

GUJARAT ELECTRICITY REGULATORY COMMISSION



Tariff Order

Truing up for FY 2015-16,
Approval of Final ARR for FY 2016-17,
Approval of Multi-Year ARR for FY 2016-17 to 2020-21,
and Determination of Tariff for FY 2017-18

For

**Gujarat Energy Transmission Corporation Limited
(GETCO)**

Case No. 1620 of 2016

31st March, 2017

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**GUJARAT ELECTRICITY REGULATORY COMMISSION
(GERC)**

GANDHINAGAR

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Abbreviations

A&G	Administration and General
APR	Annual Performance Review
ARR	Aggregate Revenue Requirement
ATC	Annual Transmission Charges payable by long-term user or medium-term user of the transmission system
CAPEX	Capital Expenditure
CC	Capacity Contracted in MW
CEA	Central Electricity Authority
CERC	Central Electricity Regulatory Commission
Ckt-Km	Circuit Kilometer
CPP	Captive Power Plant
DGVCL	Dakshin Gujarat Vij Company Limited
FY	Financial Year
GERC	Gujarat Electricity Regulatory Commission
GETCO	Gujarat Energy Transmission Corporation Limited
GFA	Gross Fixed Assets
GSECL	Gujarat State Electricity Corporation Limited
GUVNL	Gujarat Urja Vikas Nigam Limited
HVDC	High Voltage Direct Current
kV	Kilo Volt
kVA	Kilo Volt Ampere
kVAh	Kilo Volt Ampere Hour
kWh	Kilo Watt Hour
MAT Rate	Minimum Alternate Tax Rate
MCLR	Marginal Cost of Funds based Lending Rate
MGVCL	Madhya Gujarat Vij Company Limited
MU	Million Units
MVA	Mega Volt Ampere
MW	Mega Watt
MYT	Multi Year Tariff
O&M	Operations & Maintenance
PGCIL	Power Grid Corporation of India Limited
PGVCL	Paschim Gujarat Vij Company Limited
PLR	Prime Lending Rate
R E	Revised Estimates
R&M	Repairs and Maintenance
ROE	Return on Equity
SBAR	State Bank Advance Rate
SCC	Sum of Capacities contracted in MW by all long-term users and medium – term users of the transmission system
SLDC	State Load Despatch Centre
TC (Rs/MW.day)	Transmission Charges payable by the short-term user of the transmission system
TC (Rs/kWh)	Transmission Charges payable in the case of short-term collective transactions through power exchanges
T.O.	Tariff Order
UGVCL	Uttar Gujarat Vij Company Limited
Wt. Av.	Weighted Average



Before the Gujarat Electricity Regulatory Commission at Gandhinagar

Case No. 1620 of 2017

Date of the Order 31.03.2017

CORAM

Shri Anand Kumar, Chairman
Shri K. M. Shringarpure, Member
Shri P. J. Thakkar, member

ORDER

1 Background and Brief history

1.1 Background

Gujarat Energy Transmission Corporation Limited (hereinafter referred to as “GETCO” or the “Petitioner”) has on 29th November, 2016 filed a petition under Section 62 of the Electricity Act, 2003, read with Gujarat Electricity Regulatory Commission (Multi-Year Tariff) Regulations, 2011, for the Truing up of FY 2015-16 and Gujarat Electricity Regulatory Commission (Multi-Year Tariff) Regulations, 2016 for determination of final ARR for FY 2016-17, determination of ARR for the Control Period i.e. FY 2016-17 to FY 2020-21, determination of transmission charges for the Control Period FY 2016-17 to FY 2020-21 and determination of tariff for FY 2017-18.

Gujarat Electricity Regulatory Commission notified the GERC (Multi-Year Tariff) Regulations, 2016 on 29th March, 2016 which shall be applicable for determination of tariff in all cases covered under the Regulations from 1st April, 2016 onwards. Regulation 17.2 of the GERC (Multi-Year Tariff) Regulations, 2016 of GERC provides for submission of detailed Multi-Year Tariff application comprising truing up for FY



2015-16 to be carried out under GERC (Multi-year Tariff) Regulations, 2011, Multi-Year Aggregate Revenue Requirement for the entire Control Period with year-wise details, Revenue from the sale of power at existing tariffs and charges and projected revenue gap or revenue surplus, for the second year of the Control Period under these Regulations, viz., FY 2017-18 and application for determination of final ARR for FY 2016-17 and determination of tariff for FY 2017-18. The Commission shall determine Aggregate Revenue Requirement for the entire Control period and the tariff for the second year of the Control Period for the Generating Company, Transmission Licensee, SLDC, Distribution Wires Business and Retail Supply Business.

After technical validation of the petition, it was registered on 3rd December, 2016 and as provided under Regulation 29.1 of GERC MYT Regulations, 2016, the Commission has proceeded with this tariff order.

1.2 Gujarat Energy Transmission Corporation Limited (GETCO)

Government of Gujarat unbundled and restructured the Gujarat Electricity Board with effect from 1st April 2005. The Generation, Transmission and Distribution businesses of the erstwhile Gujarat Electricity Board were transferred to seven successor companies as listed below:

- Gujarat State Electricity Corporation Limited (GSECL) - A Generation Company
- **Gujarat Energy Transmission Corporation Limited (GETCO)** - A Transmission Company

Four Distribution Companies, namely:

- Dakshin Gujarat Vij Company Limited (DGVCL)
- Madhya Gujarat Vij Company Limited (MGVCL)
- Uttar Gujarat Vij Company Limited (UGVCL)
- Paschim Gujarat Vij Company Limited (PGVCL); and
- Gujarat Urja Vikas Nigam Limited (GUVNL) – A Holding Company of above named 6 subsidiary companies, responsible for purchase of electricity from various sources and supply to Distribution Companies.



Government of Gujarat, vide notification dated 3rd October 2006, notified the final opening balance sheets of the transferee companies as on 1st April, 2005, containing the value of assets and liabilities, which stand transferred from the erstwhile Gujarat Electricity Board to the transferee companies, including Gujarat Energy Transmission Corporation Limited (GETCO). Assets and liabilities (gross block, loans and equity) as on the date mentioned in the Notification have been considered by the Commission in line with the Financial Restructuring Plan (FRP), as approved by Government of Gujarat.

1.3 Commission's Order for the Second Control Period

The Gujarat Electricity Regulatory Commission issued the GERC (Multi-Year Tariff) Regulations, 2011 on 22nd March, 2011. Regulation 1.4 (a) of GERC (Multi-Year Tariff) Regulations, 2011 reads as under:

“These Regulations shall be applicable for determination of tariff in all cases covered under these Regulations from 1st April, 2011 and onwards.”

Gujarat Energy Transmission Corporation Limited filed its Petition under the Multi-Year Tariff framework for the FY 2011-12 to FY 2015-16, on 30th December 2010, in accordance with the Gujarat Electricity Regulatory Commission (Multi-Year Tariff Framework) Regulations, 2011.

The Commission, in exercise of the powers vested in it under Sections 61, 62 and 64 of the Electricity Act, 2003, and all other powers enabling it in this behalf and after taking into consideration the submissions made by GETCO, the objections by various stakeholders, response of GETCO, issues raised during the public hearing and all other relevant material, issued the Multi-Year Tariff Order on 31st March, 2011 for the control period comprising FY 2011-12, FY 2012-13, FY 2013-14, FY 2014-15 and FY 2015-16, based on the GERC (MYT) Regulations, 2011.

1.4 Commission's Orders for Mid-term Review of Business plan for GETCO

GETCO filed its petition on 29th August, 2013 for Mid-term Review of Business Plan and revision of ARR for balance years for FY 2014-15 and FY 2015-16 of the control period in terms of Regulation 16.2(i) of GERC (MYT) Regulations, 2011 and the same was registered by the Commission on 6th September, 2013.



The Commission in exercise of the powers vested in it under Section 61, 62 and 64 of the Electricity Act, 2003 and all other powers enabling it in this behalf and after taking into consideration the submission made by GETCO, the objections by various stakeholders, response of GETCO, issues raised during public hearing and all other relevant material, approved the revised ARR for FY 2014-15 and FY 2015-16 in the Mid-term Review of Business Plan for GETCO on 29th April, 2014.

1.5 Commission's Order for tariff of FY 2016-17

The Commission in its order dated 2nd December, 2015, in the Suo Motu Petition No. 1534/2015 decided that the approved ARR of FY 2015-16 of the licensees / generating companies concerned be considered as provisional ARR of the licensees / generating companies for FY 2016-17.

The Commission also decided that the licensees / generating companies shall file the ARR for FY 2016-17 based on the MYT Regulations for FY 2016-17 to FY 2020-21 and the true-up for the same shall also be governed as per the new MYT Regulations. It is also decided that the licensees / generating companies shall file the petition for determination of ARR and tariff for FY 2016-17 and true-up for FY 2014-15 within 3 weeks from the date of issuance of this order for Commission's consideration and decision.

Accordingly, the petitioner filed its petition for Truing-up of FY 2014-15 and determination of tariff for FY 2016-17 on 9th December 2015. The petition was registered on 17th December 2015. The Commission vide order dated 31st March, 2016 approved the provisional ARR, and the tariff for FY 2016-17 was determined accordingly.

1.6 Registration of the current petition and the public hearing process

The Petitioner submitted the current Petition for Truing-up of FY 2015-16, determination of final ARR for FY 2016-17, determination of ARR for the 3rd Control Period FY 2016-17 to FY 2020-21, determination of transmission charges for 3rd Control Period FY 2016-17 to FY 2020-21 and determination of tariff for FY 2017-18 on 29th November, 2016. After technical validation of the petition, it was registered on



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3rd December, 2016 (Case No. 1620 of 2016) and as provided under Regulation 29.1 of GERC MYT Regulations, 2016, the Commission has proceeded with this tariff order.

In accordance with Section 64 of the Electricity Act, 2003, the Commission directed GETCO to publish its application in the abridged form to ensure public participation.

The Public Notice, inviting objections / suggestions from its stakeholders on the ARR petition filed by it, was published in the following newspapers:

Sl. No.	Name of the Newspaper	Language	Date of publication
1	The Indian Express	English	18/12/2016
2	Gujarat Samachar	Gujarati	18/12/2016

The petitioner also placed the public notice and the petition on its website (www.getcogujarat.com), for inviting objections and suggestions. The interested parties/stakeholders were asked to file their objections / suggestions on the petition on or before 17th January, 2017.

The Commission received objections / suggestions from consumers / consumer organizations as shown in Table below. The Commission examined the objections / suggestions received from the stakeholders and fixed the date for public hearing for the petition on 8th February, 2017 at the Commission's Office, Gandhinagar and subsequently a communication was sent to the objectors to take part in the public hearing process for presenting their views in person before the Commission. The Commission received request from one stakeholder to postpone the date of public hearing and considering the request, the Commission fixed second date of public hearing for the petition on 14th February, 2017. The public hearing was conducted in the Commission's Office at Gandhinagar as scheduled on the above dates.

The status of stakeholders who submitted their written suggestion / objections, those who remained present in public hearing, those who could not attend the public hearings and those who made oral submissions is given in the Table below:

Sr. No.	Name of Stakeholders	Written Submission	Oral Submission	Present on 08.02.2017	Present on 14.02.2017
1.	Federation of Gujarat Industries (FGI)	Yes	Yes	Yes	No
2.	Laghu Udyog Bharti - Gujarat	Yes	Yes	No	Yes
3.	Utility Users' Welfare Association (UUWA)	Yes	Yes	Yes	No



4.	Jan Kalyan Foundation	Yes	No	No	No
5.	R.G. Tillan	No	Yes	Yes	No

A short note on the main issues raised by the objectors in the submissions in respect to the petition, along with the response of GETCO and the Commission's views on the response, are given in Chapter 3.

1.7 Contents of this order

The order is divided into **seven** chapters as under:

1. The **First Chapter** provides the background of the Petitioner, the Petition and details of the public hearing process and the approach adopted for this order.
2. The **Second Chapter** outlines the summary of GETCO's Petition.
3. The **Third Chapter** provides a brief account of the public hearing process, including the objections raised by various stakeholders, GETCO's response and the Commission's views on the response.
4. The **Fourth Chapter** deals with the 'Truing up' for FY 2015-16.
5. The **Fifth Chapter** deals with the Aggregate Revenue Requirement (ARR) for FY 2016-17 to FY 2020-21.
6. The **Sixth Chapter** deals with the final ARR for FY 2016-17 and determination of tariff for FY 2017-18.
7. The **Seventh Chapter** deals with the compliance of directives.

1.8 Approach of this order

The GERC (MYT) Regulations, 2011, provide for "Truing up" of the previous year and determination of tariff for the ensuing year. The Commission has approved ARR for five years of the Control Period of FY 2011-12 to FY 2015-16 in the MYT Order dated 31st March, 2011 and the revised ARR for FY 2014-15 and FY 2015-16, based on Mid-term Review of the Business Plan vide MTR Order dated 29th April, 2014.

