreciation of Rs. 0.05 Crore in the APR for FY 2019-20.**

7.7 Interest and Finance Charges

7.7.1 The Commission had approved Interest and Finance Charges of Rs. 0.08 crore for FY 2019-20 in the MYT Order dated March 1, 2019. As against this, AEGCL has claimed Interest and finance Charges of Rs. 0.07 Crore for FY 2019-20.

Commission's Analysis

7.7.2 The Commission in the MYT Order dated March 1, 2019 had approved the Interest and Finance Charges of Rs. 0.08 Crore, on normative basis for FY 2019-20 as per of MYT Regulations, 2018. The closing net normative loan for FY 2018-19 is considered as Rs. 0.46 Crore. Hence, the Commission has considered the net normative loan as on April 1, 2019 as Rs. 0.46 Crore. The addition of loan has been considered equal to debt portion of capitalised works as approved in this Order. The loan repayment has been considered equivalent to Depreciation approved in this Order.

7.7.3 As per MYT Regulations, 2018, weighted average rate of interest shall be computed based on actual outstanding loan as on April 1, 2019. The weighted average interest rate has been considered as 10.08%, equal to the interest rate considered for AEGCL, for computation of interest on loan capital.

7.7.4 The Interest on loan capital as approved by the Commission for FY 2019-20 is shown in the following Table:

Table 63: Approved Interest on loan Capital for FY 2019-20 (Rs. Crore)

Sl. No.	Particulars	Approved in T.O. dt. 19.03.18	AEGCL Submission	APR FY 2019-20
1	Net Normative Opening Loan		0.46	0.46
2	Addition of normative loan during the year		0.24	0.04
3	Normative Repayment during the year		0.07	0.07
4	Net Normative Closing Loan		0.64	0.44
5	Interest Rate		9.24%	10.08%
6	Interest Expenses		0.051	0.046
7	Finance Charges		0.02	0.02
8	Total Interest and Finance Charges	0.08	0.07	0.07

7.7.5 **The Commission provisionally considers Interest on loan Capital of Rs. 0.07 Crore in APR for FY 2019-20.**

7.8 Return on Equity

7.8.1 The Commission approved the RoE as NIL for FY 2019-20 in the MYT Order dated March 1, 2019. As against this, AEGCL has claimed NIL RoE for FY 2019-20.

Commission's Analysis

7.8.2 The Commission has considered zero addition of equity against capitalisation during FY 2019-20. Accordingly, **the Commission considers RoE as NIL in APR for FY 2019-20.**

7.9 Interest on Working Capital (IoWC)

7.9.1 The Commission approved IoWC of Rs. 0.19 Crore for FY 2019-20 in the MYT Order

dated March 1, 2019. As against this, AEGCL has claimed normative loWC of Rs. 0.20Crore for FY 2019-20, calculated as specified in MYT Regulations 2018.

Commission's Analysis

7.9.2 The Commission has computed loWC in accordance with MYT Regulations, 2018. The rate of Interest has been considered equal to SBI Base Rate prevalent in the first six months of 2019 plus 300 basis points, i.e., 11.22%. Further, receivables have been considered equal to the revenue approved for FY 2019-20 in the MYT Order. loWC approved by the Commission for FY 2019-20 is shown in the following Table:

Table 64: loWC for FY 2019-20 as approved by the Commission (Rs. Crore)

Sl. No.	Particulars	Approved in T.O. dt. 19.03.18	AEGCL Submission	APR FY 2019-20
1	O&M expenses for 1 month		0.37	0.37
2	Maintenance spares @ 15% of O&M Expenses		0.67	0.67
3	Receivables for two months		0.77	0.64
4	Total Working Capital		1.81	1.68
5	Rate of Interest		11.22%	11.22%
6	Interest on Working Capital	0.19	0.20	0.19

7.9.3 Accordingly, the Commission provisionally approves loWC of Rs. 0.19Crore in the APR for FY 2019-20.

7.10 Non-Tariff Income

7.10.1 SLDC has considered NTI of Rs. 0.42 crore for FY 2019-20, by considering NTI in H2 of FY 2019-20 equal to the NTI in H1 of FY 2019-20. The NTI comprises income from Open Access applications and SLDC charges paid by IEX.

Commission's Analysis

7.10.2 The Commission has accepted SLDC's projection of NTI of Rs. 0.42 crore for FY 2019-20. The actual NTI shall be considered at the time of truing up for FY 2019-20, subject to prudence check.

7.11 Revenue from SLDC Charges

7.11.1 SLDC has considered Revenue from SLDC Charges for FY 2019-20 as Rs. 3.85 crore, as approved by the Commission in the MYT Order dated March 1, 2019.

Commission's Analysis

7.11.2 The Commission has considered Revenue from SLDC Charges for FY 2019-20 as Rs. 3.85 crore, as approved by the Commission in the MYT Order dated March 1, 2019.

7.12 ARR after Annual Performance Review of FY 2019-20

7.12.1 Considering the above heads of expense and revenue, the net ARR approved after APR for FY 2019-20 is shown in the following Table:

Table 65: ARR approved after APR for FY 2018-19 (Rs. Crore)

Sl. No.	Particulars	MYT Order dt. March 1, 2019	Proposed by SLDC	Approved after APR
1	O&M Expenses	4.36	4.44	4.47
1.1	<i>Employee Cost</i>	3.29	3.07	3.54
1.2	<i>R&M Expenses</i>	0.38	0.61	0.61
1.3	<i>A&G Expenses</i>	0.44	0.76	0.32
1.4	Training Expenses	0.25	0.25	0.25
2	Depreciation	0.07	0.07	0.07
3	Interest & Finance Charges	0.08	0.07	0.06
4	Interest on Working Capital	0.19	0.20	0.19
5	Return on Equity	0.00	0.00	0.00
6	Less: Non-Tariff Income/ Other Income	0.85	0.42	0.42
7	Aggregate Revenue Requirement	3.85	4.61	4.61
8	Revenue with Approved Tariff	3.85	3.85	3.85
9	Revenue Gap/(Surplus) for FY 2018-19		0.76	0.76

7.13 Revenue Gap/(Surplus) for FY 2019-20

7.13.1 AEGCL has claimed Revenue Gap of Rs. 0.76 Crore after APR for FY 2019-20.

Commission's Analysis

7.13.2 The Commission has computed the Revenue Gap/(Surplus) arising out of APR for FY 2019-20 as shown in the following Table:

Table 66: Revenue Gap/(Surplus) after APR for FY 2019-20 (Rs. Crore)

Sl. No.	Particulars	Proposed by AEGCL	APR
1	Net ARR	4.61	4.61
2	Revenue with Approved Tariff	3.85	3.85
3	Revenue Gap/(Surplus)	0.76	0.76

7.13.3 The APR reveals a Gap of Rs. 0.76 crore for FY 2019-20. It is only indicative, in the absence of Audited Annual Accounts for FY 2019-20. It will be considered during the Truing up process for FY 2019-20, after the Audited Annual Accounts are made available.

8 ARR for SLDC for FY 2020-21

8.1 Introduction

8.1.1 This Chapter deals with the determination of revised ARR for SLDC for FY 2020-21 in accordance with the provisions of MYT Regulations, 2018.

8.1.2 AEGCL added that the annual accounts of SLDC are included in annual accounts of AEGCL till FY 2018-19, hence, the projection for the Period has been carried out with the limited available data from audited accounts of AEGCL and certain assumptions.

8.2 Tariff Determination for FY 2020-21

8.2.1 SLDC has projected the revised ARR for FY 2020-21, in accordance with the MYT Regulations, 2018, as shown in the Table below:

Table 67: Summary of Revised ARR of SLDC for FY 2020-21as submitted by AEGCL

Particulars	MYT Order dt. March 1, 2019	Proposed by SLDC
O&M Expenses	5.28	5.79
<i>Employee Cost</i>	<i>4.45</i>	<i>3.49</i>
<i>Repair and Maintenance Expenses</i>	<i>0.38</i>	<i>1.11</i>
<i>Administrative and General Expenses</i>	<i>0.46</i>	<i>1.18</i>
Training Expenses	0.00	0.10
Depreciation	0.13	0.07
Interest & Finance Charges	0.14	0.11
Interest on Working Capital	0.23	0.26
Return on Equity	0.00	0.03
Less: Non-Tariff Income	0.89	0.44
ARR of SLDC	4.89	5.92

8.3 Operation and Maintenance Expenses

8.3.1 AEGCL submitted that O&M expenses for FY 2020-21 have been computed on the basis of revised estimates for FY 2019-20 and consist of following heads:

- a) Employee expenses
- b) R&M expenses

c) A&G expenses

The claim of AEGCL under various heads of O&M expenses are discussed below:

Employee Expenses

- 8.3.2 SLDC submitted that as per the Commission's directions to AEGCL to take steps towards ring fencing and keeping in mind the need for SLDC to continue discharging the functions and duties in an efficient and effective manner, there arises need for recruitment of employees as current employee strength is very less as compared to workload.
- 8.3.3 SLDC propose to hire more than 20 new employees for technical, accounts and HR department including 1 DGM as currently, only 27 employees are working under SLDC including 1 DGM. Apart from technical employees, 15 no. of office staff are currently working in SLDC.
- 8.3.4 The Gn (Growth Factor) of SLDC has been considered as 9.11% as no. of employees are expected to increase from 42 at the end of FY 2018-19 to 50, by the end of FY 2020-21. In view of the above, AEGCL on behalf of SLDC requests the Hon'ble Commission to approve the normative Employee expenses amounting to Rs. 3.49 Crores.

R&M Expenses

- 8.3.5 SLDC submitted that AMC cost of SCADA / EMS has been transferred from AEGCL Accounts to SLDC from FY 2019-20 onwards. AMC cost of FY 2019-20 amounting to Rs. 56 lakh has been considered for FY2020-21. Also, SLDC is expected to witness additional expenses of Rs. 50 lakh on account of separation of SLDC from AEGCL in FY 2020-21.
- 8.3.6 SLDC submitted that WPI of 2.98% and "K" factor of AEGCL has been considered as 1.01% as approved by the Commission in the Tariff Order dated March 1, 2019. SLDC has estimated R&M expenses of Rs. 1.114 Crore for FY 2020-21.

A&G Expenses

- 8.3.7 SLDC submitted that the upcoming year shall witness additional A&G expenses on account of segregation of SLDC from AEGCL. The A&G cost was projected for FY 2020-21 taking into consideration all possible expenses under A&G head. SLDC submitted that additional A&G expenses of Rs. 40 Lakh shall be incurred during FY

2020-21 on account of separation of SLDC from AEGCL to meet the objective of ring fencing. SLDC requested the Commission to approve Rs. 40 lakh for engaging consultants during FY 2020-21 to carry out asset valuation of SLDC as the same was not done earlier, web site up gradation and maintenance, and Scheduling and accounting of open access software.

8.3.8 Thus, SLDC requested the Commission to approve the proposed A&G expenses of Rs. 1.18 crore for FY 2020-21 without any disallowance.

Commission's Analysis

8.3.9 The Commission has approved the O&M Expenses on normative basis in the Tariff Order as per Regulation 103 of MYT Regulations, 2018. AEGCL has submitted O&M expenses based on previous year's O&M expenses and applicable increase towards Salaries, Dearness Allowance, etc.

Employee Expenses

8.3.10 For computation of normative employee expenses for FY 2020-21, the Commission has adopted the following approach:

- a) The normative employee expenses approved for FY 2019-20 have been considered as base expenses for FY 2020-21;
- b) CPI inflation has been computed as average increase of CPI for the period from FY 2016-17 to FY 2018-19, which works out to 4.22%;
- c) As stated in the APR of FY 2019-20, additional employee expenses of Rs. 1 crore has been allowed to meet the expenses due to addition of employees, which has also been escalated by CPI, hence, the growth rate has been considered as 1%, as approved in the MYT Order.

8.3.11 The normative employee expenses approved for FY 2020-21 is shown in the following Table:

Table 68: Approved Employee Expenses for FY 2020-21 (Rs. Crore)

Particulars	MYT Order dt. March 1, 2019	Proposed by SLDC	Approved by Commission
Actual Employee Expenses for the previous year		3.07	3.54
Growth factor		1.00%	1.00%
CPI Inflation		4.22%	4.22%

Particulars	MYT Order dt. March 1, 2019	Proposed by SLDC	Approved by Commission
Employee expenses -SLDC	4.45	3.49	3.72

R&M Expenses

8.3.12 For computation of normative R&M Expenses for FY 2020-21, the Commission has considered the following approach:

- WPI inflation for computation of R&M Expenses works out to 2.98% as per MYT Regulations, 2018, based on average increase of WPI for the period from FY 2016-17 to FY 2018-19;
- K-factor has been considered as 0.96% as approved in MYT Order.

8.3.13 The normative R&M expenses approved for FY 2020-21 is shown in the following Table:

Table 69: Approved R&M Expenses for FY 2020-21 (Rs. Crore)

Particulars	MYT Order dt. March 1, 2019	Proposed by SLDC	Approved by Commission
Opening GFA for previous year		5.026	5.006
Closing GFA for previous year		5.266	5.046
Average GFA for previous year		5.146	5.026
K Factor		1.01%	0.96%
WPI Inflation		2.98%	2.98%
R&M Expenses		0.05	0.05
AMC Cost for SCADA/EMS		0.560	0.56
Additional R&M expenses on account of separation of SLDC		0.50	0.00
R&M Expenses - SLDC	0.38	1.114	0.61

A&G Expenses

8.3.14 For computation of A&G expenses for FY 2020-21, the Commission has adopted the following approach:

- The normative A&G expenses approved for FY 2019-20 have been considered as base expenses for computation of normative A&G expenses for FY 2020-21;
- As discussed in earlier para, the Commission has considered the WPI inflation of

2.98%.

8.3.15 The normative A&G expenses approved for FY 2020-21 is shown in the following Table:

Table 70: Approved A&G Expenses for FY 2020-21 (Rs. Crore)

Particulars	MYT Order dt. March 1, 2019	Proposed by SLDC	Approved by Commission
A&G Expenses for Previous Year		0.76	0.32
WPI Inflation		2.98%	2.98%
Additional A&G expenses on account of separation of SLDC		0.40	
A&G Expenses-SLDC	0.46	1.18	0.33

8.3.16 In view of the above, the Commission approves the revised O&M expenses as shown in the following Table for FY 2020-21:

Table 71: Approved O&M Expenses for FY 2020-21 (Rs. Crore)

Particulars	MYT Order dt. March 1, 2019	Proposed by SLDC	Approved by Commission
Total O&M Expenses	5.28	5.79	4.66
Employee Expenses	4.45	3.49	3.72
R&M Expenses	0.38	1.11	0.61
A&G Expenses	0.46	1.18	0.33

8.4 Training and Capacity Building

8.5 SLDC proposed to invest in educating and enhancing the employees through various workshops and estimated the cost for conducting workshops as Rs. 10 Lakh for FY 2020-21.

Commission's Analysis

8.5.1 The Commission approves the amount of Rs. 10 lakh towards training expenses for SLDC for FY 2020-21.

8.6 Capitalisation

8.6.1 The Commission had approved capitalisation of Rs. 3.02 crore for FY 2020-21 for SLDC in the MYT Order dated March 1, 2019. SLDC submitted that it had revised the capital investment plan based on the current scenario. The scheme-wise capitalisation along with funding pattern proposed by SLDC are as follows:

a) Requirement of Dyna Roof for Rooftop Solar Installations on SLDC office

SLDC submitted that roof truss with Dyna roof over the roof slab of SLDC office building is required for installation of solar panel to generate at least 35 kW of power for office requirement. SLDC submitted the estimated capital cost as Rs. 70 lakh, with funding through 70:30 Debt: Equity, and project being undertaken from FY 2019-20 to FY 2020-21.

b) Requirement of new building at SLDC campus

SLDC has proposed a multi-storey building comprising of a Seminar Hall with fully media equipped with LCD projector and HD sound system for various meetings and conference, presentation, skill development program, etc., Library for employees to have a vibrant role in the development of a knowledge, culture that promotes wider reading and motivate employees to enhance their information literacy skills, Gymnasium to keep the employee physically and mentally fit. SLDC submitted the estimated capital cost as Rs. 4.00 crore, with funding through 70:30 Debt: Equity, and project being undertaken from FY 2020-21 to FY 2021-22.

c) Mandatory civil works in existing buildings of SLDC

SLDC submitted that the current condition of office building requires renovation and maintenance as condition of few rooms and cabins are in dilapidated state and are deteriorating continuously due to lack of maintenance. SLDC has proposed maintenance work to prevent roof leakage, replacement of CI pipe with PVC, painting of boundary wall, change of floor marble and replacement of aluminium frame for walls. SLDC submitted the estimated capital cost as Rs. 20 lakh, with funding through 70:30 Debt: Equity, and project being undertaken in FY 2020-21.

d) Provision for lines, cable, networks, etc.

SLDC submitted that it is currently fed power from 132 kV Kahilipara GSS through the 250 Kva transformer, which is getting over loaded due to which SLDC has to go through power cut sometimes. Therefore, for regular and uninterrupted power

supply, SLDC proposes the creation of a 33/0.4 kV Sub-station for dedicated power supply to SLDC, which requires new lines, cables, networks, etc. However, the same shall be finalized after holding discussions with APDCL. SLDC submitted the estimated capital cost as Rs. 50 lakh, with funding through 70:30 Debt: Equity, and project being undertaken from FY 2020-21 to FY 2021-22.

e) Procurement of furniture and fixtures

SLDC submitted that few old furniture of SLDC office requires replacement with new ones as recommended under ergonomics by FOR. Having a modern office with contemporary furniture also reflects SLDC's growing and financial stability towards clients and others. Also, modern office furniture can boost employee morale and make the SLDC office a good place to work. SLDC submitted the estimated capital cost as Rs. 2 lakh, with funding through 70:30 Debt: Equity, and project being undertaken in FY 2020-21.

f) Provision for office equipment

SLDC submitted that on account of impending rapid recruitment, the current office equipment such as laptops, printers and other accessories are very less in number, which reduces the effectiveness of work. Therefore, SLDC proposes for 5 nos. of laptops and 5 nos. of desktops with printers and necessary accessories for Finance, HR, Administrative and for scheduling and accounting of Open Access along with SAMAST works. Also, 8 nos. of new ACs for office, 3 ACs for UPS and 3 ACs for SAMAST shall be required. SLDC submitted the estimated capital cost as Rs. 4 lakh, with funding through 70:30 Debt: Equity, and project being undertaken in FY 2020-21.