The Commission, vide suo-motu order dated 02.12.2015 in Petition No. 1534/2015 decided to consider approved ARR of FY 2015-16 in Mid-Term Review order dated 29.04.2014 as provisional ARR for FY 2016-17 for determination of tariff for FY 2016-17 in view of delay in finalization of final GERC (Multi-Year Tariff) Regulations for the



third Control Period i.e. FY 2016-17 to FY 2020-21. It was also decided in the said order that Generating Companies, Transmission Licensees and Distribution Companies shall file final ARR for FY 2016-17 based on the new GERC (Multi-Year Tariff) Regulations, 2016 and truing up of the same shall be governed in accordance with new GERC (Multi-Year Tariff) Regulations, 2016.

The GERC (Multi-year Tariff) Regulations, 2016 provides for determination of ARR for the third Control Period i.e. FY 2016-17 to FY 2020-21 and determination of tariff for FY 2017-18.

GETCO has approached the Commission with the present Petition for “Truing up” of the FY 2015-16, determination of final ARR for FY 2016-17, determination of ARR for the third control period i.e. FY 2016-17 to FY 2020-21 and determination of tariff for the FY 2017-18.

In this Order, the Commission has considered the “Truing up” for the FY 2015-16, as per GERC (MYT) Regulations, 2011.

The Commission has undertaken “Truing up” for the FY 2015-16, based on the submissions of the Petitioner. The Commission has undertaken the computation of gains and losses for the FY 2015-16, based on the audited annual accounts.

While truing up of FY 2015-16, the Commission has been primarily guided by the following principles:

- Controllable parameters have been considered at the level approved as per the MYT Order, unless the Commission considers that there are valid reasons for revision of the same.
- Uncontrollable parameters have been revised, based on the actual performance observed.
- The Truing up for the FY 2015-16 has been considered, based on the GERC (MYT) Regulations, 2011.

The Approval of Final ARR for FY 2016-17, Approval of Multi-Year ARR for FY 2016-17 to FY 2020-21 and Determination of Tariff for FY 2017-18 have been considered as per the GERC (Multi-Year Tariff) Regulations, 2016.



2 Summary of GETCO True-up FY 2015-16 and MYT Petition FY 2016-17 to FY 2020-21

2.1 Introduction

This chapter deals with highlights of the petition as submitted by GETCO for truing up of FY 2015-16, determination of final ARR for FY 2016-17, determination of ARR for third Control Period i.e. FY 2016-17 to FY 2020-21, determination of transmission charges for the Control Period FY 2016-17 to FY 2020-21 and determination of tariff for FY 2017-18.

2.2 True up for FY 2015-16

Gujarat Energy Transmission Corporation Limited (GETCO) submitted the Petition on 29th November, 2016 seeking approval of truing up for ARR of FY 2015-16. GETCO has worked out its Aggregate Revenue Requirement (ARR) for FY 2015-16 as a part of the True Up for FY 2015-16. GETCO has presented the actual cost components based on audited annual accounts for FY 2015-16. A summary of the proposed ARR for Truing-up of FY 2015-16 compared with the approved ARR for FY 2015-16 in “Mid-Term Review Order dated 29th April, 2014” is presented in the Table below.

Table 2.1: True up for FY 2015-16

Sr. No.	Particulars	2015-16 (Approved)	2015-16 (Actual)	Deviation
1	Operation & Maintenance Expenses	1,107.67	1,051.09	56.58
2	Depreciation	804.84	707.56	97.28
3	Interest & Finance Charges	460.36	528.55	(68.19)
4	Interest on Working Capital	71.00	82.51	(11.51)
5	Return on Equity	573.55	607.28	(33.73)
6	Contingency Reserve	75.35	0.00	75.35
7	Total Fixed Costs	3,092.78	2,977.00	115.78
8	Add: Provision for Tax	79.40	64.62	14.78
9	Total Transmission Charges	3,172.18	3,041.62	130.56
10	Less: Expenses capitalized	212.13	194.13	18.00
11	Less: Non-tariff Income	188.00	121.94	66.06
12	Add: Incentive for target availability	0.00	39.49	(39.49)
13	Aggregate Revenue Requirement	2,772.05	2,765.03	7.01

(Rs. Crore)



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Truing up for FY 2015-16, Approval of Final ARR for FY 2016-17, Approval of Multi-Year ARR
for FY 2016-17 to FY 2020-21 and Determination of Tariff for FY 2017-18

Summary of the Gains /(Losses) allocation to Controllable & Uncontrollable factors is outlined in the table below:

Table 2.2: Summary of Controllable & Uncontrollable factors

(Rs. Crore)

Sr. No.	Particulars	2015-16 (Approved)	2015-16 (Actual)	Gain/(Loss) due to Controllable Factors	Gain/(Loss) due to Uncontrollable Factors
1	Operation & Maintenance Expenses	1,107.67	1,051.09	94.65	(38.07)
2	Depreciation	804.84	707.56		97.28
3	Interest & Finance Charges	460.36	528.55		(68.19)
4	Interest on Working Capital	71.00	82.51		(11.51)
5	Return on Equity	573.55	607.28		(33.73)
6	Contingency Reserve	75.35	0.00		75.35
7	Total Fixed Costs	3,092.78	2,976.99	94.65	21.13
8	Add: Provision for Tax	79.40	64.62		14.78
9	Less : Non-tariff Income	188.00	121.94		66.06
10	Add: Incentive for target availability	0.00	39.49		(39.49)
11	Less: Expenses capitalized	212.13	194.13		18.00
12	Total ARR	2,772.05	2,765.03	94.65	(87.64)
13	Net Gains / Losses on account of Controllable/ Uncontrollable factors	-	-	94.65	(87.64)
14	Gain on account of Controllable factors to be passed on to Consumers (1/3 x Sr. No. 13)	-	-	31.55	
15	Losses on account of Uncontrollable factors to be passed on to Consumers	-	-	-	(87.64)



2.3 Multi-Year Tariff for FY 2016-17 to FY 2020-21

GETCO has also sought approval for final Aggregate Revenue Requirement for FY 2016-17, Aggregate Revenue Requirement for the third Control Period i.e. FY 2016-17 to FY 2020-21, determination of transmission charges for the control period FY 2016-17 to FY 2020-21 and determination of tariff for FY 2017-18 in its Petition filed on 29th November, 2016.

The Multi-Year Aggregate Revenue Requirement of GETCO for the third control period FY 2016-17 to FY 2020-21 is given in the Table below:

Table 2.3: Multi-year ARR for FY 2016-17 to FY 2020-21 projected by GETCO

(Rs. Crore)

Sr. No.	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
1	Operation & Maintenance Expenses	1,287.47	1,438.45	1,601.58	1,774.24	1,967.92
2	Depreciation	814.69	914.40	1,018.57	1,127.55	1,240.98
3	Interest & Finance Charges	582.93	634.76	683.09	728.10	768.73
4	Interest on Working Capital	64.85	72.55	80.59	89.04	98.01
5	Return on Equity	699.61	785.57	875.36	969.30	1,067.07
6	Contingency Reserve	0.00	0.00	0.00	0.00	0.00
7	Total Fixed Costs	3,449.54	3,845.73	4,259.19	4,688.22	5,142.72
8	Less: Expenses Capitalized	194.13	194.13	194.13	194.13	194.13
9	Add: Provision for Tax / Tax Paid	64.62	64.62	64.62	64.62	64.62
10	Total Transmission Charges	3,320.03	3,716.21	4,129.68	4,558.70	5,013.21
11	Less: Non-tariff Income	121.94	121.94	121.94	121.94	121.94
12	Aggregate Revenue Requirement	3,198.09	3,594.27	4,007.74	4,436.76	4,891.27

The proposed transmission charges per MW per day based on the capacity to be handled are projected as under:

Table 2.4: Transmission Charges for FY 2016-17 to FY 2020-21

Sr. No.	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
1	Aggregate Revenue Requirement	3,198.09	3,594.27	4,007.74	4,436.76	4,891.27
2	Total MW allocation	23442	24265	25653	26637	28648
3	Transmission Tariff (Rs/MW/day)	3,737.64	4,058.23	4,280.25	4,563.44	4,677.68



2.4 Tariff for FY 2017-18

In accordance with provisions of the GERC MYT Regulations, 2016, ARR for FY 2017-18 is worked out by GETCO as follows:

Table 2.5: ARR for FY 2017-18

		(Rs. Crore)
Sr.No.	Particulars	2017-18
1	Operation & Maintenance Expenses	1,438.45
2	Depreciation	914.40
3	Interest & Finance charges	634.76
4	Interest on Working Capital	72.55
5	Return on Equity	785.57
6	Add: Contingency Reserve	0.00
7	Total Fixed Costs	3,845.73
8	Less: Expenses Capitalized	194.13
9	Add: Provision for Tax	64.62
10	Total Transmission Charges	3,716.21
11	Less: Non-tariff Income	121.94
12	Aggregate Revenue Requirement	3,594.27

GETCO has calculated the Transmission tariff for FY 2017-18 after applying the gap of FY 2015-16 as follows:

Table 2.6: Transmission tariff for FY 2017-18

		(Rs. Crore)
Sr. No.	Particulars	2017-18
1	Aggregate Revenue Requirement for 2017-18	3,594.27
2	Add: Revenue Gap for 2015-16	56.09
3	ARR after considering Gap of true-up for 2015-16 (1+2)	3,650.36
4	Total MW allocation	24265
5	Transmission tariff (Rs/MW/day)	4,121.56

2.5 Request of GETCO

1. To admit this petition for True Up of FY 2015-16, Multi-Year Aggregate Revenue Requirement for FY 2016-17 to FY 2020-21, Determination of final ARR for FY 2016-17 and Determination of Tariff for FY 2017-18.
2. To approve the gains/losses for the True Up for FY 2015-16 and allow sharing of such gains/losses as prescribed in the GERC MYT Regulations 2011 and APTEL order dated 21st July 2016.



3. To approve incentive on availability for FY 2015-16 as prayed.
4. To approve Multi-Year Aggregate Revenue Requirement for FY 2016-17 to FY 2020-21 as per GERC MYT Regulations 2016 and APTEL Order dated 21st July 2016.
5. To approve Final ARR for FY 2016-17 & approve the gap between Final ARR of FY 2016-17 & Provisional ARR of FY 2016-17 and address this gap during the true-up of FY 2016-17.
6. To approve Transmission Tariff for FY 2017-18.
7. To implement the APTEL Order dated 21st July 2016 on Appeal Nos. 108 of 2013, 149 of 2015, 171 of 2014 and 172 of 2014 & Order dated 10th November 2016 on review petition no. 20 of 2016 in appeal no.108 of 2013, 171 and 172 of 2014 and 149 of 2015 and allow consequential recovery of additional cost components in FY 2017-18.
8. To approve the additional amount of Rs. 350.69 Cr estimated by GETCO as per APTEL order on appeal nos. 108 of 2013, 149 of 2015, 171 of 2014 and 172 of 2014 dated 21st July 2016 and APTEL order on review petition no. 20 of 2016 in appeal no.108 of 2013, 171 and 172 of 2014 and 149 of 2015 dated 10th November 2016 in the FY 2017-18.
9. To allow recovery of cost components based on methodology allowed in Order as and when issued by APTEL against appeal no. 201 of 2016 along with impact of APTEL order in Appeal no. 171 of 2014.
10. To grant any other relief as the Hon'ble Commission may consider appropriate.
11. To allow further submissions, addition and alteration to this Petition as may be necessary from time to time.
12. 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



3 Brief outline of objections raised, response from GETCO and Commission's view

3.1 Stakeholders' suggestions/ objections, Petitioner's Response and Commission's observations

In response to the public notice inviting objections / suggestions from the stakeholders on the petition filed by GETCO for True up of FY 2015-16, Aggregate Revenue Requirement (ARR) for FY 2016-17 to FY 2020-21, Determination of Final ARR for FY 2016-17 and Determination of Tariff for FY 2017-18, number of Stakeholders filed their suggestions/ objections in writing. Some of these Stakeholders participated in the public hearings.

The Commission has considered the objections / suggestions, the issues presented before the Commission and the response of GETCO on the same.

The submissions made by the objectors, response of the petitioner and the views of the Commission are dealt with in the following section.

3.2 Issue wise submissions and replies

Issue 1: Deviation in voltage-wise capital expenditure from that approved by Commission

The objector has raised the issue that there is a considerable deviation from the approved capital expenditure across voltage levels. Capital expenditure incurred in 66 kV sub-stations and lines is substantially higher than that approved by the Commission in MTR Order dated 29.04.2014, whereas, Capital expenditure incurred in 220 kV and 400 kV sub-stations and lines is much lower than that approved in the MTR Order dated 29.04.2014.