8.6.2 The summary of capitalisation for FY 2020-21, as projected by SLDC, is shown in the Table below:

Table 72: Capitalisation proposed by SLDC for FY 2020-21 (Rs. Crore)

Particulars	MYT Order dt. March 1, 2019	Proposed by SLDC
Other Civil Works		0.90
Lines & Cable network		0.15
Furniture & Fixtures		0.02
Office Equipment		0.04
Total Capitalisation	3.02	1.11

Commission's Analysis

- 8.6.3 The Commission has not considered capitalisation of Rs. 0.70 crore claimed by SLDC against dyna roof for rooftop solar plant, as the same is unregulated activity of SLDC, and such capex cannot be recovered from the consumers. The Commission has also not considered the expenses against R&M of the Buildings, as the same have to be managed by SLDC under the R&M expenses. The Commission has also not considered the capitalisation against lines & cables and setting up 33.0.4 kV sub-station, as this lies within the scope of APDCL, and SLDC should convey its requirement to APDCL.
- 8.6.4 The Commission has considered capitalisation of Rs. 2 lakh for furniture and Rs. 4 lakh for laptops, desktops and other accessories, as submitted by SLDC. The entire capitalisation has been considered to be funded through debt, in line with the rationale considered for AEGCL.
- 8.6.5 The summary of capitalisation approved by the Commission for SLDC for FY 2020-21, is shown in the Table below:

Table 73: Capitalisation approved by SLDC for FY 2020-21 (Rs. Crore)

Particulars	MYT Order dt. March 1, 2019	Proposed by SLDC	Approved by Commission
Other Civil Works		0.90	
Lines & Cable network		0.15	
Furniture & Fixtures		0.02	0.02
Office Equipment		0.04	0.04
Total Capitalisation	3.02	1.11	0.06

8.7 Depreciation

- 8.7.1 The Commission had approved the Depreciation of Rs. 0.13 Crore for FY 2020-21 in the MYT Order dated March 1, 2019. As against this, AEGCL has claimed depreciation of Rs. 0.07 Crore for FY 2020-21.
- 8.7.2 AEGCL submitted that it has calculated Depreciation taking into consideration of opening balance of assets and provisional capitalisation during FY 2020-21. AEGCL

has not considered depreciation on assets created out of Grants.

Commission's Analysis

8.7.3 The Commission has considered the opening GFA for FY 2020-21 equivalent to the closing GFA for FY 2019-20 as approved in this Order. The Commission has computed depreciation as per scheduled rates specified in the MYT Regulations, 2018.

8.7.4 As per MYT Regulations, 2018, the total depreciation during the life of the asset shall not exceed 90% of the original cost of Asset. The Commission has computed the depreciation separately for assets added under each asset head in each year. The Commission has disallowed the depreciation in excess of 90% of the original cost of asset under different asset heads. The Commission has not considered the depreciation on assets funded through grants, consumer contribution or capital subsidy, for FY 2020-21.

8.7.5 The depreciation approved for FY 2020-21 is given in the Table below:

Table 74: Depreciation approved for FY 2020-21 (Rs. Crore)

Sl. No.	Particulars	Opening GFA	Addition during the year	Rate of depreciation	Depreciation as per MYT Regulations, 2018
1	Land owned under full ownership			-	
2	Land under lease	-		3.34%	
3	Building	0.35		3.34%	
4	Hydraulic	-		5.28%	
5	Other Civil Works	-	-	3.34%	
6	Plant & Machinery	4.59	-	5.28%	0.24
7	Lines & Cable Network	-	-	5.28%	-
8	Vehicles	-	-	9.50%	-
9	Furniture & Fixtures	0.03	0.02	6.33%	0.002
10	Office Equipment	0.08	0.04	6.33%	0.006
11	Grand Total	5.05	0.06		0.251
15	Less: Depreciation for Grants/ Consumer Contribution				0.16
	Net Total				0.09

8.7.6 The Commission approves Depreciation of Rs. 0.09 Crore for FY 2020-21.

8.8 Interest on Loan Capital

8.8.1 The Commission had approved Interest and Finance Charges of Rs. 0.14crore for FY 2020-21 in the MYT Order dated March 1, 2019. As against this, AEGCL has claimed Interest and finance Charges of Rs. 0.11 Crore for FY 2020-21.

Commission's Analysis

8.8.2 The Commission in the Tariff Order dated March 1, 2019 had approved the Interest and Finance Charges of Rs. 0.14 crore, on normative basis for FY 2020-21 as per of MYT Regulations, 2018. The closing net normative loan for FY 2019-20 is considered as Rs. 0.44 Crore. Hence, the Commission has considered the net normative loan as on April 1, 2020 as Rs. 0.44 Crore. The addition of loan has been considered equal to debt portion of capitalised works as approved in this Order. The loan repayment has been considered equivalent to Depreciation approved in this Order.

8.8.3 As per MYT Regulations, 2018, weighted average rate of interest shall be computed based on actual outstanding loan as on April 1, 2020. The weighted average interest rate has been considered as 10.08% for computation of interest on loan capital, as considered for AEGCL.

8.8.4 The Interest on loan capital as approved by the Commission for FY 2020-21 is shown in the following Table:

Table 75: Approved Interest on loan Capital for FY 2020-21 (Rs. Crore)

Sl. No.	Particulars	Approved in T.O. dt. 1.03.19	SLDC Submission	Approved by Commission
1	Net Normative Opening Loan		0.64	0.44
2	Addition of normative loan during the year		0.78	0.06
3	Normative Repayment during the year		0.07	0.09
4	Net Normative Closing Loan		1.34	0.41
5	Interest Rate		9.38%	10.08%
6	Interest Expenses		0.093	0.043
7	Finance Charges		0.02	0.02
8	Total Interest and Finance Charges	0.14	0.11	0.06

8.8.5 The Commission approves Interest on loan Capital of Rs. 0.06 Crore for FY 2020-21.

8.9 Return on Equity

8.9.1 The Commission approved the RoE as NIL for FY 2020-21 in the MYT Order dated March 1, 2019. As against this, AEGCL has claimed RoE of Rs. 0.03 Crore for FY 2020-21 calculated at 15.5% as specified in the MYT Regulations 2018.

Commission's Analysis

8.9.2 The Commission has considered zero addition of equity against capitalisation during FY 2020-21. Accordingly, the Commission considers RoE as NIL for FY 2020-21.

8.10 Interest on Working Capital (IoWC)

8.10.1 The Commission approved IoWC of Rs. 0.23 Crore for FY 2020-21 in the Tariff Order dated March 1, 2019. As against this, AEGCL has claimed IoWC of Rs. 0.26 Crore for FY 2020-21 calculated as specified in MYT Regulations 2018.

Commission's Analysis

8.10.2 The Commission has computed IoWC in accordance with MYT Regulations, 2018. The rate of Interest has been considered equal to SBI Base Rate in the first six months of FY 2019-20 plus 300 basis points, i.e., 11.22%. Further, receivables have been considered equal to the ARR being approved for FY 2020-21 in the present Order. The IoWC approved by the Commission for FY 2020-21 is shown in the following Table:

Table 76: IoWC for FY 2020-21 as approved by the Commission (Rs. Crore)

Sl. No.	Particulars	Approved in T.O. dt. 1.03.19	SLDC Submission	Approved by Commission
1	O&M expenses for 1 month		0.48	0.39
2	Maintenance spares @ 15% of O&M Expenses		0.87	0.70
3	Receivables for two months		0.99	0.78
4	Total Working Capital		2.34	1.87
5	Rate of Interest		11.22%	11.22%
6	Interest on Working Capital	0.23	0.26	0.21

8.10.3 Accordingly, the Commission approves IoWC of Rs. 0.21 Crore for FY 2020-21.

8.11 Non-Tariff Income

8.11.1 AEGCL has considered NTI of Rs. 0.44 crore for FY 2020-21. The NTI comprises income from Open Access applications and SLDC charges paid by IEX.

Commission's Analysis

8.11.2 The Commission has considered NTI of Rs. 0.44 crore for FY 2020-21, as projected by SLDC.

8.12 ARR for FY 2020-21

8.12.1 Considering the above heads of expense and revenue, the net ARR approved for FY 2020-21 is shown in the following Table:

Table 77: ARR approved for FY 2020-21 (Rs. Crore)

Sl. No.	Particulars	MYT Order dt. March 1, 2019	Proposed by SLDC	Approved by Commission
1	O&M Expenses	5.28	5.79	4.66
1.1	<i>Employee Cost</i>	4.45	3.49	3.72
1.2	<i>R&M Expenses</i>	0.38	1.11	0.61
1.3	<i>A&G Expenses</i>	0.46	1.18	0.33
1.4	<i>Training Expenses</i>	0.00	0.10	0.10
2	Depreciation	0.13	0.07	0.09
3	Interest & Finance Charges	0.14	0.11	0.06
4	Interest on Working Capital	0.23	0.26	0.21
5	Return on Equity	0.00	0.03	0.00
6	Less: Non-Tariff Income	0.89	0.44	0.44
7	Aggregate Revenue Requirement	4.89	5.92	4.68

8.12.2 Thus, the Commission approves the ARR of Rs. 4.68 Crore for FY 2020-21, as against ARR of Rs. 5.92 crore projected by SLDC.

8.12.3 **Further, AEGCL is directed to ensure implementation of SAMAST within a definite timeline. In addition to the funds allotted under SAMAST, the Commission has allowed Rs. 5 Crore as a special fund to SLDC for metering of**

all the interconnection points for segment-wise proper energy accounting. AEGCL is directed to maintain separate accounting of this fund and submit quarterly status of progress of the installation of metering to the Commission. Further, as this Fund is being given as a revenue expense, SLDC shall ensure that the expenses against this Fund are not included under the Gross Fixed Assets, and there is no claim of depreciation, interest and RoE against capitalisation achieved using this Special Fund.

8.12.4 Thus, the Commission approves the ARR of Rs. 9.68 Crore (4.68 + 5.00) for FY 2020-21.

9 Transmission Tariff for FY 2020-21

9.1 Cumulative Revenue Gap/(Surplus) and Net ARR for recovery

9.1.1 AEGCL submitted the cumulative Revenue Gap/(Surplus) after Truing up of FY 2018-19 and APR of FY 2019-20 and based on the revised ARR of FY 2020-21, as shown in the Table below:

Table 78: Cumulative Revenue Gap/(Surplus) (Rs. Crore)

Particulars	Amount
Revenue Gap/(Surplus) for FY 2018-19	20.79
Provisional Revenue Gap/(Surplus) for FY 2019-20	62.70
Carrying/(Holding) cost on Revenue Gap/(Surplus) for FY 2018-19	4.77
Carrying/(Holding) cost on Revenue Gap/(Surplus)for FY 2019-20	7.03
Total Revenue Gap/(Surplus)	95.29

Commission's Analysis

9.1.2 For computation of cumulative Revenue Gap/(Surplus), the Commission has considered the Revenue Gap/(Surplus) after truing up of FY 2018-19as approved in this Order along with Carrying/(Holding)Cost. No Revenue Gap/(Surplus) arising out of APR of FY 2019-20, is proposed to be recovered through tariff in FY 2020-21, in accordance with the MYT Regulations, 2018.

9.1.3 The Revenue Gap/(Surplus) approved for recovery in FY 2020-21 is shown in the Table below:

Table 79: Revenue Gap/(Surplus) for FY 2018-19 approved for recovery/adjustment in FY 2020-21 (Rs. Crore)

Sl. No.	Particulars	MYT Order	AEGCL	Approved after truing up
1	Net ARR	1158.66	1,179.45	1,172.40
2	Revenue from Transmission Charges	1158.66	1,158.66	1,176.73
3	Gap/(surplus)	-	20.79	(4.33)
4	Carrying/(Holding) cost	-	4.77	(0.99)

9.1.4 The Commission has computed the carrying/ (Holding) cost as shown in the following Table:

Table 80: Carrying/ (Holding) Cost for Revenue Gap/(Surplus) for FY 2018-19 approved by the Commission (Rs. Crore)

Sr. No.	Particulars	FY 2018-19	FY 2019-20	FY 2020-21
1	Opening Balance	-	(4.33)	(4.33)
2	Recovery /(Addition) during year	4.33	-	(4.33)
3	Closing balance	(4.33)	(4.33)	-
4	Rate of Interest (%)	12.20%	11.22%	11.22%
5	Carrying /(holding) Cost	(0.26)	(0.49)	(0.24)
	Total Gap/ (Surplus) including Carrying/(Holding) Cost		(5.32)	

9.1.5 The Commission has considered the recovery of total Holding cost, i.e., Rs. 0.99 crore on Revenue Surplus for FY 2018-19. The total Revenue Surplus including Holding cost works out to Rs 5.32 Crore.

Refund of Surplus to APDCL

9.1.6 The Commission approves the cumulative Revenue Surplus of AEGCL as Rs 5.32 Crore. This Surplus is to be refunded to APDCL in twelve monthly equal instalments of Rs 0.443 Crore in FY 2020-21 as adjustment to the monthly bills.

9.2 Transmission tariff for FY 2020-21

9.2.1 AEGCL has proposed the Transmission Tariff for FY 2020-21 based on the cumulative Revenue Gap/(Surplus) after Truing up of FY 2018-19 and APR of FY 2019-20 and based on the ARR, as shown in the Table below:

Table 81: Transmission Tariff Proposed by AEGCL (Rs. Crore)

Particulars	AEGCL
Stand-alone ARR	441.68
Previous Revenue Gap/(Surplus) with Carrying/(Holding) cost	95.29
Net Annual Revenue Requirement	536.98
Transmission Charge (Rs. / kWh)	0.527

Commission's Analysis

- 9.2.2 In accordance with MYT Regulations, 2018, the Commission has determined the Annual Transmission Charges and Transmission System Access Charges for FY 2020-21. The Annual Transmission Charges payable by APDCL and Transmission system access charges payable by other users of AEGCL transmission system are arrived at based on Net ARR of AEGCL and the energy handled by the transmission system, as detailed below:
- 9.2.3 **The Annual Transmission Charges for FY 2020-21 shall be equal to Net ARR approved for recovery for FY 2020-21, i.e., Rs. 358.75 Crore.**
- 9.2.4 The Commission has determined the Annual Transmission Charges in terms of Rs. /kW/ month and per unit charges. The Commission has considered the maximum Contracted capacity of 2294 MW as submitted by AEGCL and estimated energy supplied to APDCL and Open Access consumers as 10,047.87 MU as approved in the Tariff Order of APDCL for FY 2020-21.
- 9.2.5 **The Annual Transmission Charges shall be recovered on monthly basis as transmission charge from the long-term users who shall share the Transmission Charge in proportion of the allotted long-term transmission capacity.**
- 9.2.6 AEGCL shall raise the bill for the transmission charge (inclusive of incentive) for a month based on its estimate of Transmission System Availability Factor for the month computed as per MYT Regulations, 2018. The adjustments, if any, shall be made on the basis of the Transmission System Availability Factor to be certified by the SLDC within 30 days from the last day of the relevant month.
- 9.2.7 The approved Transmission System Access Charges for FY 2020-21 is shown in the Table below:

Table 82: Transmission Access Charges approved by the Commission for FY 2020-21

Sr. No.	Particulars	FY 2019-20
1	Net ARR for Transmission (Rs Crore)	358.75
2	Energy transmitted to APDCL and Open Access consumers (MU)	10,047.87
3	Transmission Access Charges (Rs. /kWh)	0.36
4	Transmission Charges for LTOA/ MTOA (Rs./MW/day)	4,284.54

For short-term Open Access customers, the Transmission Charges shall be Rs. 0.36/kWh.

Note:

- 1) The Commission has considered Annual Maximum Peak for FY 2020-21 as 2294 MW.
- 2) Any recovery on account of short-term Open Access charges shall be considered as Additional Revenue.

10 Annual SLDC Charges for FY 2020-21

10.1.1 ARR of SLDC approved for FY 2020-21 are Rs. 9.68 Crore, which are allocated to APDCL as single user.

10.1.2 However, the SLDC charges to be charged for any other Long-term/Medium-term user are as given below:

Table 83: SLDC Charges approved by the Commission for FY 2020-21

Sl. No.	Particulars	UoM	Amount
1	Net ARR – SLDC	Rs. Crore	9.68
2	Maximum Contracted Capacity	MW	2,294.00
3	SLDC Charges for LTOA/MTOA Consumers	Rs./MW/day	115.68

Approved SLDC charges to be recovered from APDCL for FY 2020-21 is Rs. 9.68 Crore.

The approved SLDC charges for Long-term/Medium-term Users of Transmission System for FY 2020-21 are Rs. 115.68 per MW per day.

10.1.3 The annual SLDC charges as determined by the Commission shall be recovered from APDCL. The SLDC shall furnish necessary monthly bills at the rate of one twelfth of the annual charges as approved by the Commission, to APDCL for each billing month within seven days after the last day of the preceding month. APDCL shall make payment to the SLDC, within one month of the date of receipt of the bill.

10.1.4 The Short-term open access customers using the intra-State transmission system shall pay only such scheduling charges to the SLDC as approved by the Commission in accordance with AERC (Terms and Conditions for Open Access) Regulations 2018. This revenue shall be adjusted against the ARR.

11 Applicability of Tariff

11.1.1 The approved Transmission tariff and SLDC Charges for FY 2020-21 shall be effective from April 1, 2020 and shall continue until replaced by any subsequent Order of the Commission.

Sd/-

(B. Borthakur)
Member, AERC

Sd/-

(S. C. Das)
Chairperson, AERC

12 Directives

The Commission has issued certain directives to AEGCL in the past Orders, with an objective of attaining operational efficiency and streamlining the flow of information, which would be beneficial to the sector and the Petitioner, both in the short-term and long-term.

As regards the directives issued by the Commission in the Tariff Order dated March 01, 2019, AEGCL has submitted the report to the Commission on compliance. The Commission has reviewed the compliance of directives submitted by AEGCL, and the status is as follows:

Status of compliance of directives in the Tariff Order dated March 01, 2019.

Directive 1: Funding from the Government of Assam for employer's contribution to Terminal Liabilities based on Actuarial valuation.

AEGCL is directed to expedite the funding from Government of Assam for employer's contribution to Terminal Liabilities based on actuarial valuation done as on September 30, 2012.

Status:

The past unfunded liabilities were estimated at Rs. 2169 Crore as on December 2004 and accordingly it was placed before Government of Assam, for funding the unfunded liabilities.

The actuarial valuation was estimated at Rs. 7086.24 Crore as on 31.01.2019. AEGCL requested the State Government vide letter dated 26.06.2019 to either provide one-time grant to ASEB Pension Trust or to provide the yearly cash deficit budgetary support after adjustment of BST, ED and Income from existing corpus.

Directive 2 – Energy Audit and Implementation of SAMAST

The Commission directs AEGCL to carry out the Energy Audit during FY 2019-20 and submit the report based on the metered energy at different interconnection points, including the status of metering, functional meters, etc. This Report, with details of Transmission Losses, should be submitted along with the next Tariff Petition. AEGCL is directed to earnestly pursue the implementation of SAMAST.