Response of GETCO:

Petitioner submitted that capital expenditure of FY 2015-16 as approved in Mid-Term Review of business plan was proposed in 2013. Such projection was based on priority and network situation of that time. It was also submitted that reasons for deviation from approved capital expenditure in 400 kV category was no progress in the generation projects for which GUVNL/ Distribution Companies has the PPA namely Shapoorji Pallonji, EPGL Salaya Phase II, 800 MW unit of Wanakbori TPS were also considered



in FY 2013-14 time frame. Wanakbori TPS is awarded now and transmission project is also awarded in 2016 accordingly. The petitioner further submitted that for 400 KV and 220 KV lines, it faces severe constraints due to Right of Way (RoW) and forest clearance issues that delay the project execution. There are several 400 kV lines such as 400 kV D/C Mundra-Zerda line No. 1, 400 kV D/C Amreli-Kasor line, 400 kV D/C Vadavi-Halvad line, 400 kV D/C Varsana-Halvad line, 400 kV D/C Charanka-Veloda (Sankhari) line, 220 kV D/C Dhasa-Botad line, 220 kV D/C Jamnagar-Hadala line under execution were not in progress as planned due to such constraints. On account of stated reasons, there is short fall of CAPEX from Rs. 688 Crore to Rs. 358 Crore in 400 kV lines and from Rs. 307 Crore to Rs. 182 Crore in 220 kV lines. The petitioner further submitted that many 400 KV and 220 kV sub-stations projects planned during FY 2015-16 were dropped due to non-availability of suitable land for sub-stations. Consequently, the transmission lines planned for such sub-stations also did not come up. Such EHV sub-stations are 400 kV Chikli sub-station, 400 kV Chhara sub-station, 400 kV Achhalia sub-station, 400 kV Keshod sub-station, 220 kV Metoda sub-station, 220 kV Rajkot-II sub-station, 220 kV sub-station near Gondal and 220 kV Balasinor sub-station. On account of this, there is a short fall of CAPEX from Rs. 328 Crore to Rs. 200 Crore in 400 kV sub-stations.

Regarding increase in capital expenditure incurred in 66 kV lines and sub-stations category, petitioner stated that 66 kV network is very dynamic and GETCO/ Discoms have noted vast changes in power supply system which has become reliable. 66 kV system is the backbone of Gujarat network and its development has led to full utilization of upstream 400 kV and 220 kV network and simultaneously resulted in reduction in transmission losses. This change in pattern of investment of different class of voltage is purely due to change on load pattern as well as uncertainty of expected generation. The petitioner incurred Rs. 389 Crore for augmentation of sub-station/ lines in R & M, under augmentation, 2nd transformer is put up in existing sub-station to satisfy N-1 criteria as well as to cater additional and future load of the area.

Commission's View

The Commission has noted the objection raised by the objector and justification provided by petitioner regarding deviation in CAPEX across voltage class. However, the Commission is of the view that ,henceforth, deviation across voltage classes/schemes in capitalization in excess of Rs. 50.00 Crore over the approved



capitalization in this MYT order across voltage classes/schemes should have prior concurrence of the Commission with due justification.

Issue 2: Loading on some of the Transmission elements much higher than capacity and effect of increase in Capital spares is not apparent

The objector submitted that from the data uploaded on GETCO website, it can be seen that a large numbers of elements have recorded sustained load much higher than the capacity. The objector also stated that though as per data submitted in the petition regarding calculation of maintenance spares, there is 20% rise in assets capitalized during last three years with respect to earlier years, the improvement is not visible as large number of transmission elements are getting overloaded with many elements continued to operate in overload conditions.

Response of GETCO:

Petitioner submitted that loading in transmission element depends on many factors like local generation planned historically but changed later, seasonal variation and outage. The reason for loading of transmission element up to its full capacity is mainly in Southern region wherein local generation is inoperative due to high cost of fuel. It is also submitted that GETCO develops the transmission network to meet long term Open Access requirement.

For Maintenance Spares, petitioner stated that the maintenance spares calculated in the true up of FY 2015-16 under Working Capital was computed based on the norms provided in MYT Regulations, 2011. Accordingly, maintenance spares equivalent to 1% of opening GFA (i.e. GFA as on 1st April, 2005) with 6% yearly escalation and 1% of the average yearly additions from FY 2005-06 till FY 2015-16 is considered.

Commission's View

The objection of the objector and reply of the petitioner are noted. However, the Commission is of the view that transmission planning should be done considering the CEA Transmission Planning Criteria and the overloading of transmission elements should be avoided looking to overall safety of the network.

Issue 3: Income from Inter-State transmission by IEX/PX

The objector submitted that detailed information such as income from Open Access users, income from collection such as 15% supervision charges on deposit works etc. are not indicated in the petition.



Response of GETCO:

Petitioner submitted that income from open access users by IEX/ PX is included in Non-tariff income of GETCO, which is adjusted, as per Regulations, in transmission charges.

Also, collection of 15 % supervision charges on deposit work is also a part of Non-tariff income and same is deducted from Total Transmission Charges to arrive Aggregate Revenue Requirement for GETCO.

Commission's View

The Commission has noted the reply of petitioner. Non-tariff income has been dealt with as per the GERC (MYT) Regulations, 2011.

Issue 4: Substantial increase in transmission tariff and CAPEX and diversion of CAPEX to fund O & M expenses.

The objector submitted that there is a substantial increase in proposed transmission charge of Rs. 4121/MW/Day for FY 2017-18 compared to existing transmission charges of Rs. 2845/MW/Day. However, there is no commensurate increase in transmission network capacity/ services made available as also the there is a rise on CAPEX which is diverted to meet O & M expenses.

Response of GETCO:

Petitioner submitted that the rise in transmission tariff of GETCO is legitimate. During FY 2015-16, CAPEX incurred was of Rs. 2655 Crore, which is 10.12% higher than approved CAPEX of Rs. 2411 Crore. Existing capacity of GETCO i.e. 91455 MVA is also increased by 14.27% from last year (80113 MVA). Actual transmission losses of GETCO (i.e. 3.68%) are also less than approved target of 4.10% in FY 2015-16. It is also submitted that GETCO maintained the transmission availability of 99.42% in FY 2015-16, which is higher than the target set by the Commission i.e. 98%.

About diversion of CAPEX to meet O & M expenses, the petitioner submitted that O & M expenditure approved for FY 2015-16 is Rs. 1107.67 Crore against actual O & M expenditure of Rs. 1051.09 Crore incurred by GETCO.

Commission's view

The Commission has noted the reply of petitioner. The CAPEX and capitalization has been approved after due verification of justification and cost- benefit analysis submitted



by GETCO. The treatment of O & M expenses is carried out as per GERC (MYT) Regulations, 2011.

Issue 5: GETCO should have taken up system strengthening schemes at 400 KV and 220 KV levels as per approved CAPEX plan

The objector has submitted that removal of congestion in 400 kV and 220 kV system could have helped in avoiding running of costly gas and RLNG generation as well as facilitate many consumers to buy cheaper power from outside Gujarat thus reducing the total operating cost to the State. Diversion of funds for augmentation of 66 KV network without commensurate growth in system load creates over capacities at 66 KV level and sub optimal capacities at 400 kV and 220 kV level leading to unsecure operation and anti-merit order operation and increased cost to all consumers.

Response of GETCO:

Petitioner submitted that it develops transmission network to meet long term open access requirement and cannot plan network to facilitate to buy cheaper power from outside Gujarat unless applied for LTOA by the consumers.

GETCO also submitted that that there is no diversion of funds for augmentation of 66 KV level from 400 & 220 KV network. GETCO developed balanced network in all voltage class category as shown below:

Particulars	400 KV	220 KV	132 KV	66 KV	Overall
Total Capacity as on March 2015	11375	24740	7145	36853	80113
Total Capacity as on March 2016	13505	28690	8275	41074	91544
Addition	2130	3950	1130	4221	11431

Commission's view

The Commission has noted the reply of petitioner. However, Commission is of the view that GETCO should not deviate from approved capital expenditure across voltage categories as far as possible. The Commission is also of the view that, henceforth, deviation in capitalization in excess of Rs. 50.00 Crore over the approved capitalization in this MYT order should have prior concurrence of the Commission with due justification.

Issue 6: GETCO has considered lower MW for calculation of transmission tariff

The objector has submitted that the figure mentioned by GETCO for total MW loading for existing capacities, additions, and renewable capacity is inconsistent.



Response of GETCO:

GETCO submitted that there were changes in decommissioning schedules of GSECL's power plants which were decided post finalization of GETCO's petition.

The Petitioner also submitted that the objector has computed 25,555 MW using GUVNL's existing capacity as on 31st March 2016, capacity additions & reductions during entire control period and proposed RE addition in FY 2016-17. This figure doesn't represent GUVNL's share for FY 2016-17 or FY 2017-18 against which GETCO's loading of FY 2016-17 & FY 2017-18 has been compared. Further, the loading on GETCO's system is computed by negating the auxiliary consumption from the share of each power plant which the objector has not considered.

GETCO's system has loading over and above the GUVNL's share which primarily includes loading from captive power plants and merchant power plants. The details of loading on GETCO's system (plant wise) year-on-year are shown in the GETCO's petition. It is also noted that plant capacity of 376 MW- Dhuvaran CCPP III & 351 MW- GSEG extensions, totaling 727 MW has been considered by the petitioner in 2016-17 but as per Capacity with GUVNL it is considered in 2015-16. Further Vindhyachal-V of 93 MW has been considered by GUVNL in 2015-16. Considering above, petitioner shall accordingly recalculate the capacity and furnish to the Commission. However, it does not change the total ARR amount.

Also, the MYT for FY 2016-17 to FY 2020-21 has been computed taking into consideration projected Capex, O&M and other parameters as per GERC MYT Regulations, 2016 detailed in the Petition.

Commission's view

The Commission noted the reply of petitioner which is self-explanatory.

Issue 7: Voltage wise transmission cost should be calculated

The objector submitted that total cost of transmission network is considered for arriving at per MW per Day Transmission Charges. Different voltage levels handle different quantum of power and have different losses. Hence, it is necessary to have voltage wise information to look in to the performance of the system.



Response of GETCO:

Petitioner submitted that it calculates energy input, energy output and loss in totality, for Gujarat as a whole. GETCO has several energy injection points as well as drawal points at various voltage levels i.e. 66 KV to 400 KV. It is not possible for GETCO to compile or calculate voltage-wise energy input, energy output, loss and transmission cost.

Commission's view

The Commission has noted the response of petitioner. The Commission is of the view that as 90% share of LTOA belongs to GUVNL for intra-State transmission system, it is required to keep uniformity of transmission charges irrespective of distance and voltage class.

Issue 8: Loading capacity as on 31st March, 2016 is more than demand or is in deficit.

The objector submitted that GETCO has not mentioned anywhere whether loading capacity of 91544 MVA as on 31st March, 2016 is either more than demand or is in deficit.

Response of GETCO:

Petitioner submitted that the loading capacity of 91544 MVA indicated by respondent is transformation capacity of entire system consisting of transformers at various voltage class. The details of voltage wise capacity during FY 2015-16 are as under:

Capacity of GETCO (MVA)	
Voltage Class	2015-16
400KV	13,505
220KV	28,690
132KV	8,275
66KV	41,074
Total	91,544

The above capacity has been installed taking into consideration the N-1 transmission criteria of the Gujarat Grid Code and CEA guidelines. This capacity is adequate particularly at 66 KV level for delivery of power to consumers.

Commission's view:

The Commission has noted the response of the petitioner which is self-explanatory.



Issue 9: More than 30% earning on each share

The objector submitted that GETCO has earned revenue of Rs. 2694.30 Crore in FY 2015-16 as per Annual Accounts and ARR as per truing up of FY 2015-16 is of Rs. 2765 Crore. However, GETCO has made a profit of Rs. 188.64 Crore after paying income tax. GETCO has earned Rs. 3.16 per share of Rs. 10 which is more than 30% of the 100% capital invested. The EA, 2003 and MYT Regulations permit only 14% RoE. The RoE is Rs. 607.28 Crores.

Response of GETCO:

GETCO submitted that total revenue of GETCO in FY 2015-16 is Rs. 2694.30 Cr including Non-tariff income and actual ARR of FY 2015-16 from the trueing up is Rs. 2765.03 Cr. The gap of Rs. 56.09 Cr is determined based on gains/ losses on account of controllable and uncontrollable parameters by comparing actual performance of GETCO during FY 2015-16 with the forecast approved by the Commission vide mid-term review Order dated 29th April, 2014. Comparison of total revenue from Audited Account and actual normative ARR from the true up is not valid.

Further, it is to clarify that Return on Equity (RoE) and Earning per Share (EPS) are different financial parameters. GETCO is getting RoE @14% is as per the provision of GERC MYT Regulations, 2011. Normative RoE of Rs. 607.2 Cr. is calculated on normative equity addition during FY 2015-16, whereas earning per share represents net profit available per share.

Hence, comparing Return on Equity (RoE) and Earning Per Share is not valid.

Commission's view

The Commission has noted the reply of petitioner and is of the same view that truing up of financial year is done on the basis of GERC MYT Regulations and (Gap)/ Surplus is determined based on gains/ losses on account of controllable and uncontrollable parameters by comparing actual performance of GETCO during FY 2015-16 with the Mid-Term Review Order dated 29th April, 2014. The Commission has also noted that comparison between Return on Equity and earning per share is not correct as normative Return on Equity is allowed at 14% as per provisions of GERC (MYT) Regulations, 2011 while earning per share represents profit per share.



Issue 10: Interest on working capital not to be allowed

The objector submitted that interest on working capital is not to be allowed in ARR, as the record of money movement between various Discoms and GETCO is not available. It is also submitted that GUVNL/Discoms should transfer some amount of security deposit collected to GETCO.

Response of GETCO:

Petitioner submitted that the interest on working capital is calculated as per the provisions of GERC MYT Regulation 2011, wherein the detailed methodology along with components of Interest on working capital is described. Interest on working capital is also the business requirement for running and maintaining transmission network as considered by the Commission. Accordingly, GETCO has claimed interest on working capital & linking with any transaction between Discom and GETCO is not valid.

Commission's view

The Commission has noted the submission of petitioner. The Commission approves the Interest on Working Capital as per the provisions of MYT Regulations.

Issue 11: Non-tariff income as per audited accounts is not matching with the submission of petitioner.

The objector submitted that Non-tariff income as per audited accounts is Rs. 234 Cr whereas as per the submission of petitioner it is Rs. 121.94 Cr.

Response of GETCO:

Petitioner submitted that Non-tariff Income of Rs. 234 Cr as shown in annual accounts of FY 2015-16 comprises tariff and non-tariff income of SLDC and GETCO. Income like SLDC Income and deferred income, etc. is not considered in "Non-tariff Income of GETCO" for regulatory purpose as GETCO has adopted methodology of not claiming depreciation on the assets acquired from grant, subsidy, consumer Contribution. For the ARR purpose, GETCO has considered non-tariff revenue of Rs. 121.94 Cr comprising of parallel operation charges, income from trading stores, penalty received and misc. receipt, etc.

Commission's view

The Commission has noted the reply of petitioner. However, the Commission is of the view that as depreciation on all the assets, including those created through grants and



Consumer Contribution has been allowed, it is, therefore, required that the amount of income pertaining to grants and subsidies be considered as part of Non-tariff income, as per the prevailing practice. The Commission has approved the Non-tariff income for the petitioner accordingly for this petition.

Issue 12: Revenue from operations from audited accounts is not considered in petition

Revenue from operations, as obtained from Profit and Loss statement of audited accounts, totaling to Rs. 2459.40 Cr is not considered in the petition.

Response of GETCO:

Petitioner submitted that true up process is a true up of deviation of actual expenditure vis-a-vis approved expenditure based on its nature of controllable and uncontrollable as per GERC MYT Regulation, 2011. As it is an expense true up, considering revenue in ARR is not valid.

Commission's views

The Commission noted the response of the petitioner and agrees with the petitioner.

Issue 13: The petition does not show whether more or less Transmission charges are collected

The objector submitted that the petition does not provide information on excess or less transmission charges collection in terms of Rs/MW/Day.

Response by GETCO:

Petitioner submitted that GERC tariff order directs GETCO to recover total ARR as approved by the Commission and during the true up process of the approved ARR the same is compared with actual expenses and based on the methodology of treatment of controllable & uncontrollable expenses, revenue gap/surplus is derived and passed on through transmission tariff. The Commission never computed gap/surplus in terms of Rs./MW/Day in previous true up.

Commission's view

The Commission noted the response of the Petitioner. It is to clarify here that in truing up process of financial year, the Commission works out gain/(loss) with reference to actual performance of GETCO compared with approved parameters in MYT or MTR



order. The Commission carries out the expense true up in accordance with the GERC MYT Regulations.

Issue 14: In DISCOMs petition, per unit charges paid to GETCO are not represented separately

Objector submitted that Discom ARR proposals is not showing GETCO charges separately for per unit cost purchased by them.

Response by GETCO:

Petitioner submitted that disclosure by Discoms in their ARR, is a matter pertaining to Discoms.

Commission's View

The Commission noted the response of Petitioner. The Commission has specified methodology for recovery of transmission charges by Transmission Licensee in GERC MYT Regulations and accordingly the Transmission Licensee collects such transmission charges in Rs./MW/Day from all long-term and medium-term users of the transmission system. The Commission does not find any need for Discoms to mention per unit transmission charges. Further, Transmission charges, along with SLDC charges and PGCIL charges, are part of fixed cost portion of power purchase cost of DISCOMs. The bulk supply tariff determined by the Commission on per unit basis covers all these fixed cost and thus, there is no need to separately mention per unit transmission charges in the tariff petition of DISCOMs.

Issue 15: PGCIL charges are paid by GETCO or GUVNL?

The objector submitted that it is not clear from the petition that PGCIL charges are paid by which entity.

Response by GETCO:

Petitioner submitted that PGCIL charges are being paid by its beneficiaries and GETCO is not its beneficiary.

Commission's View:

The Commission noted the response of petitioner. As Discoms are the beneficiaries of PGCIL, they are paying PGCIL charges and such charges are also specified in the petitions of Discoms.



Issue 16: Income from Open Access as received from GUVNL is not shown in the petition

The objector submitted that the GETCO True up proposal does not show the amount received from GUVNL for open access business done through GETCO's system.

Response by GETCO:

Petitioner submitted that GETCO receives over 95 % transmission charges from GUVNL for its long term open access on behalf of its Discoms.

Commission's View:

The Commission noted the response of the petitioner.

Issue 17: The pooled transmission losses are required to be reduced from GETCO's transmission losses. Further transmission loss % calculated by GETCO and by DISCOMs are different.

The objector submitted that the pooled transmission losses are required to be reduced from GETCO's transmission loss of 3.68% for true up year 2015-16. The difference in transmission loss % submitted by DISCOMs and GETCO needs to be clarified.

Response by GETCO:

Petitioner submitted that transmission losses of GETCO for the FY 2015-16 is 3.68 % against target of 4.10% given by the Commission. It is maintained below the target limit approved by the Commission. Transmission losses are technical losses, uncontrollable in nature and depend on many parameters/factors such as distance & mismatch between generation and load centres, types of load, reactive power compensation, voltage profile, seasonal variation, etc. GETCO has projected the transmission losses of the control period considering transmission grid and other parameters/ factors as mentioned above.

Further, it is to clarify that pooled losses are energy losses in the transmission system of GETCO, as determined by SLDC. Such losses are to be borne by the Transmission System Users in proportion to their usage of Intra-State transmission system.

Point raised by the respondent to add the pooled loss is unclear and there is no correlation as both are the transmission losses i.e. one from SLDC energy account (3.76 %) and another from GETCO formula (3.68 %) and it is clarified above that



pooled losses as determined by SLDC are to be borne by the Transmission System Users in proportion to their usage of the intra-State transmission system.

Commission's View:

The Commission noted the response of petitioner which is self-explanatory.

Issue 18: GETCO has not installed DC transmission lines

The objector submitted that GETCO has not installed the DC transmission lines which is now possible with the latest technology that even for short distance and less MW particularly for wind and solar generators.

Response by GETCO:

Petitioner submitted that suggestion of adopting HVDC transmission system in State for short distance and less MW particularly for wind & solar generator is welcome but HVDC system is not economical for short distance with lesser quantum as compared to HVAC system which is designed for optimal for transmission of bulk power from fixed point to point in long distance i.e. more than 600 Km.

Commission's View:

The Commission noted the response of the petitioner which is self-explanatory.

Issue 19: GETCO is not successful in collecting POC and Cross Subsidy charges and peak loading capacity is not adequate.

The objector submitted that GETCO has not been successful in getting POC charges and cross subsidy, as the private generators, particularly Essar and Reliance, are asking for waiver of these charges. If such charges are collected, the tariff can be reduced to that extent. GETCO has not mentioned the loading capacity at peak hours. There are number of Open Access consumers complaining for non-availability GETCO network and are moving applications in GERC.

Response by GETCO:

Petitioner submitted that Parallel Operation Charges (POC) are collected as per GERC order dated 01.06.2011. There are several POC related petitions under adjudication before the commission and other higher forums where the CPP's have demanded refund to the POC already collected. Essar Steel and Essar Oil have also filed petition for refund of the POC collected from them by DGVCL & PGVCL respectively. However, it is to clarify that cross subsidy charges are not collected by GETCO.



Further GETCO develops transmission network for its long term users and at no point GETCO system is not available for long term users. Other open access consumers such as MTOA/ STOA are granted access based on the availability of margin after LTOA. Hence the question of not granted open access only on account of such margin not being available.

Commission's View:

The Commission noted the response of petitioner which is self-explanatory.

Issue 20: Utilization of network and revenue generation from new investment is not obtainable and Liquidated Damages to be recovered from generators are not submitted in the petition.

The objector submitted that though GETCO has incurred capital expenditure of Rs. 194.13 Cr, the corresponding utilization of this investment and the revenue generated from it is not clear from the petition. GETCO has not mentioned any Liquidated Damages received from any of the generators or the amount that is under dispute for recovery.

Response by GETCO:

Petitioner submitted that GETCO incurred capital expenditure of Rs. 2655 Crore in FY 2015-16. However, GETCO capitalized expenditure of Rs. 2525.45 Cr which is expenditure on assets put to use and is considered in tariff determination. Such expenditure capitalized is a part of gross fixed asset of the year and tariff is determined based on such addition to gross fixed asset along with other component of tariff determination. Revenue generation from such expenditure is continuous and spread over years.

Further, GETCO being the transmission company has no commercial dealing with any generating company. Hence the question of liquidated damages does not arise.

Commission's View:

The Commission noted the response of petitioner which is self-explanatory. The Commission approves CAPEX and capitalization after due diligence in accordance with GERC MYT Regulations.



Issue 21: GETCO has submitted higher transmission loss for MYT period

The objector submitted that GETCO has claimed higher transmission losses in comparison to losses claimed for true-up period. The trajectory is not as per MYT Regulations and should be 2%.

Response by GETCO:

Petitioner submitted that transmission losses of GETCO for the FY 2015-16 is 3.68 % against the target of 4.10% given by the Commission. It is maintained below the target limit approved by the Commission. Transmission losses are technical losses, uncontrollable in nature and depend on many parameters/ factors such as distance & mismatch between generation and load centres, types of load, reactive power compensation, voltage profile, seasonal variation, etc. GETCO has projected the transmission losses for the control period considering transmission grid and other parameters/ factors as mentioned above.

Commission's View:

The Commission noted the response of petitioner which is self-explanatory.

Issue 22: Generators are not paying transmission charges to GETCO

The objector submitted that GETCO has not given any statement showing the transmission lines created for the specific generators and as per the terms and conditions of PPA, and such generators not paying the transmission charges.

Response by GETCO:

Petitioner submitted that GETCO has not created any specific transmission network for generators in the State except for State DISCOMs, who have PPA with State generation companies.

Commission's View:

The Commission noted the response of the petitioner which is self-explanatory.

Issue 23: GETCO has not mentioned amount spent from PSDF fund

The objector submitted that GETCO has not submitted information pertaining to expenditure done from PSDF, which is created from UI charges paid by the consumers for reduction of transmission loss.



Response by GETCO:

Petitioner submitted that PSDF is managed by the Ministry of Power, Government of India and it has no control on how the same is managed by the MoP. However, the Petitioner has been sanctioned a small financial assistance under PSDF for taking up the project of Automatic Demand Management Scheme and an amount of Rs. 1.67 Crore is spent on the same.

Commission's View:

The Commission noted the response of the petitioner which is self-explanatory.



4 Truing up for FY 2015-16

4.1 Introduction

This chapter deals with the Truing up of FY 2015-16 of GETCO.

While doing 'Truing up' of various components of ARR for FY 2015-16, the actuals for FY 2015-16 are compared with the approved ARR, as per Mid-term Review Order issued on 29th April 2014 and consequential order dated 03.01.2017.

The Commission has analysed each of the components of the Aggregate Revenue Requirement (ARR) in the following sections.

4.2 Operations and Maintenance Expenses for FY 2015-16

GETCO has claimed Rs. 1145.74 Crore towards O&M expenses in the Truing up for FY 2015-16, as against Rs. 1107.67 Crore approved in the MTR order dated 29th April 2014. The O&M expenses approved for FY 2015-16 by the Commission in the MTR order and claimed by GETCO are given in Table below:

Table 4.1: O&M Expenses (Normative / Actuals) for FY 2015-16

Sl. No.	Particulars	Unit	2015-16 (Approved)	2015-16 (Actual)
1	Based on No. of Bays			
	Average No. of bays during the year	No.	10799	11426
	O&M Expenses per bay	Rs. Lakh	7.19	7.19
	Total O&M Expenses based on no. of bays	Rs. Crore	776.45	821.53
2	Based on no. of Transmission lines			
	Average lines length during the year	Ckt Km	54299	53150
	O&M Exp. per Ckt Km	Rs. Lakh	0.61	0.61
	Total O&M Expenses based on no. of Ckt Km	Rs. Crore	331.22	324.21
3	Total O&M Expenses (as per Norms)	Rs. Crore	1107.67	1145.74

Petitioner's Submission

As per GERC MYT Regulations, 2011, O & M Expenses shall be computed based on the norms provided in Regulation 71.5.1 of the GERC (MYT) Regulations, 2011. As per the norms, O & M expenses shall be computed based on the no. of bays and transmission length (in Ckt. Km). GETCO has computed O & M expenses by



considering the employee costs, R & M expenses & A & G expenses for the FY 2015-16 for working of gain/(loss). The net O&M expenses as per audited annual accounts are as shown in the table below:

Table 4.2: Net O&M Expenses (as per audited accounts) for FY 2015-16

(Rs. Crore)		
Sl. No.	Particulars	2015-16 (Actual)
1	Employee Costs	726.86
2	R&M Expenses	236.71
3	A&G Expenses	87.52
4	Net O&M Expenses	1051.09

The petitioner has also submitted that O & M expenses are controllable in nature, under Regulations 23 of GERC MYT Regulations, 2011. However, as per the methodology adopted by the Commission, the variance in the O & M expenses as approved in Mid-Term review order and the normative O & M expense as per actual performance during the year is considered as uncontrollable and variation in the normative O & M expenses and actual as per audited accounts is considered as controllable. The O & M expenses and gains/ (losses) considered in the truing up for FY 2015-16 are summarized in table below:

Table 4.3: Gains / (Losses) claimed from O&M Expenses

(Rs. Crore)						
Sl. No.	Particulars	2015-16 (Approved)	2015-16 (Normative / Actuals)	2015-16 (as per audited accounts)	Gains / (Losses) due to controllable factor	Gains / (Losses) due to uncontrollable factor
1	Operations & Maintenance Expenses	1107.67	1145.74	1051.09	94.65	(38.07)

Commission's Analysis

GETCO has arrived at the O&M expenses for FY 2015-16, by applying the normative expenses over the actual number of bays, as mentioned above, and the actual length of lines and compared it with the approved O&M expenses for the computation of uncontrollable gains/losses. Further, GETCO has compared the normative actual O&M expenses that it has computed at Rs. 1145.74 Crore with net of capitalised expenses at Rs. 1051.09 Crore from audited accounts.