Status:

AEGCL reported that the Company is carrying out energy audit of substations and transmission lines. However, there are some technical issues in few substations. Hence, the sample study of few substations is under progress and the report shall be submitted shortly.

With regard to the SAMAST scheme, AEGCL informed that Techno Economic Sub Group (TESG) has approved Rs. 10.25 Crore. against minimum requirement of Rs. 16.264 Crore against the SAMAST DPR submitted on 23.01.2019 to Member Secretary, Appraisal Committee (PSDF), NLDC and POSOCO. Request letter for granting the additional amount has already been sent and the issue for allocation of the additional Rs. 6.01 Crore is also being taken up with CEA and NLDC.

AEGCL submitted that NIT was floated by NERPC for Hardware and Software and the last date for submission of bid for Hardware and Software is 24/02/2020 and date for opening of bid is 25/02/2020.

AEGCL further submitted that NIT for Meter and AMR has been floated by NERPC and the last date for submission of bid for Meter and AMR is 06/03/2020 and date for opening of bid is 09/03/2020.

Directive 3 - Employee's Provident Fund

The Commission directs AEGCL to complete the formalities of forming the Trust for Employee's Provident Fund as early as possible.

Status:

AEGCL submitted that request for formation of GPF Trust has been made to Government of Assam vide letter dated 25.09.2017. However, any confirmation from GoA is still awaited, but, AEGCL is maintaining a separate Bank Account for the GPF funds.

Directive 4 – Submission of Updated Fixed Assets Register

The Fixed Asset Register should be prepared and updated every year by AEGCL, duly certified by Chartered Accountant. AEGCL is directed to maintain Fixed Asset Register at their end and submit to the Commission as and when asked for during tariff proceedings.

Status:

Fixed Assets Register has been updated up to 31.03.2019 and approved in the Board of Director's Meeting of AEGCL in the 75th Meeting dated August 28, 2019.

Directive 5 – Capitalisation of Completed Projects

It is observed by the Commission that AEGCL is not capitalizing the expenses on account of new projects even after many years of completion. AEGCL is directed to take measures for capitalisation of the expenses soon after projects are completed.

Status:

Necessary steps are initiated in order to ensure timely capitalisation of completed projects. In FY 2018-19, capitalisation has been done for Rs.291.10 Crore and in the first half of FY 2019-20, Rs. 254.19 Crore capitalisation has been done.

Directive 6 – Ongoing projects

It is observed that, there are number of ongoing Projects, which are continuing for more than four to five years. The Commission directs AEGCL to complete the Ongoing Projects as per schedule. Efforts and funds should be channelized towards completion of the ongoing projects on priority.

Status:

AEGCL submitted that all the ongoing projects are in line for completion within the respective current target dates. The details of ongoing projects were submitted along with Tariff Petition of True Up for FY 2018-19 on November 30, 2019. An updated list was also submitted on 06.01.2020 during the review meeting on 'Compliance of Directives BY AEGCL'.

Directive 7 - Segregation & Strengthening of SLDC

The Commission directs AEGCL to expedite the process of Segregation & Strengthening of SLDC. The new recruitments planned for the MYT period should be carried out as per plan. The Commission further directs that, AEGCL should maintain separate accounts of the expenses/income pertaining to SLDC.

Status:

AEGCL submitted that necessary initiatives have been taken to restructure and strengthen SLDC. A separate bank account is already available for SLDC for all the required expenditure of SLDC, however, salary of SLDC's employee is paid centrally by the Headquarter. However, the process has been initiated to disburse the salary of SLDC employees from SLDC Bank account from the month of April 2020.

Directive 8 – Capacity Building

The Commission approved Rs 1 Crore for training and capacity building of employees in AEGCL for the MYT Control Period. The Commission directs APGCL to submit the detailed expenditure on account of capacity building, separately to the Commission, at the time of true up.

Further, AEGCL is directed to submit the status of compliance of above Directives to the Commission at the end of each quarter. The Commission will review the status in the month following the end of the quarter.

Status:

AEGCL submitted their Training Plan for the next 3 years (FY 2019-20 to FY 2021-22) in AEGCL has already been submitted to the Commission vide letter dated 29.08.19.

During H1 (April 2019 to Sep 2019), AEGCL submitted that the Company has utilised Rs. 15.78 lakh and a 3-Day Training program ("Productivity Enhancement Program") for 14 batches, was held in NPTI-NER, 20th January 20, 2020 with a total budget of Rs 28 lakh. AEGCL also informed that an additional Rs 10 lakh shall be incurred by March 2020.

Directive 9 – Maintenance of Project-wise Database

AEGCL is directed to maintain database on the individual Projects under each Scheme with the following details and submit the following details for all ongoing projects at the time of true-up and Tariff for ensuing year. Further, for all Projects that have not commenced by March 31, 2019, AEGCL shall obtain the Commission's prior approval based on the necessary details as identified below, even if in-principle approval has been received:

- a) Details/Scope of Project including activities, area covered, etc.;
- b) Start date of Project;
- c) Scheduled completion date of Project;
- d) Funding Plan;
- e) Cost-Benefit-Analysis of the Project
- f) Present Status of Project, indicating physical progress in percentage terms and in monetary terms;
- g) Status of Capitalisation as per Field Reports and as per Accounts;
- h) Whether the intended benefits of the Project have been achieved, etc.

Status:

AEGCL submitted maintenance of project-wise database as per the detail under the said directive to the Commission along with the True-Up Petition for FY 2018-19.

New Directives:

The Commission hereby issues the following directives to AEGCL as under:

Directive 1 - Funding from Government of Assam for employer's contribution to Terminal Liabilities based on Actuarial valuation

AEGCL is directed to continue pursuing the funding from Government of Assam for employer's contribution to Terminal Liabilities based on actuarial valuation done as on January 31, 2019, as there have been objections from the consumers regarding the BST charges, which is passed on to the consumers.

Directive 2 – Energy Audit and Implementation of SAMAST

The Commission directs AEGCL to submit the Energy Audit Reports for FY 2019-20 within 3 months from the date of this Order.

Further, the Commission directs AEGCL to carry out the Energy Audit during FY 2020-21 including those sub-stations that were left out from the sample for study in FY 2019-20. AEGCL should submit the report based on the metered energy at different interconnection points, including the status of metering, functional meters, etc. This Report, with details of

Transmission Losses, should be submitted along with the next Tariff Petition.

AEGCL is directed to ensure implementation of SAMAST within a definite timeline. In addition to the funds allotted under SAMAST, the Commission has allowed Rs. 5 Crore as a special fund to SLDC for metering of all the interconnection points for segment-wise proper energy accounting. AEGCL is directed to maintain separate accounting of this fund and submit quarterly status of progress of the installation of metering to the Commission.

Directive 3 - Segregation & Strengthening of SLDC

The Commission directs AEGCL to expedite the process of Segregation & Strengthening of SLDC. The new recruitments planned for the MYT period should be carried out as per plan. The Commission further directs AEGCL to maintain and submit separate accounts of the expenses/income pertaining to SLDC, either through a separate Schedule in AEGCL's Accounts or under Segmental Reporting, at the time of true-up for FY 2020-21. The process to disburse salary of SLDC employees from SLDC Bank account should be completed by April 2020. As ARR of SLDC would be taken up for True-up with effect from FY 2019-20, AEGCL is directed to submit complete separate Petition for SLDC henceforth.

AEGCL is directed to submit the status of compliance of above Directives to the Commission at the end of each quarter. The Commission will review the status in the month following the end of the quarter.

Sd/-

**(B. Borthakur)
Member, AERC**

Sd/-

**(S. C. Das)
Chairperson, AERC**

13 Annexure 1: Minutes of the 26th Meeting of the State Advisory Committee

VENUE: BIDYUT NIYAMAK BHAWAN, GUWAHATI – 22.

DAY / DATE: THURSDAY, February 13, 2020.

LIST OF MEMBERS / SPECIAL INVITEES: AT ANNEXURE-A (ENCLOSED)

The 26th Meeting of State Advisory Committee (SAC) was chaired by the Hon'ble Chairperson, AERC, Shri S.C. Das IAS, (Retd).

Welcoming all members and invitees, the Chairperson, expressed happiness that the meeting could be arranged in the new Office Building of the Commission, which is still under construction. Thereafter, Chairperson AERC introduced and welcomed Mrs Bulbuli Borthakur and Shri Satyendra Nath Kalita, who joined as new Members of AERC on December 21, 2019. He then informed that the meeting was convened, primarily, to discuss the Tariff Petitions for FY 2020-21, filed by the State Power Utilities on November 30, 2019 and invited suggestions from the SAC members. He further informed the participants that a Public Hearing is also scheduled to be held on February 19, 2020 on these petitions.

The Welcome address was followed by an introductory session among the members and invitees. Thereafter, the agenda items were taken up for discussion in seriatim. The important points discussed in the course of the meeting are briefly recorded below.

Agenda: Confirmation of the Minutes of the 25th meeting of SAC held on 26.07.2019

The draft Minutes of the 25th Meeting of the Committee were circulated among the

Members and Special Invitees in August 2019. Comments were received from a few members and these were incorporated in the minutes before finalizing.

The final minutes were confirmed and accepted by the members.

Agenda: Action Taken on the minutes of the 25th Meeting of SAC.

A power-point presentation was made by Assistant Director (Engineering) AERC, Shri J. Bezbaruah on the salient features of action taken reports submitted by the power utilities. Hard copies of the action taken reports were also circulated among the members of SAC. Chairperson AERC asked the respective utilities to respond to any query from the SAC Members. The important points of discussion are noted below:

- i. Regarding the status of setting up a 250 MW Natural gas based power station in Combined Cycle Power (CCP) mode or Gas Engine at Chandrapur and a 725 MW Gas based Thermal power station at north bank of Brahmaputra, Mrs. Kalyani Baruah, MD, APGCL informed that M/s TATA Consulting Engineers Limited was awarded the separate contracts for conducting feasibility study for the above projects. The Project Reports are expected in March 2020.
- ii. Shri Anuj K. Baruah, Adviser, AASSIA enquired as to whether a part of land of APGCL at Chandrapur has been handed over to GMC for garbage dumping.

MD, APGCL informed that on a request from the Government of Assam, the Board of Directors of APGCL approved handing over of 40 bighas of land to GMC for dumping purpose on the condition that GMC would provide the assorted garbage necessary for setting up an integrated Waste Management plant in the area. She informed that the total land of APGCL at Chandrapur is more than 1000 bighas and the 40 bighas of land allotted to GMC is at an isolated place about 1.5 – 2kms away from the Chandrapur plant and have separate approaches.

Shri Neeraj Verma (IAS), Principal Secretary, Power, Government of Assam remarked that the project was proposed by Chairman APDCL/AEGCL/APGCL and a team of officers after they visited a similar waste to energy plant in Delhi as Guwahati also require well-organized techniques of garbage disposal as Delhi and other cities in India.

Shri Subodh Sharma, President, Bidyut Grahak Manch and Shri Anuj Kumar Baruah expressed concern that GMC may start dumping garbage while APGCL is yet to make a proper plan for their Waste to energy plant, which would lead to serious environmental concerns.

Chairperson AERC observed that while a waste –to energy power plant is welcome, the concerns of the Members are genuine. He, therefore, requested the Principal Secretary, Power, Government of Assam to ensure that a garbage treatment plant is set up by GMC before dumping of garbage starts. He further requested Shri Verma to take up the issue with Guwahati Metropolitan Development Agency (GMDA) and GMC and also asked MD, APGCL to discuss the matter with GMC. He said that in the meantime APGCL should get the DPR ready to set up the plant.

Shri Subodh Sharma stated that a Coordination Committee has to be established to coordinate between the State Government, APGCL, GMDA and GMC.

Principal Secretary, Power, Government of Assam informed that APGCL is in the process of getting the DPR ready. He further informed that as per the agreement with GMC, there is a project facilitation Committee headed by him and the Deputy Commissioner, Kamrup as Member. He assured that the concerns of the members would be addressed and suggestions of Chairperson, AERC would be followed.

- iii. Shri Champak Barua, Former Member (T), ASEB remarked that there was a proposal about two years back of a pumped storage power station in Chandrapur and it was stated that gas would be available by 2020. He enquired regarding the status of the project.

MD, APGCL informed that although few developers had shown interest in the project, however, none participated in the tender process and therefore, the project did not materialize.

Chairperson, AERC remarked that APGCL must carry out a feasibility study regarding such projects themselves. He observed that Chandrapur also has the potential for setting up solar project of 50-100 MW and APGCL should seriously make an effort to study the feasibility and viability of such projects. He observed that with progress in storage technologies, the price of solar power in developed countries like the United States is falling significantly even with storage facilities and there is possibility that in India too, price will reduce in future. He, therefore, suggested that APGCL should conduct feasibility studies for both the pumped storage power project as well as solar project at Chandrapur and inform the results in the next SAC meeting.

- iv. Shri K. Medhi, Secretary, NESSIA enquired as to when any power is likely to be available to the people from proposed power projects at Chandrapur.

MD APGCL informed that the National Gas Grid is expected to be completed by December 2021. However, the price of the gas that would be available is still uncertain and likely to be priced between \$10- \$12 per MMBTU. Therefore, a decision can be made regarding setting up of the gas-based projects only after feasibility reports are available.

- v. During the course of the presentation, MD, APGCL informed that the Namrup Replacement Power Project (NRPP) would tentatively go into commercial operation by end of March 2020. The members were informed that there were some leakages due to rusting of some of the equipments of the plant and M/s BHEL are doing the necessary repairing works.

Shri Subodh Sharma enquired as to how the rusting could occur and if the cost overrun due to time overrun have to be borne by the consumers.

MD, APGCL replied that the project was sanctioned in 2009 and although many parts/ turbines were procured then, actual construction started from 2012 onwards. She further informed that as NRPP is a turnkey project with fixed cost, any cost attributed to time overruns need not be borne by the consumers.

Shri Subodh Sharma suggested that proper project management and planning should be adopted by the Generating Company to avoid such delay and rusting. He opined that PERT/ CPM techniques must be taken up and adhered to for each new project.

- vi. Regarding the status of 70 MW Amguri Solar Power Project, it was informed by MD, APGCL that LoA has been issued to M/s JAKSON Power Ltd at a Tariff rate of Rs. 3.98/Unit on 26.12.19. Signing of Power Purchase Agreement (PPA), Implementation Support Agreement (ISA) and Land Lease Agreement (LLA) will be completed by February 2020. She further informed that the project is to be completed within 14 months from the date of signing the PPA.

Chairperson, AERC stressed that APGCL should themselves try to set up some solar projects within the State after proper feasibility studies. He stated that this suggestion has been made several times in different meetings and hearings with the Company. He expressed dismay that out of the total requirement of power in the State 2000 MW at present, only 300-350 MW is supplied from the Company. He opined that APGCL needs to expand its generation not only for its own survival but more generation from APGCL would also help reduce the transmission (POC) charges.

MD, APGCL informed that APGCL is evaluating setting up of a 25 MW solar project at Namrup. APGCL is also surveying a plot of land measuring about 1000 -1500 bighas at Bilasipara for setting up of a solar plant. She informed that although some other areas were selected earlier, those were eventually found to be low lying and unsuitable.

Chairperson, AERC suggested that APGCL may explore setting up solar projects in far flung areas such as Lakhimpur, Dhemaji so that its generating stations are spread out throughout the State which would help reduce losses and cause local area development.

- vii. Shri Subodh Sharma suggested that since waterways were being developed lately, APGCL may explore the possibility of setting up coal-based power projects near the Brahmaputra basin.

Chairperson AERC remarked that the Ministry of Power, Government of India gives priority to renewable power projects over thermal projects at present and since Assam has the potential for solar projects, APGCL should concentrate on such projects. Besides, he observed that the time for implementation of these projects is also less. He observed that the Margherita Coal Based Thermal Power Project could not be set up so far only due to non-availability of coal linkage. He further observed that although this issue has been taken up by the State Government at the highest level with the concerned Ministry of Government of India, no apparent progress has been made.

MD, APGCL informed that CEA had asked APGCL regarding feasibility of transportation of machineries/ fuel and the study was allotted to M/s BHEL. The Study report has now been submitted and a summary of the report is being drafted. Once it is available, the matter would be forwarded to CEA and the Government of Assam can further pursue the matter for coal allocation.

- viii. Regarding supply of gas, MD, APGCL informed that only 65% of the gas has been available for NTPS for FY 2019-20. However, since the project is quite old, there were times when although gas was available for NTPS, it could not be utilized. Regarding LTPS, it was informed that although 85% of the committed gas was available from OIL, only 78% was available from GAIL. Mrs Baruah further informed that although meetings were held with ONGC, OIL and GAIL regarding availability of gas and the Companies have ensured that they will try to improve gas availability, however, the situation seems unlikely to improve given the dearth of gas availability throughout the country. She also informed that AGCL had taken 25 days off for maintenance of its pipeline to LTPS, but this has been extended to 45 days, therefore the pipeline would become operational only by February 15, 2020.

Shri Subodh Sharma and Shri Anuj Kumar Baruah stated that from the true up petition of APGCL for FY 2018-19, it may be inferred that APGCL was not able to utilise the gas even when it was available due to breakdown of its turbines. They opined that APGCL should stress upon improving their performance parameters like Station Heat rate, auxiliary consumption, etc. rather than stating less gas availability as a reason for less generation.

MD, APGCL remarked that the situation was continuously monitored in LTPS and although, there were shutdowns in LTPS a number of times during the year, but less gas supply is one of the main reasons for lower power generation. She further informed that out of gas commitment of 0.66 mmscmd for NTPS, only 0.49 mmscmd was supplied and once NRPP comes into operation, the entire gas may be required for the project.

Shri Kumud Medhi, President, NESSIA appealed to the State Government to take up the issue of coal linkage and adequate gas supply at the highest level of the Central Government.

- ix. Regarding fixation of threshold limit for Tariff Based Competitive Bidding (TBCB), Chairperson AERC informed that the matter has been brought to the notice of the State Government, however, no reply has been received by the Commission so far. He mentioned that in TBCB projects, since the initial investments would be made by the private parties, EMIs have to be paid to them. He observed that if the EMIs are loaded onto the tariff, then the transmission tariff would increase substantially and there would be objections from the consumers. However, if the State Government agreed to pay the EMIs, maintenance and other expenses for the lines can be taken care of in the tariff. He further observed that if the lines developed through TBCB mode are underutilized, then EMIs may have adverse impact in tariff. Therefore, a decision on the issue has to be taken by the State Government.