GETCO has submitted the details of Transmission lines and substations during FY 2015-16 as below:

Table 4.4: Network addition of GETCO during FY 2015-16

Sl. No.	Voltage class	Substation (Nos.)	Transmission line (in CKM)
1	400 KV	1	249
2	220 KV	5	860
3	132 KV	1	260
4	66/33 KV	93	1556
	Total	100	2925

The Commission has verified the copies of certificate issued by the Electrical Inspector and found that 61 number of bays pertaining to sub-stations and 59.56 Ckt. Km lines were already approved in truing up of FY 2014-15 and accordingly, has not considered the same as addition during the year.

The Commission has, therefore, considered total of 831 no. of bays and 2971.44 ckt. km. line additions for FY 2015-16 based on date of inspection mentioned in the certificates. The normative O&M expenses are worked out to Rs. 1143.37 Crore, as against Rs. 1145.74 Crore claimed by GETCO, as detailed in the Table below:

Table 4.5: O&M Expenses Normative in Truing up for FY 2015-16

(Rs. Crore)

Particulars	Claimed			Approved		
	Lines (Ckt/km)	Bays (Nos.)	Total	Lines (Ckt/km)	Bays (Nos.)	Total
At the beginning of the year	51634	10980		51634	10980	
Additions during the year	3031	892		2971	831	
At the end of the year	54665	11872		54605	11811	
Average	53150	11426		53120	11395	
Rate (Rs. Lakh)	0.61	7.19		0.61	7.19	
O&M expenses (Rs. Crore)	324.21	821.53	1145.74	324.03	819.34	1143.37

The Commission approves the normative O&M expenses at Rs. 1143.37 Crore in the Truing up for FY 2015-16 against Rs. 1107.67 Crore approved in the MTR Order.

The O&M expenses, as per audited annual accounts, are Rs. 1051.09 Crore for FY 2015-16 excluding O & M expenses of SLDC. These O&M expenses, as per accounts, are inclusive of 7th Pay Commission provision for 3 months. The O&M expenses of



GETCO, excluding 7th Pay Commission provision, are Rs. 1017.97 (1051.09-33.12) Crore. The employee cost is Rs. 693.73 Crore and the R&M Expenses are Rs. 236.71 Crore. The A&G expenses, as per annual accounts, are Rs. 87.53 Crore excluding expenses on Corporate Social Responsibilities (CSR) amounting to Rs. 219.68 Lakhs and Rs. 3.60 Crore of SLDC.

The Commission accordingly, approves the O&M expenses in truing up at Rs. 1017.97 Crore, as detailed in the Table below:

Table 4.6: O&M Expenses Approved in Truing up for FY 2015-16

(Rs. Crore)

Sl. No.	Particulars	As per audited accounts of GETCO	As per audited accounts of SLDC	Approved in Truing up for GETCO
1	Employee Costs	738.43*	11.58	693.73
2	R&M Expenses	241.18	4.47	236.71
3	A&G Expenses	93.32**	3.60	87.53
4	Net O&M Expenses	1072.93	19.65	1017.97

* Includes 7th Pay Commission provision of Rs. 33.12 Crore

** Includes CSR expenses of Rs. 2.19 Crore as per audited accounts

O&M expenses are controllable in nature under GERC MYT Regulations, 2011. However, the Commission is of the view that the variance in the O&M expenses, as approved in the MTR Order and the normative O&M expense, as per actual performance during the year, is uncontrollable. The O&M expenses and Gains / (Losses) considered in the Truing up for FY 2015-16 are summarised in the Table below:

Table 4.7: O&M Expenses and Gains/(Losses) Approved in Truing up for FY 2015-16

(Rs. Crore)

Particulars	Approved for 2015-16 in MTR Order	Normative Approved in Truing up	Approved as per audited accounts in Truing up	Deviation + / (-)	Gains / (Losses) due to controllable factor	Gains / (Losses) due to uncontrollable factor
1	2	3	4	5 = (2-4)	6 = (3-4)	7 = (2-3)
O&M Expenses	1107.67	1143.37	1017.97	89.70	125.40	(35.70)



4.3 Capital Expenditure and Capitalization for FY 2015-16

GETCO has furnished the actual capital expenditure at Rs. 2655 Crore for FY 2015-16, as against Rs. 2411 Crore approved for the year in MTR Order dated 29th April 2014.

Petitioner's Submission

The Petitioner has submitted that in order to ensure unrestricted power flow across the State of Gujarat and maintain an efficient transmission system, GETCO had spent significant amount of capital expenditure for construction of transmission lines and sub-stations during FY 2015-16. GETCO had projected a total capital expenditure of Rs. 2411 Crores in its mid-term review order dated 29th April 2014 and incurred an actual expenditure of Rs. 2655 Crores during FY 2015-16. GETCO has incurred this expenditure in construction of new sub-station and transmission lines required for strengthening the transmission network of GETCO.

Funding of CAPEX

GETCO has submitted that the Capital Expenditure has been funded through grants, and internal accruals (equity) generated by GETCO. The remaining expenditure, incurred during FY 2015-16, has been funded through debt, as detailed in the Table below:

Table 4.8: Actual Funding of CAPEX

		(Rs. Crore)
Sl. No.	Particulars	2015-16 (Actual)
1	CAPEX for the year	2,655.00
2	Capitalization	2,525.45
3	Debt	1,664.50
4	Equity	713.36
5	Grants	147.59

Commission's Analysis

The Commission has noted the capital expenditure, as given in the petition by GETCO, and verified the capitalization from the Audited Annual Accounts for FY 2015-16. The actual capitalization as per Audited Annual Accounts for FY 2015-16 is Rs. 2525.45 Crore excluding SLDC. It is also observed by the Commission that GETCO has incurred significant CAPEX in 66 KV sub-stations and lines and has deviated from the



CAPEX approved in the MTR order. GETCO has submitted additional information vide e-mail dated 14.02.2017 and justified the deviation of CAPEX from 400 kV and 220 kV to 66 kV voltage class. The reasons for deviation from approved capital expenditure in 400 KV category was (i) no progress in the generation project namely Shapoorji Pallonji, EPGL Salaya Phase II, 800 MW unit of Wanakbori TPS for which GUVNL/ Distribution companies has the PPA (ii) severe constraint of Right of Way (RoW) and forest clearance (iii) non availability of suitable land for sub- stations (iv) dynamic network expansion of 66 kV network as per need of DISCOMs.

The Commission has noted the submission made by GETCO regarding deviation of CAPEX and accordingly approves CAPEX and capitalization along with normative funding of CAPEX with a mix of debt and equity for truing up of FY 2015-16 in the Table below:

Table 4.9: Capital Expenditure and Capitalisation approved in the Truing up for FY 2015-16

Particulars	(Rs. Crore)
CAPEX during 2015-16	2,655.00
Capitalization approved for 2015-16	2,525.45
Less: Grants	147.59
Balance Capitalization	2377.86
Debt (70%)	1,664.50
Equity (30%)	713.36

The addition of above loan and equity will be considered for computation of interest and return on equity for FY 2015-16.

4.4 Depreciation for FY 2015-16

GETCO has claimed Rs. 707.56 Crore towards actual depreciation for FY 2015-16, as against Rs. 804.84 Crore approved for the year in the MTR Order dated 29th April, 2014. The depreciation charges approved for FY 2015-16 in the MTR Order and claimed by GETCO in the Truing up are given in the Table below:



Table 4.10: Depreciation claimed for FY 2015-16

(Rs. Crore)

Sl. No.	Particulars	2015-16 Approved in the MTR Order	2015-16 claimed in Truing up	Deviation + / (-)
1	Gross Block in Beginning of the year	15,069.55	15,520.57	
2	Additions during the Year (Net)	1,735.92	2,525.45	
3	Depreciation for the Year	804.84	817.77	(12.93)
4	Average Rate of Depreciation	5.05%	4.87%	
5	Less: Depreciation on Assets funded by Govt. Grants/ Consumer Contributions/ Subsidies not considered	-	110.21	
6	Total Depreciation claimed for 2015-16	804.84	707.56	97.28

Petitioner's Submission

GETCO has submitted that the actual depreciation charge for FY 2015-16 was Rs. 707.56 Crore as against Rs. 804.84 Crore approved .

The depreciation allowed for the year should be based on the value of the gross fixed assets as stated in Clause 40 of GERC (MYT) Regulation, 2011. The depreciation for the FY 2015-16 has been taken from the P&L statement as per consequential order dated 03.01.2017 of the Commission in reference to judgment vide order dated 21.07.2016 of the Hon'ble APTEL.

GETCO has submitted that it receives Government Grants, Subsidies and Consumer Contribution @ 11.75% of the closing balance as income during the year (Deferred income). The depreciation on the assets created out from such deferred income is negated from the depreciation applicable for the FY 2015-16. In line with the above treatment, GETCO has requested not to consider deferred income on grants/ consumer contributions as Non-tariff income for FY 2015-16. The total amount received under Government grants/ consumer contributions/ subsidies up to 31st March, 2015 was Rs. 2187.98 Crore and additions during the year were Rs. 147.60 Crore. Depreciation on the assets funded by way of Government grants/ consumer contributions/ subsidies at Depreciation rate of 4.87% comes to Rs. 110.21 Crore.

The variation in the amount of depreciation as per the actual cost incurred by GETCO in FY 2015-16 against the amount approved by the Commission is Rs. 97.28 Crore.



This can be considered as gain / (loss) on account of uncontrollable factor and has been appropriately treated.

Accordingly, GETCO has claimed a depreciation of Rs. 707.56 (817.77-110.21) Crore and arrived at a gain of Rs. 97.28 Crore, as detailed in the Table below:

Table 4.11: Gains/(Losses) claimed on Depreciation in the Truing up for FY 2015-16
(Rs. Crore)

Particulars	Approved for 2015-16 in MTR Order	Claimed in Truing up for 2015-16	Gains / (Losses) due to Controllable Factor	Gains / (Losses) due to Uncontrollable Factor
Depreciation	804.84	707.56	-	97.28

Commission's Analysis

GETCO has computed the depreciation on the assets funded through Grants / Consumer Contributions and Subsidies at Rs. 110.21 Crore with the weighted average rate of 4.87% and subtracted this amount from Rs. 817.77 Crore of depreciation charged to P&L accounts (minus SLDC depreciation) and claimed the depreciation at Rs. 707.56 Crore in the Truing up.

The amount of Govt. Grants / Consumer Contribution / Subsidies, as on 31st March 2015, was Rs. 2187.98 Crore and the additions during the year was Rs. 147.59 Crore. The depreciation on the assets funded by way of Govt. Grants / Consumers Contribution / Subsidies is worked out to Rs. 110.21 Crore at the average rate of depreciation of 4.87% and this amount has been deducted from the depreciation amount charged to P&L accounts for FY 2015-16 and GETCO has claimed Rs. 707.56 Crore against Rs. 804.84 Crore as per MTR Order dated 29.04.2014. While deducting depreciation computed on the assets acquired under Grants / Consumer Contribution/ Subsidies for the depreciation claim for the year, GETCO has not considered that portion of Consumer Contribution / Grants depicted in the Non-Tariff income, for deduction in the ARR. The Commission has noted in Para 6 of the consequential order dated 03.01.2017, as given below:

Hon'ble APTEL has directed the Commission to re-examine the issue of consideration of deferred income as Non-Tariff Income in light of the Accounting Standard and recommendation of CAG and advised to amend the MYT Regulations if necessary.

Accounting Standard 12 issued by Institute of Chartered Accountants reads as under:



8.2 Two methods of presentation in financial statements of grants (or the appropriate portions of grants) related to specific fixed assets are regarded as acceptable alternatives.