Principal Secretary, Power, Government of Assam opined that the matter is under examination by the Power Department and whether, the Government would go for TBCB mode of investment would depend on the target investments required over the next few years. Shri Verma stated that besides ADB, the State Government

will get financial assistance from Asian Infrastructure and Investment Bank (AIIB) to the tune of Rs 3500 Cr. He further opined that regarding payment of EMIs, the finance department has to be consulted and before going for TBCB projects, viability of the projects had to be ascertained. He stated that EAP projects seemed to be a better option keeping in mind that 90% of the fund received by the State is treated as grant. He assured the members that the matter would be discussed at appropriate levels and decision forwarded to the Commission.

Shri S.N. Kalita, Member, AERC stated that a study was conducted to gauge the total investment requirement for network expansion of AEGCL upto 2030 and this will be implemented in two phases. Phase I consist of 24 substations and associated lines and the funding will be from AIIB and the State Government. Phase II substations have also been approved by CEA and Shri Kalita emphasized that AEGCL should make efforts to arrange funds and implement these projects earnestly.

Chairperson AERC pointed out that although AEGCL was able to complete the ADB projects on time, most of the projects under TDF took several years beyond the estimated time for execution due to Right of Way (RoW) problems and other issues. He stated that although the substations in power starved areas like Barpeta, Karimganj have been completed, the associated lines are yet to be completed even after many years of commencement. He asked MD, AEGCL to take active interest in laying these associated lines so as to give relief to the power-starved districts. He noted that while PERT/CPM would help monitor progress of project works, physical monitoring should be done by the MD of the Companies for expeditious sorting out of the problems faced.

Shri D. Hazarika, MD, AEGCL informed that for immediate relief to the consumers in Karimganj, they are contemplating to draw temporary alternative LILO lines from nearby PGCIL lines to Karimganj Grid Sub-Station.

Shri Champak Barua observed that all employees from the lowest to the highest levels must be interested in execution of the projects, however, such commitment seems to be missing. MD, AEGCL assured that he will personally look into these issues.

- x. In the last meeting, it was pointed out by Shri Subodh Sharma, that APDCL & AEGCL should take RoW for doing underground cabling under Smart City Project, otherwise, in future, RoW may be a problem. It was informed from AEGCL that they have already written to Guwahati Smart City Ltd. regarding EHV Electrical Cable Corridor (Utility duct) for AEGCL in various projects under Guwahati smart city vide a letter dated 04/09/2019. MD, APDCL informed that the Commercial Department of APDCL along with ADB had also written to Guwahati Smart City Ltd on the issue. He stated that he would pursue the matter further.

Shri Anuj Kumar Baruah suggested that since Oil Companies already have underground pipeline for transportation of their products, perhaps those alignments could be utilised for laying fire resistant power cables from Bongaigaon to Guwahati.

Chairperson, AERC remarked that although this option exists, the cost of laying long distant cables would be exorbitant. However, for short distances these have been installed by AEGCL in the past wherever RoW problems were faced in Guwahati City.

Principal Secretary, Power, Government of Assam stated that this issue has been discussed at the highest level as it's not just safer but also looks aesthetically nice. Few lines have already been done like Kamakhya- Paltan Bazaar, Narengi-Bamunimaidam etc.

Chairperson, AERC requested Principal Secretary, Power to take up the issue with GMDA for RoW and for a concrete plan for underground cabling.

Agenda: Presentation by APGCL on True up for the FY 2018-19, APR for the FY 2019-20 and Revised ARR & Determination of Tariff for FY 2020-21

There was a brief power point presentation on the Revised ARR & Determination of Tariff for FY 2020-21 along with true up for FY 2018-19 and Annual Performance Review for FY 2019- 20. APGCL has proposed revision of tariff to recover the following cost from expected net generation of 1452.53 MU during FY 2020- 21.

Total Fixed Charges	Rs 244.24 Cr
Fuel Cost	Rs 266.68 Cr
Total ARR for FY 2020-21	Rs 510.91 Cr
Proposed Generation Tariff	Rs 3.52/ Unit

The important suggestions that were offered by the Advisory Committee Members during the course of the presentation are briefly noted as under:

- i. Shri Subodh Sharma suggested that mandatory renovation of the Power Stations must be done in time and also diagnostic preventive maintenance need to be carried out by the Company to avoid breakdown of the units. He emphasized that maintenance of KHLEP should be given due importance to avoid mishap such as that of Kopili HEP of NEEPCO.
- ii. Shri Subodh Sharma pointed out that less generation from APDCL than the target in FY 2018-19 led to an increase in the average rate of power purchase. He emphasized that APGCL must maintain their generation targets in future.
- iii. All members agreed that APGCL must take urgent steps to increase their generation capacity and ensure that the new projects are completed on time.
- iv. Shri Subodh Sharma requested the Commission that the interest on loans and O&M expenses for FY 2018-19 should be considered on actual basis rather than normative as the audited accounts are available for that year.

Chairperson, AERC explained that controllable parameters that are considered on normative as per the Regulations shall be continued to be considered on normative, as the norms have been laid to restrict the expenses of the utilities and encourage efficiency in performance. He stated that any gains/ losses on the normative expenses shall be shared between the consumers and utilities as provided in the Regulations.

- v. It was informed that AGCL has taken shutdown of its gas pipeline for maintenance for a period of 25 days which was extended by another 15 days. All members were of the opinion that compensation must be sought from AGCL by APGCL for the extended period against loss of generation.
- vi. Shri Champak Baruah emphasized that since the machineries of KLHEP have become old, renovation or perhaps replacement of the turbines etc, may be done.

He suggested that perhaps a 25 MW (Digiset) power station may be set up downstream to take care of the water overflow during monsoons.

Chairperson, AERC asked MD, APGCL to examine these issues.

Agenda: Presentation by AEGCL on True up for the FY 2018-19, APR for the FY 2019-20 and Revised ARR & Determination of Tariff for FY 2020-21

AEGCL has proposed revision of tariff to recover the following cost from expected sale of 10195.47 MU during FY 2020- 21.

ARR for FY 2020-21	Rs 441.68 Cr
Previous years gap with carrying cost	Rs 95.29 Cr
Total ARR	Rs 536.98 Cr
Transmission charge	Rs 0.527/ Unit

The important suggestions that were offered by the Advisory Committee Members during the course of the presentation are briefly noted as under:

- i. Shri Subodh Sharma suggested that AEGCL must take up the issue of high tariff on account of POC charges with CERC and Government of India.

Chairperson, AERC informed that many States that have been adversely affected by the POC charges have approached the Government of India. The Central Electricity Regulatory Commission (CERC) constituted a task force under Shri A.S. Bakshi to review the framework of POC charges. As per the Report submitted by the Bakshi Committee, CERC has prepared a draft Regulations for sharing of interstate transmission charges and losses which will be notified soon. It was further informed from the Chair that POC charge would decrease to some extent after the new Regulations comes into effect.

- ii. Shri Subodh Sharma suggested that AEGCL should ascertain the transmission loss targets for the ensuing years after considering the new substations and lines that are likely to come into operation during those years and conducting load flow studies.

- iii. It was suggested from Shri Subodh Sharma that the surplus earned by AEGCL may be converted to equity by the State Government.

Shri S. N. Kalita, Member, AERC informed that AEGCL has already written to the State Government to increase the authorized capital to Rs 3000 Cr.

Shri Rakesh Agarwal, IAS, MD, APDCL informed that the authorized capital of APDCL has been raised to Rs 5000Cr.

Agenda: Presentation by APDCL on True up for the FY 2018-19, APR for the FY 2019-20 and Revised ARR & Determination of Tariff for FY 2020-21

Before the presentation was made, MD, APDCL explained that the hike in tariff that was suggested by APDCL for FY 2020-21 is mostly on account of gap in Power Purchase cost and Transmission cost for FY 2018-19 and 2019-20. He informed that the third unit of NTPC Bongaigaon Thermal Power Plant (BgTPP) has been commissioned in FY 2019-20 and the effective tariff of the power from this plant comes to around Rs 6/- per unit. He further informed that the matter has been brought to the notice of the Hon'ble Chief Minister and he has written to the Central Power Minister if the fixed cost of BgTPP could be reduced by the Central Government.

Chairperson AERC remarked that the Government of India may decide to give capital subsidy to BgTPP for reducing the tariff. He further observed that although APDCL has the option to surrender the power from BgTPP, it would be prudent not to do so, given the fact that Assam does not have surplus power. Besides, if the power is surrendered, APDCL has to continue paying the fixed cost to BgTPP unless there is a buyer for the surrendered power.

A brief presentation was then made by APDCL on the salient features of the tariff proposed. APDCL has proposed revision of tariff to recover the following cost from expected sale of 7815 MU during FY 2020- 21.

Standalone ARR for FY 2020-21	Rs .6071.96 Cr	Rs 7.77/ Unit
Revenue Gap on Truing Up for FY 2018-19 (including carrying cost of Rs 218.92 Cr)	Rs 1097.24 Cr	Rs 1.40/ Unit
Grand Total (A+B)	Rs 7169.20 Cr	Rs 9.14/Unit

APDCL has not claimed Rs 230.97 Cr pertaining to APR 2019-20.

The important suggestions that were offered by the Advisory Committee Members during the course of the presentation are briefly noted as under:

- i. Shri Saurav Agarwal FINER observed that the targeted subsidy received from Government of Assam should be considered while determining tariff.
- ii. Shri Subodh Sharma suggested that APDCL should try to increase their Agricultural load to flatten their load curve.