8.3 Under one method, the grant is shown as a deduction from the gross value of the asset concerned in arriving at its book value. The grant is thus recognised in the profit and loss statement over the useful life of a depreciable asset by way of a reduced depreciation charge. Where the whole, or virtually the whole, of the cost of the asset, the asset is shown in the balance sheet at a nominal value.

8.4 Under the other method, grants related to depreciable assets are treated as deferred income which is recognised in the profit and loss statement on a systematic and rational basis over the useful life of the asset. Such allocation to income is usually made over the periods and in the proportions in which depreciation on related assets is charged.

Ongoing through the Accounting Standard 12, it reveals that the deferred income to be offered to the P&L Statement must be over the useful life of the asset and in proportion in which depreciation on the asset created out of Government grant, consumer contribution and subsidy is charged. In the present case, GETCO has charged depreciation at around 5% on Straight Line Method and offered deferred income at around 11.75% on Written Down Value Method. GETCO justified this action as the policy decision is taken by the Company. It appears that the CAG has accepted the justification provided by GETCO as they have been giving "NIL" comments certificate on the Audited Annual Accounts of GETCO and have not raised the issue again. Since, the deferred income offered by GETCO is a part of Other Income as per their Audited Annual Accounts, the same is considered accordingly for working out the Profit Before Tax and Income Tax paid / payable. The Commission while truing up the FYs 2011-12 to 2013-14 has allowed the actual Income Tax paid by GETCO as a separate item of ARR and passed it on to the beneficiaries in respective years. The methodology adopted by GETCO for depreciation and deferred income is on different footing resulting into higher deferred income being offered in the initial years as compared to depreciation while in subsequent years depreciation will exceed the deferred income. However, over the life of the assets both the income and depreciation even out. In fact, GETCO has adopted this practice which is in line with the Accounting Standard 12, as they are not in a position to earmark the assets created out of such Government



Grants, Subsidy and Consumer Contribution. Commission has also adopted same methodology in tune with the Accounting Standard 12. In view of the above, as there is no deviation from the Accounting Standard and also the accounting methodology adopted by GETCO,

The depreciation, as verified from the audited annual accounts for FY 2015-16, is Rs. 820.36 Crore. This includes depreciation of Rs. 2.59 Crore related to SLDC. Thus, as explained above, the Commission considers both Grants/ Consumer Contribution/ Subsidies in Non-tariff income as well as depreciation related to assets created from Grants/ Consumer Contribution/ Subsidies in the depreciation. Therefore, GETCO's depreciation works out to Rs. 817.77 Crore. The depreciation is calculated on straight-line basis, at the rates prescribed by GERC.

The Commission in accordance with the consequential order dated 03.01.2017 has computed the allowable depreciation for FY 2015-16, as detailed in the Table below:

Table 4.12: Depreciation approved in the Truing up for FY 2015-16

(Rs. Crore)

Particulars	Approved in MTR for 2015-16	Approved in the Truing up for 2015-16
GFA in the Beginning of the year	15,069.55	15,520.57
Additions during the year (Net)	1,735.92	2,525.45
Depreciation for the year	804.84	817.77
Average Rate of Depreciation	5.05%	4.87%
Less: Depreciation on Assets funded by Govt. Grants / Consumer Contributions / Subsidies not considered	-	-
Total Depreciation for the year 2015-16	804.84	817.77

The Commission, accordingly, approves the depreciation at Rs. 817.77 Crore excluding Rs. 2.59 Crore of SLDC in the Truing up, as per audited accounts for FY 2015-16.

With regard to the computation of Gains / (Losses), Regulation 23.2 of GERC (MYT) Regulations, 2011 considers variations in capitalisation on account of time and/or cost overruns / efficiencies in the implementation of a capital expenditure project not attributable to an approved change in scope of such project, change in statutory levies or force majeure events, as a controllable factor. If the gain is on account of lesser capital expenditure and capitalisation, it cannot be attributed to the efficiency of the utility to allow one-third of gain to the utility. Similarly, if the loss is on account of higher



capital expenditure and capitalisation due to bonafide reasons, the utility cannot be penalised by allowing only two-thirds of the loss in the ARR. Hence, the Commission considered the variation in capitalization as uncontrollable. This applies to debt and equity in allowing Gains / (Losses) on account of interest and return on equity too.

The Commission, accordingly, approves the Gains / (Losses) on account of depreciation, attributing the same to uncontrollable factors in the Truing up for FY 2015-16, as detailed in the Table below:

Table 4.13: Gains / (Losses) due to Depreciation in the Truing up for FY 2015-16

(Rs. Crore)

Particulars	Approved for 2015-16 in MTR Order	Approved in Truing up	Deviation + / (-)	Gains / (Losses) due to controllable factors	Gains / (Losses) due to uncontrollable factors
Depreciation	804.84	817.77	(12.93)	0.00	(12.93)

4.5 Interest and Finance Charges for FY 2015-16

GETCO has claimed Rs. 528.55 Crore towards interest and finance charges in the Truing up for FY 2015-16, as against Rs. 460.36 Crore approved for the year. The interest and finance charges approved in the MTR Order and claimed by GETCO in the Truing up are as given in the Table below:

Table 4.14: Interest and Finance Charges Claimed by GETCO

(Rs. Crore)

Particulars	Approved in MTR for 2015-16	Claimed in Truing up for 2015-16
Interest and Finance Charges	460.36	528.55

Petitioner's Submission

GETCO has submitted that the weighted average rate of loans as on 01.04.2015 is 10.22%. GETCO has calculated interest on loans by considering Depreciation of the year as repayment for the loan as given below:

Table 4.15: Interest and Finance Charges claimed by GETCO

(Rs. Crore)

Sl. No.	Particulars	2015-16 (Approved)	2015-16 (Actuals)	Deviation + / (-)
1	Opening Loans	4,169.46	4,502.66	
2	Loan Additions during the Year	940.40	1,664.50	



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Sl. No.	Particulars	2015-16 (Approved)	2015-16 (Actuals)	Deviation + / (-)
3	Repayment during the Year	804.84	707.56	
4	Closing Loans	4,305.01	5,459.59	
5	Average Loans	4,237.24	4,981.13	
6	Interest on Loan	460.36	509.20	
7	Other Finance Charges	3.61	19.35	
8	Total Interest & Financial Charges	460.36	528.55	(68.19)
9	Weighted Average Rate of Interest on Loan	10.78%	10.22%	

GETCO has claimed Rs. 68.19 Crore as loss from interest and finance charges due to uncontrollable factors, as detailed in Table below:

Table 4.16: Gains/ (Losses) claimed from Interest and Finance Charges

(Rs. Crore)

Particulars	2015-16 (Approved)	2015-16 (Actuals)	Gains / (Losses) due to controllable factors	Gains / (Losses) due to uncontrollable factors
Interest & Finance Charges	460.36	528.55	-	(68.19)

Commission's Analysis

The Commission has examined the submission of GETCO. As per 3rd January 2017 order of GERC, the opening loan value for the MTR approved figure is Rs. 4156.52 crore. GETCO could not consider this figure in its petition as the consequential order was issued in January, 2017 whereas petition was filed in November, 2016. The Commission has used this Opening Balance figure to calculate gain/(loss). The Closing balance of Rs. 4502.66 Crore of the previous year FY 2014-15 is the Opening Balance for FY 2015-16. The Commission has verified the capitalisation of assets during the FY 2015-16 from the Audited Annual Accounts and approved the asset addition of Rs. 2525.45 Crore. The Commission has deducted the Consumer Contribution and Govt. Grant of Rs. 147.59 Crore from capitalisation and approved the normative debt of Rs. 1664.50 Crore for FY 2015-16 as per prevailing practice. GETCO has submitted the weighted average rate of interest as 10.22%. As per Regulation 39.5 of GERC (MYT) Regulations, 2011, the weighted average rate of interest is to be calculated on the basis of the actual loan portfolio at the beginning of each year. GETCO submitted the details of loans showing Opening Balance as on 01.04.2015 and applicable rate of interest on each loan portfolio for FY 2015-16. The Commission has worked out the



weighted average interest rate as 10.22% and applied the same on the normative loan amount. The other finance charges of Rs. 19.35 Crores as claimed have been verified from the Audited Annual Accounts which are excluding Rs. 0.05 Crore pertaining to SLDC. Based on the actual capitalisation achieved by GETCO during FY 2015-16 and the approved normative borrowings considering the interest rate of 10.22%, the Commission has computed the interest on normative loans, as detailed in the Table below:

Table 4.17: Approved Interest and Finance Charges in Truing up for FY 2015-16

(Rs. Crore)

Particulars	Approved for 2015-16 in Consequential Order dated 03.01.17	Approved in Truing up for 2015-16
Opening Normative Loan	4,156.52	4,502.66
Loan Addition during the year	940.40	1,664.50
Repayment during the year	804.84	817.77
Closing loan	4,292.08	5,349.39
Average Loan	4,224.30	4,926.03
Weighted average rate of interest	10.78%	10.22%
Interest on loan	455.38	503.44
Other finance charges	3.61	19.35
Total Interest and Finance Charges	458.99	522.79

The Commission accordingly, approves Interest and Finance charges of Rs. 522.79 Crore for FY 2015-16.

As noted in Para 4.4 above, the Commission is of the view that the parameters which affect interest and finance charges should be treated as uncontrollable. The Commission, accordingly, approves the Gains / (Losses) on account of interest and finance charges in the Truing up for FY 2015-16, as detailed in the Table below:

Table 4.18: Approved Gains/(Losses) in Interest & Finance Charges in Truing up for FY 2015-16

(Rs. Crore)

Particulars	Approved for 2015-16 consequential order dated 03.01.2017	Approved in Truing up	Deviation + / (-)	Gains/ (Losses) Controllable factor	Gains/ (Losses) Uncontrollable factor
Interest and Finance Charges	458.99	522.79	(63.80)	0.00	(63.80)



The Commission accordingly approves loss on account of uncontrollable factor as Rs. 63.80 Crore.

4.6 Interest on working capital for FY 2015-16

GETCO has claimed Rs. 82.51 core towards interest on working capital in the Truing up for FY 2015-16, as against Rs. 71 Crore approved for the year. The amount of interest on working capital approved for FY 2015-16 and claimed by GETCO in the Truing up are given in the Table below:

Table 4.19: Interest on working capital claimed by GETCO

(Rs. Crore)

Particulars	Approved for 2015-16 in MTR Order	Claimed in Truing up for 2015-16	Deviation +/-(-)
Interest on Working Capital	71.00	82.51	(11.51)

Petitioner's Submission

GETCO has submitted that Working Capital is computed based on the norms provided in GERC MYT Regulations, 2011 by considering O&M expenses, Receivables for 1 month and maintenance spares. GETCO further submitted that the APTEL vide order dated 21.07.2016 in Appeal Nos. 108 of 2013, 149 of 2015, 171 of 2014 and 172 of 2014 has allowed GETCO to claim maintenance spares at 1% of the historical cost escalated at 6% yearly. Therefore, maintenance spares has been computed as 1% of opening GFA (i.e. GFA as on 1st April, 2005) with 6% yearly escalation and 1% GFA additions thereon escalated at 6%, as detailed in the Table below:



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Table 4.20: Calculation sheet for Maintenance Spares till FY 2015-16

(Rs. Crore)

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
1	Opening Balance of GFA	4,049.10	4,433.73	4,861.81	5,453.70	6,067.63	6,762.26	8,109.69	9,536.79	11,170.83	12,857.62	15,530.12
	SLDC	3.36	3.36	3.36	3.36	3.36	6.90	6.86	7.58	7.71	8.14	17.69
2	Addition during the year	384.63	428.08	591.89	613.93	694.63	1,347.43	1,427.10	1,634.04	1,686.79	2,672.50	2,525.81
	SLDC					3.54	(0.04)	0.72	0.13	0.42	9.55	0.36
3	Closing balance of GFA	4,433.73	4,861.81	5,453.70	6,067.63	6,762.26	8,109.69	9,536.79	11,170.83	12,857.62	15,530.12	18,055.93
	SLDC	3.36	3.36	3.36	3.36	6.90	6.86	7.58	7.71	8.13	17.69	18.05
4	Average GFA of the year	4,241.42	4,647.77	5,157.76	5,760.67	6,414.95	7,435.98	8,823.24	10,353.81	12,014.22	14,193.87	16,793.03
5	Spares as % of capital cost	1%										
	Escalation (y-o-y)	6%										
6	Maintenance Spares											
	Opening Balance of Assets (i.e. as on March 31, 2005)	40.46	42.88	45.46	48.19	51.08	54.14	57.39	60.83	64.48	68.35	72.45
	Assets capitalised during 2005-06	3.85	4.08	4.32	4.58	4.86	5.15	5.46	5.78	6.13	6.50	6.89
	Assets capitalised during 2006-07		4.28	4.54	4.81	5.10	5.40	5.73	6.07	6.44	6.82	7.23
	Assets capitalised during 2007-08			5.92	6.27	6.65	7.05	7.47	7.92	8.40	8.90	9.43
	Assets capitalised during 2008-09				6.14	6.51	6.90	7.31	7.75	8.22	8.71	9.23
	Assets capitalised during 2009-10					6.91	7.33	7.77	8.23	8.72	9.25	9.80
	Assets capitalised during 2010-11						13.47	14.28	15.14	16.05	17.01	18.03
	Assets capitalised during 2011-12							14.26	15.12	16.03	16.99	18.01
	Assets capitalised during 2012-13								16.34	17.32	18.36	19.46
	Assets capitalised during 2013-14									8.43	8.94	9.47
	Assets capitalised during 2014-15										26.63	28.23
	Assets capitalised during 2015-16											25.25
	Total	44.30	51.24	60.24	69.99	81.10	99.44	119.67	143.19	160.21	196.46	233.50



GETCO has further submitted that as per GERC MYT Regulations, 2011, GETCO has considered SBI PLR rate as on 1st April 2015 i.e.14.75%. The comparison of actual value of interest on working capital based on above methodology and the value approved by the Hon'ble Commission is shown in the Table below. This deviation has been considered as loss to GETCO on account of uncontrollable factor:

Table 4.21: Interest on Working Capital and Gains / (Losses) claimed in Truing up
(Rs. Crore)

Sl. No.	Particulars	Approved for 2015-16 in MTR Order	2015-16 Claimed in Truing up	Deviation + / (-)
1	O&M Expenses (1 Month)	92.31	95.48	
2	Maintenance Spares (1% of opening GFA with 6% escalation)	168.05	233.50	
3	Receivables (1 Month)	231.00	230.42	
4	Total Working Capital	491.36	559.40	
5	Rate of Interest on Working Capital	14.45%	14.75%	
	Interest on Working Capital	71.00	82.51	(11.51)

Commission's Analysis

The Commission has examined the computation of normative working capital and interest thereon under GERC (MYT) Regulations, 2011. Regulation 41.2 (b) specifies that interest shall be allowed at a rate equal to the State Bank Advance Rate (SBAR) as on 1st April of the financial year in which the Petition is filed.

Regarding 1% Maintenance spares, Regulation 41.2 (a) (ii) of GERC (MYT) Regulations, 2011, specifies maintenance spares at 1% of the historical cost, escalated at 6% from the date of commercial operation. The spares are required for plant machinery and the 1% spares are to be considered on the historical cost of plant and machinery only, instead of the entire GFA. Taking reference of the consequential order dated 03.01.2017 of the Commission in compliance of the APTEL order dated 21.07.2016 in Appeal Nos. 108 of 2013, 171 of 2014 and 149 of 2015, the Commission has considered spares only for hydraulic works, lines and cables, and plant & machinery categories of GFA. The calculations are as shown in the Table below:



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Table 4.22: Approved Maintenance Spare for truing up of FY 2015-16

(Rs. Crore)

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
1	Opening Balance of GFA*	3,718.69	4,029.02	4,387.01	4,916.67	5,471.15	6,082.63	7,278.18	8,511.64	9,909.51	11,346.19	13562.78
2	Addition during the year*	310.33	357.99	529.66	554.48	611.48	1,195.55	1,233.46	1,397.87	1,436.68	2,216.61	2138.00
3	Net Closing balance of GFA (excluding net addition of SLDC)	4,029.02	4,387.01	4,916.67	5,471.15	6,082.63	7,278.18	8,511.64	9,909.51	11,346.19	13,562.80	15700.78
4	Average GFA of the year	3,873.86	4,208.02	4,651.84	5,193.91	5,776.89	6,680.41	7,894.91	9,210.58	10,627.85	12,454.50	14,631.80
5	Spares as % of capital cost	1%										
	Escalation (y-o-y)	6%										
6	Maintenance Spares											
	Opening Balance of Assets (i.e. as on March 31, 2005)	37.19	39.42	41.78	44.29	46.95	49.76	52.75	55.92	59.27	62.83	66.60
	Assets capitalised during 2005-06	3.10	3.29	3.49	3.70	3.92	4.15	4.40	4.67	4.95	5.24	5.56
	Assets capitalised during 2006-07		3.58	3.79	4.02	4.26	4.52	4.79	5.08	5.38	5.71	6.05
	Assets capitalised during 2007-08			5.30	5.61	5.95	6.31	6.69	7.09	7.51	7.96	8.44
	Assets capitalised during 2008-09				5.54	5.88	6.23	6.60	7.00	7.42	7.87	8.34
	Assets capitalised during 2009-10					6.11	6.48	6.87	7.28	7.72	8.18	8.67
	Assets capitalised during 2010-11						11.96	12.67	13.43	14.24	15.09	16.00
	Assets capitalised during 2011-12							12.33	13.07	13.86	14.69	15.57
	Assets capitalised during 2012-13								13.98	14.82	15.71	16.65
	Assets capitalised during 2013-14									14.37	15.23	16.14
	Assets capitalised during 2014-15										22.17	23.50
	Assets capitalised during 2015-16											21.38
	Total	40.29	46.29	54.36	63.17	73.07	89.41	107.11	127.52	149.54	180.67	212.88



While truing up for FY 2011-12 in the Tariff order for FY 2012-13, the Commission had decided to consider SBAR prevailing as on 1st April of the Financial Year for which truing up is being done as the rate for calculation of Interest on Working Capital.

The SBAR as on 1st April 2015 was 14.75%. The Commission, accordingly, takes into consideration the SBAR of 14.75% for computation of Interest on Working Capital for FY 2015-16.

The Commission has computed the Working Capital and interest thereon, as detailed in the Table below:

Table 4.23: Interest on Working Capital approved in Truing up for FY 2015-16

(Rs. Crore)

Particulars	Approved in Truing up for 2015-16
O&M Expenses (1 Month)	84.83
Maintenance Spares (1% of opening GFA)	212.88
Receivable (1 Month)	216.65
Total Working Capital	514.36
Rate of Interest	14.75%
Interest on Working Capital	75.87

The Commission, accordingly, approves the interest on working capital at Rs. 75.87 Crore in the Truing up for FY 2015-16.

The Commission considers the Interest on working capital as uncontrollable, since the components forming part of the working capital are mostly uncontrollable. As per consequential order dated 03.01.2017, Interest and Finance charges for 2015-16 for MTR has changed, resulting in change in receivables and hence interest on working capital. The Commission, accordingly, approves the Gains / (Losses) on account of Interest on Working Capital in the Truing up for FY 2015-16, as detailed in the Table below:



Table 4.24: Gains/(Losses) in Interest on Working Capital Approved in Truing up for FY 2015-16

(Rs. Crore)					
Particulars	Approved for 2015-16 in consequential order dated 03.01.2017	Approved in Truing up for 2015-16	Deviation + / (-)	Gains / (Losses) due to Controllable factors	Gains / (Losses) due to Uncontrollable factors
Interest on Working Capital	71.00	75.87	(4.87)	0.00	(4.87)

4.7 Return on Equity (ROE) for FY 2015-16

GETCO has claimed Rs. 607.28 Crore towards return on equity in the Truing up for FY 2015-16, as against Rs. 573.55 Crore approved for the year. The ROE approved for FY 2015-16 in the MTR Order and claimed by GETCO in the Truing up are given in the Table below:

Table 4.25: Return on Equity claimed by GETCO for FY 2015-16

(Rs. Crore)		
Particulars	Approved for 2015-16 in MTR Order	Claimed in Truing up for 2015-16
Return on Equity	573.55	607.28

Petitioner's Submission

GETCO has submitted that the return on equity has been computed based on a rate of return of 14% as provided in the GERC MYT Regulations, 2011. The deviation in return on equity is considered as Uncontrollable factor. The comparison between the actual values of return on equity for FY 2015-16 with the values approved by the Hon'ble Commission in Mid-term review order dated 29th April, 2014 is shown as per the table below:

Table 4.26: Return on Equity claimed by GETCO for FY 2015-16

(Rs. Crore)				
Sl. No.	Particulars	2015-16 (Approved)	2015-16 (Actuals)	Deviation + / (-)
1	Opening Equity Capital	3,895.30	3,981.03	
2	Equity Additions during the Year	403.03	713.36	
3	Closing Equity	4,298.33	4,694.39	
4	Average Equity	4,096.81	4,337.71	



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Sl. No.	Particulars	2015-16 (Approved)	2015-16 (Actuals)	Deviation + / (-)
5	Rate of Return on the Equity	14%	14%	
6	Return on Equity	573.55	607.28	(33.73)

Commission's Analysis

The Commission has examined the submission of GETCO. Return on Equity is being allowed on a normative basis and the quantum of equity addition in the year depends upon the capitalisation achieved during the year. The closing equity of the previous year i.e. FY 2014-15 is considered as the opening equity for FY 2015-16. The Commission has approved the normative equity addition at Rs. 713.36 Crore in Table 4.9 above. Based on the actual capitalisation achieved by GETCO during FY 2015-16 and the approved normative equity, the Commission has computed Return on Equity for FY 2015-16, as detailed in the Table below:

Table 4.27: Approved Return on Equity in the truing up for FY 2015-16

(Rs. Crore)

Particulars	Approved in MTR Order 2015-16	Approved in Truing up for 2015-16
Opening Equity	3,895.30	3,981.03
Equity addition during the year	403.03	713.36
Closing Equity	4,298.33	4,694.39
Average Equity	4,096.81	4,337.71
Rate of Return on Equity	14%	14%
Return of Equity	573.55	607.28

The Commission approves Return on Equity at Rs. 607.28 Crore in the Truing up for FY 2015-16.

The Commission is of the view that Return on Equity depends on the amount of capitalisation during the financial year and that the parameters affecting the capitalisation are uncontrollable in nature, as noted in Para 4.4 above. Hence, the factors affecting Return on Equity are uncontrollable. The Commission accordingly approves the gains and losses on account of Return on Equity in the Truing up for FY 2015-16, as detailed in the Table below:



Table 4.28: Gains / (Losses) in Return on Equity approved in the Truing up

(Rs. Crore)

Particulars	Approved for 2015-16 in MTR Order	Approved in Truing up for 2015-16	Deviation + / (-)	Gains / (Losses) due to Controllable factor	Gains / (Losses) due to Uncontrollable actor
Return on Equity	573.55	607.28	(33.73)	0	(33.73)

4.8 Contribution to Contingency Reserve for FY 2015-16

GETCO has not claimed any contribution towards contingency reserve as per audited accounts in the Truing up for FY 2015-16 as detailed in the Table below:

Table 4.29: Contingency Reserve claimed by GETCO

(Rs. Crore)

Particulars	Approved for 2015-16 in MTR Order	Claimed in Truing up for 2015-16
Contingency Reserve	75.35	0.00

Petitioner's Submission

Contribution to Contingency Reserve for FY 2015-16 is nil as per the audited annual accounts of GETCO as against the approved Contingency Reserves of Rs. 75.35 Crores resulting into uncontrollable Gain/(Loss) of Rs. 75.35 Crores.

Commission's Analysis

Regulation 71.7 of GERC (MYT) Regulations 2011 specifies that where the Transmission Licensee has made an appropriation to the contingency reserve a sum not more than 0.5 percent of the original cost of fixed assets shall be allowed annually towards such appropriation in the calculation of aggregate revenue requirement. As GETCO has not claimed any contingency reserve, Commission approves "nil" amount as per audited accounts 2015-16.

The Commission accordingly approves the contribution to contingency reserve as Rs. 0.00 Crore in the Truing up for FY 2015-16.

GETCO has claimed uncontrollable gain of Rs. 75.35 Crore in the truing up for FY 2015-16. The Commission considers the deviation on account of contingency reserve as a gain and approves the gain due to uncontrollable factor of Rs. 75.35 Crore in the Truing Up for FY 2015-16 as given in the Table below:



Table 4.30: Gains / (Losses) on Contingency Reserve approved in the Truing up for FY 2015-16

(Rs. Crore)					
Particulars	Approved for 2015-16 in MTR Order	Approved in Truing up for 2015-16	Deviation + / (-)	Gains / (Losses) due to Controllable factors	Gains / (Losses) due to Uncontrollable Factors
Contingency Reserve	75.35	0.00	75.35	-	75.35

4.9 Income Tax for FY 2015-16

GETCO has claimed the actual Income Tax of Rs. 64.62 Crore in the Truing up for FY 2015-16, as against Rs. 79.40 Crore approved for the year in MTR Order dated 29.04.2014 as given in the Table below:

Table 4.31: Income tax claimed by GETCO

(Rs. Crore)			
Particulars	Approved for 2015-16 in MTR Order	Claimed in Truing up for 2015-16	Deviation + / (-)
Income Tax	79.40	64.62	14.78

Petitioner's Submission

GETCO has submitted that the actual tax paid is Rs. 64.62 Crore, as against the approved tax of Rs. 79.40 Crore, resulting in an uncontrollable gain of Rs. 14.78 Crore.

Commission's Analysis

The Commission has verified the claimed tax expense of Rs. 64.62 Crore from the audited accounts for FY 2015-16 as well as from the copies of Challans for payment of tax.

The Commission, accordingly, approves the income tax at Rs. 64.62 Crore in the Truing up for FY 2015-16.

As regards the computation of Gains / (Losses), Regulation 23.1 (g) of GERC (MYT) Regulations, 2011 considers variation in taxes on income as uncontrollable.