Shri M.P Agarwal, AIMO stated that industrialization of the State is a more viable option as the agricultural consumption in the State is not high.

- iii. It was also suggested by Shri Subodh Sharma that APDCL should impress upon the State Government to pursue with the Government of India to get more allocation from the CSGS located in the eastern sector as the cost of power from these stations is less.

It was informed from APDCL that the 110 MW Pare Hydro Electric Project of NEEPCO in Arunachal Pradesh has come into operation and Assam has an allocation of 37 MW from this project. The tariff determined by CERC for this project is Rs 7.50/ unit. However, when long term PPA was signed in 2012, the price of power from this project was estimated at Rs 2/ unit. Now if APDCL surrenders this power, the Company shall have to pay the fixed charges until another buyer is found and nobody will be willing to buy at such a high price. This is another factor leading to increase in power purchase cost. Moreover, the cheap power from Kopili HEP will also not be available for the next two years.

Representative from AIMO, Shri G.L. Pareek expressed concern that power purchase would increase even more after Lower Subansiri HEP comes into operation. He suggested that perhaps APDCL may revisit their long term PPAs and buy from exchanges if the cost of power is less even after paying fixed charge.

APDCL informed that if they revisited all their PPAs, the demand in the exchanges would increase substantially leading to exchange price rise. Moreover, there will be transmission constraints in the Chicken Neck area which would create adverse implications for the other North Eastern States too. Besides the constraints, the transmission charges would also rise due to use of PGCIL lines.

Agenda: Discussion Points from AIMO

Chairperson AERC suggested that AIMO may raise their points in the Public Hearing on 19th February, as it was related to tariff proposal. The written submissions were already circulated among the members.

Agenda: Comment and suggestion of the Members

- i. Shri Abhijit Sarma, Secretary, ABITA stated that in the last meeting it was informed from APDCL that 11 dedicated tea feeders were being constructed and a fund of Rs 20 Crs has been earmarked for the purpose. He enquired regarding the current status. APDCL informed that presently 36 dedicated feeders were being constructed in different parts of the State.

Chairperson, AERC asked APDCL to submit the list of dedicated feeders with details to ABITA for their information.

- ii. Shri G.L Pareek from AIMO suggested that Bank Guarantee may be taken as load security deposit. If bank guarantee cannot be accepted, then the provision of submitting an amount of two and half months of advance bill against security deposit may be reduced to one month only. He stated that this would be a great relief to the Small-Scale Industries in the State.

Chairperson AERC observed that since these issues are notified in the Regulations, any change in the provisions would necessitate amendment of the Regulations. He informed that the Commission will have to follow the process of previous publication to gather the opinion of all stakeholders before notifying the amended Regulations. Therefore, he suggested that AIMO may submit a detailed proposal to the Commission seeking change in the relevant provision.

- iii. Regarding payment of load security interest to the domestic consumers, it was informed from APDCL that although the amount was paid by APDCL, it was not reflected in the bills with a separate head. From next time the head for interest payment will be shown separately in the bills.
- iv. AIMO representative suggested that APDCL can improve collection efficiency by using software available for the purpose.

APDCL informed that although software has been installed in different areas, network communication is not good and therefore, it has not been that successful.

- v. MD, APDCL informed that high AT&C losses are a matter of concern for the Company. One of the reasons for these high losses is the HT: LT ratio which is about 1:3 in Assam, leading to greater technical loss. The Company has been focusing in reducing the commercial losses and although R-APDRP schemes led to it enablement in billing in town areas, rural areas remained uncovered. He informed that the IT team of APDCL has developed a software that would enable billing across the State by end of December 2020.

He informed that there is a mandate from the Government of India that all static meters be replaced with smart meters within the next three years. APDCL had earlier procured 14000 smart meters. Now, as a second phase, they procured 70,000 meters for installation in Jalukbari and Dibrugarh and there is a scope of expanding the number to 2 lakhs. It was further informed that APDCL is contemplating the idea of implementing the scheme through OPEX model in few Electrical Circles instead of the prevalent CAPEX model. He also informed that different technologies are being tested in meter reading so that the reading can be captured and immediately transferred to the billing office.

Chairperson AERC stated that installing smart meters cannot be a panacea for increasing billing or collection efficiency unless there is proper monitoring from the Discom for service of bills to consumers and collection of the demand. He opined that franchisee in distribution has to be encouraged to play a bigger and effective role. Disconnections have to be resorted to discourage non-payment of bills. Effective police stations and special courts have to be developed to try and resolve theft cases expeditiously.

- vi. Shri Subodh Sharma suggested that APDCL should ensure that the investments made to convert LT to HT lines reaped the desired benefits and the projects were viable.

MD, APDCL informed that they were presently concentrating on separating the industrial feeders for better supply to the industries which will in turn generate greater revenue for APDCL.

- vii. Shri Champak Barua emphasized that accountability should be fixed on the field officers for better billing and collection of revenue. A number of transformers,

equipments were purchased from the savings in ADB funded schemes and many of these are lying idle in stores, while these could have been better utilized. The involvement and motivation of the junior level engineers is very important.

- viii. Shri Kumud Medhi, NESSIA suggested that since the HT:LT ratio in the Assam was not appropriate from the point of commercial sustenance of APDCL, the Discom may approach the Industry Department, Government of Assam for facilitating connections to encourage new industrial set-ups and expansion.

MD, APDCL replied that they had visited industries and tried to find out if they were facing any problem related to electricity supply and tried to resolve those issues. He mentioned that they were trying to supply uninterrupted, good quality power to the industries as the revenue earned from industries is important for APDCL. They were also trying to inform the industries in case of load shedding.

- ix. The members also opined that the time and documents required for conversion from single phase to three phase need to be reduced for improving revenue for the Discom.

Chairperson, AERC assured the members that the tariffs proposed by the utilities for FY 2020-21 would be prudently scrutinized and suggestions offered by every stakeholder would be taken into account while revising the ARR and determining tariffs.

The meeting ended with vote of thanks from the Chair.

Sd/-

Secretary,

Assam Electricity Regulatory Commission

ANNEXURE –A

LIST OF MEMBERS, SPECIAL INVITEES & OFFICERS PRESENT

MEMBERS

1. Shri Subhash Chandra Das, IAS (Retd), Chairperson, AERC.
2. Smt. Bulbuli Borthakur, Member (Law), AERC
3. Shri Satyendra Nath Kalita, Member (Technical), AERC
4. Shri Neeraj Verma (IAS), Principal Secretary, Power, Government of Assam
5. Shri Udayan Hazarika (IAS), Secretary, Finance, Government of Assam
6. Shri M.P. Agarwal, Chairman, AIMO
7. Shri G.L Pareek, General Secretary, AIMO
8. Shri Subodh Sharma, Consumer Activist
9. Shri Abhijit Sharma, Secretary. ABITA
10. Shri Anuj Kumar. Baruah, Advisor, AASSIA
11. Shri Sailen Baruah, President, NESSIA
12. Shri Kumud Medhi, Secretary, NESSIA
13. Shri Surender Chowkhani, FINER
14. Shri Saurav Agarwal, FINER
15. Shri Champak Baruah, Ex- Member (Technical), APDCL.
16. Shri P.K. Goswami, Retd. V.C, Science and technology University, Guwahati
17. Dr. Birendra Kumar Das, Secretary, Grahak Suraksha Sanstha

SPECIAL INVITEES

1. Shri Rakesh Agarwal, IAS, Managing Director, APDCL
2. Ms. Kalyani Baruah, Managing Director, APGCL
3. Shri Dhruvajyoti Hazarika, Managing Director, AEGCL

OFFICERS FROM APDCL. AEGCL & APGCL

APDCL

1. Shri M. Dasgupta, CGM (F), APDCL

2. Shri Binoy M Saikia, CGM (Com &EE), APDCL
3. Shri Nirmaljeet Das, CGM (PP&D), APDCL
4. Shri Deepak Kumar Sarmah, CGM (D&S), LAR, APDCL
5. Shri Manoranjan Kalita, GM (TRC)), APDCL
6. Shri Bibhu Medhi, DGM (TRC), APDCL
7. Shri Pradip Goswami, DGM, NRE, APDCL
8. Shri Nilmadhav Deb, AGM (F&A), APDCL

AEGCL

1. Shri Ajay Kumar Nath, GM (HQ), AEGCL
2. Shri G.K. Bhuyan, DGM, AEGCL
3. Shri Suresh Kaimal, DGM (F&A), AEGCL
4. Shri Debashish Paul, AGM (F&A), AEGCL
5. Shri Anjanjyoti Choudhury, AGM (HQ), AEGCL
6. Shri Bidyut Bikash Das, Consultant, AEGCL

APGCL

7. Shri Adit Khiroria, Consultant, APGCL
8. Shri A.K Das, GM (HQ), APGCL
9. Shri Ranjit Das, AGM, APGCL
10. Shri A.K. Safiqur Zana, AGM (F&A), APGCL

AERC

1. Shri S.K Roy, Secretary, AERC
2. Shri A.N. Devchoudhury, Joint Director (Tariff), AERC
3. Shri A. Purkayastha, Deputy Director (Finance), AERC
4. Shri N.K. Deka, Deputy Director (Gen, PPA, P&P), AERC
5. Mrs R. Baruah, Deputy Director (Engg.), AERC
6. Shri S. Tamuli, Assistant Director (Tariff), AERC
7. Shri J. Bezbaruah, Assistant Director (Engg.), AERC
8. Ms. P. Sharma, Sr. Consultant, AERC