The Commission, accordingly, approves the Gains / (Losses) on account of tax on income in the Truing up for FY 2015-16, as detailed in Table below:



Table 4.32: Gains / (Losses) approved in the Truing up for FY 2015-16

(Rs. Crore)

Particulars	Approved for 2015-16 in MTR Order	Approved in Truing up for 2015-16	Deviation + / (-)	Gains / (Losses) due to Controllable factors	Gains / (Losses) due to Uncontrollable Factors
Income Tax	79.40	64.62	14.78	0	14.78

4.10 Capitalisation of Expenses for FY 2015-16

GETCO has claimed capitalization of expenses of Rs. 194.13 Crore. The capitalisation of expenses approved for the year in MTR Order was Rs. 212.13 Crore. The approved and claimed capitalization of expenses are given in the Table below:

Table 4.33: Expenses capitalized during FY 2015-16

(Rs. Crore)

Particulars	Approved for 2015-16 in MTR Order	Claimed in Truing up for 2015-16
Expenses Capitalized	212.13	194.13

Commission's Analysis

The capitalisation of expenses consists of three elements: (i) capitalisation of interest, and (ii) capitalisation of O&M expenses and (iii) capitalization of depreciation. As far as capitalisation of interest is concerned, it is not deducted from the ARR, since the capitalisation is considered for debt-equity and for normative computation of interest on loan. As far as capitalisation of O&M expense is concerned, it is required to be deducted from the ARR, since this amount has already been included in the approved capitalisation of assets. The gross O&M expenses, as per audited accounts, are allowed in the ARR and, therefore, it is appropriate to consider the deduction of capitalisation of O&M expenses from the ARR. The expenses capitalised during the control period were approved in the MTR Order and they need to be trued up as per the audited accounts.

Regarding non-consideration of capitalization of depreciation, since the capitalization is considered for debt-equity ratio and for normative computation of interest on loan, capitalization of depreciation is not deducted from the ARR.

The Commission has verified the capitalization of expenses and the actual O&M Expenses capitalised during FY 2015-16 as per audited accounts are Rs. 194.13, as detailed below:



Table 4.34: O&M expenses capitalized during FY 2015-16

SI. No.	Particulars	Amount
1	Employee Cost	168.30
2	R&M expenses	0.22
3	A&G expenses	25.61
	Total	194.13

(Rs. Crore)

The Commission, accordingly, approves the capitalisation of O&M expenses at Rs. 194.13 Crore, as per the audited annual accounts in the Truing up for FY 2015-16.

The Commission accordingly approves gains/(Losses) on account of capitalisation of O&M expenses as uncontrollable as calculated in the Table below:

Table 4.35: Gains / (Losses) in O&M expenses capitalized approved in the Truing up

Particulars	Approved for 2015-16 in MTR Order	Approved in Truing up for 2015-16	Deviation + / (-)	Gains/ (Losses) Controllable factor	Gains/ (Losses) Uncontrollable factor
O&M Expenses Capitalised	212.13	194.13	(18.00)	-	(18.00)

(Rs. Crore)

4.11 Non-tariff Income for FY 2015-16

GETCO has claimed Non-tariff Income at Rs. 121.94 Crore in the Truing up for FY 2015-16, as against Rs. 188 Crore approved for the year. The details are given in detail in Table below:

Table 4.36: Non-Tariff Income claimed by GETCO for FY 2015-16

Particulars	Approved for 2015-16	Claimed in Truing up for 2015-16	Deviation + / (-)
Non-Tariff Income	188.00	121.94	66.06

(Rs. Crore)

Petitioner's Submission

GETCO submitted that Miscellaneous receipts include Non-tariff income like pro-rata charges, reactive energy charges, O&M charges for dedicated lines and supervision charges of deposit work as approved by the Commission.



GETCO also submitted that they are accounting Government Grants/Consumer Contribution @ 11.75% of the closing balance as deferred income during the year. The amount of deferred income recognized for the FY 2015-16 is Rs. 174.51 Crores as per the Annual Accounts.

GETCO also stated that depreciation on the assets acquired from Grant/Consumer Contribution is not included in the depreciation claimed for FY 2015-16 as per the APTEL order in Appeal Nos. 108 of 2013, 149 of 2015, 171 of 2014 and 172 of 2014 dated 21st July 2016. Hence deferred income on Grant/Subsidies and Consumer Contribution is also not considered in Non-tariff Income.

Commission's Analysis

The Commission has verified and found the actual 'Non-tariff income', excluding the interest on staff loans and advance is Rs. 312.42 Crore, which includes Rs. 174.51 Crore pertaining to the income towards Grants / Subsidies and Consumer Contribution towards cost of capital assets (Deferred amount) and Rs. 29.48 Crore income from parallel operation charges. GETCO has not considered Rs. 174.51 Crore as Non-Tariff income. The net Non-Tariff income of GETCO is Rs. 312.42 Crore after deducting the non-tariff income of Rs. 12.01 Crore relating to SLDC for FY 2015-16.

The Commission has allowed depreciation on all the assets, including those created through Grants and Consumer Contribution. It is, therefore, necessary that the amount of Rs. 174.51 Crore being the deferred income pertaining to Grants/ Subsidies and Consumer Contribution is considered as part of Non-tariff income, as per the prevailing practice and as elaborated in the consequential order dated 03.01.2017.

The Commission, accordingly, approves the Non-tariff Income of Rs. 312.42 Crore as actual, as per the audited annual accounts in the Truing up for FY 2015-16 as detailed in the Table below:

Table 4.37: Approved Non-Tariff Income for FY 2015-16

(Rs. Crore)

Sl. No.	Particulars	GETCO	SLDC	Net GETCO amount
1	Parallel Operation Charges	29.48	-	29.48
2	Misc. charges from consumers	17.56	9.92	7.64
3	Misc. revenue	48.05	0.35	47.70



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Sl. No.	Particulars	GETCO	SLDC	Net GETCO amount
4	Income towards govt. grant/subsidy (deferred income)	174.51	-	174.51
5	Income from sale store scarp	6.37	-	6.37
6	Rev. subsidy and grant	0.47	-	0.47
7	Interest on advance to others	15.87	-	15.87
8	Interest from investment	8.06	-	8.06
9	Net gain on sale of fixed asset	4.73	-	4.73
10	Penalty received from supplier	4.99	-	4.99
11	Other miscellaneous receipts	14.33	1.73	12.60
12	Prior period income	0.01	0.005	0.005
13	Non-Tariff Income (Total)	324.43	12.01	312.42

The Commission considers the Non-tariff income as uncontrollable and, accordingly, approves the Gains / (Losses) on Non- Tariff income in the Truing up for FY 2015-16, as detailed in the Table below:

Table 4.38: Gains / (Losses) on Non-Tariff income approved in the Truing up for FY 2015-16

(Rs. Crore)

Particulars	Approved for 2015-16 in MTR Order	Approved in Truing up for 2015-16	Deviation + / (-)	Gains / (Losses) due to Controllable factors	Gains / (Losses) due to Uncontrollable factors
Non-Tariff Income	188.00	312.42	(124.42)	0.00	(124.42)

4.12 Incentive for Target availability for FY 2015-16

GETCO has claimed Incentives of Rs. 39.49 Crore for Transmission Availability in the Truing up for FY 2015-16, as against Rs. 0.00 Crore approved for the year as per MTR order dated 29.04.2014 as shown in the Table below:

Table 4.39: Incentive for Target Availability claimed by GETCO

(Rs. Crore)

Particulars	Approved for 2015-16 in MTR Order	Claimed in Truing up for 2015-16
Incentive on Transmission Availability	0.00	39.49



Petitioner's Submission

GETCO has achieved an availability of 99.42% for its transmission network during FY 2015-16 certified by SLDC as against targeted availability of 98%. GETCO further submitted that it has computed the incentive on higher availability based on the target availability of 98% and the same is presented in the table given below. The incentive is calculated on Aggregate Revenue Requirement.

Table 4.40: Incentive Claimed for higher Availability

Sr. No.	Particulars	2015-16
1	Target Availability as per MYT Regulations (%)	98.00%
2	Actual Availability (%)	99.42%
3	Aggregate Revenue Requirement (Rs. Crore)	2725.54
4	Incentive for Transmission System Availability (Rs. Crore)	39.49

Commission's Analysis

The Commission has verified availability of Transmission system from SLDC certificates and found availability to be 99.42%. Incentive has to be given as per the formula mentioned in Regulation 75.1 of GERC MYT Regulations 2011 as shown below:

Incentive = ATC x [Annual availability achieved – Target Availability]/ Target Availability

The Commission hereby approves incentive of Rs. 37.67 for the Truing up for FY 2015-16 as detailed in the Table below:

Table 4.41: Incentive approved for higher availability

Sr. No.	Particulars	2015-16
1	Target Availability as per MYT Regulations (%)	98.00%
2	Actual Availability (%)	99.42%
3	Aggregate Revenue Requirement (Rs. Crore)	2599.75
4	Incentive for Transmission System Availability (Rs. Crore)	37.67

The Commission considers the deviation in incentive as uncontrollable and accordingly approves the gain/(loss) in the Truing Up for FY 2015-16 as given in the Table below:



Table 4.42: Gains/ (losses) approved on the Incentive in the truing up

(Rs. Crore)

Particulars	Approved for 2015-16 in MTR Order	Approved in Truing up for 2015-16	Deviation + / (-)	Gains / (Losses) due to Controllable factors	Gains / (Losses) due to Uncontrollable Factors
Incentives	0.00	37.67	(37.67)	-	(37.67)

4.13 Gains / (Losses) under “Truing up”

The Commission reviewed the performance of GETCO under Regulation 22 of GERC (MYT) Regulations, 2011, with reference to the Audited Annual Accounts for FY 2015-16.

The Commission has computed the sharing of Gains and (Losses) for FY 2015-16, based on the Truing up for each of the components discussed in the above paragraphs.

The fixed charges approved for FY 2015-16 in the MTR Order dated 29th April, 2014, claimed by GETCO in Truing up (Gains / (Losses)), computed in accordance with GERC (MYT) Regulations, 2011 are given in the Table below:



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Table 4.43: Approved in Truing up Order for FY 2015-16

(Rs. Crore)

Sl. No	Fixed charges	Approved for 2015-16 in the MTR Order	Actual claimed in Truing up for 2015-16	Approved in Truing up for 2015-16	Deviation + / (-)	Gains/ (Losses) due to Controllable Factors	Gains/ (Losses) due to Uncontrollable Factors
1	2	3	4	5	6=3-5	7	8
1	Operations & Maintenance Expenses	1107.67	1051.09	1017.97	89.70	125.40	(35.70)
2	Depreciation	804.84	707.56	817.77	(12.93)	0.00	(12.93)
3	Interest & Finance Charges	458.99	528.55	522.79	(63.80)	0.00	(63.80)
4	Interest on Working Capital	71.00	82.51	75.87	(4.87)	0.00	(4.87)
5	Return on Equity	573.55	607.28	607.28	(33.73)	0.00	(33.73)
6	Contingency Reserve	75.35	0.00	0.00	75.35	0.00	75.35
7	Total Fixed Costs	3091.39	2976.99	3041.68	49.72	125.40	(75.67)
8	Less: Expenses Capitalised	212.13	194.13	194.13	18.00	0.00	18.00
9	Add: Provision for Tax	79.40	64.62	64.62	14.78	0.00	14.78
10	Total Transmission Charges	2958.66	2847.48	2912.17	46.50	125.40	(78.89)
11	Less: Non-tariff Income	188.00	121.94	312.43	(124.42)	0.00	(124.42)
	Aggregate Revenue Requirement	2770.66	2725.54	2599.75	170.92	125.40	45.53
12	Add: Incentive for Achieving Target Availability	0.00	39.49	37.67	(37.67)	0.00	(37.67)
13	Total Revenue Requirement	2770.66	2765.03	2637.42	133.25	125.40	7.86

Table 4.43 indicates a controllable gain of Rs. 125.40 Crore and an uncontrollable gain of Rs. 7.86 Crore.



4.14 Sharing of Gains / (Losses) for FY 2015-16

The Commission has analysed the Gains / (Losses) on account of controllable and uncontrollable factors.

The relevant Regulations of GERC (MYT) Regulations, 2011 are extracted below:

“Regulation 24. Mechanism for pass-through of Gains or Losses on account of uncontrollable factors

24.1 The approved aggregate gain or loss to the Generating Company or Transmission Licensee or Distribution Licensee on account of uncontrollable factors shall be passed through as an adjustment in the Tariff of the Generating Company or Transmission Licensee or Distribution Licensee over such period as may be specified in the Order of the Commission passed under these Regulations.

24.2 The Generating Company, or Transmission Licensee or Distribution Licensee shall submit such details of the variation between expenses incurred and revenue earned and figures approved by the Commission, in the prescribed format to the Commission, along with detailed computations and supporting documents as may be required for verification by the Commission.

24.3 Nothing contained in this Regulation 24 shall apply in respect of any gain or loss arising out of variations in the price of fuel and power purchase which shall be dealt with as specified by the Commission from time to time.

Regulation 25. Mechanism for sharing of Gains or Losses on account of controllable factors

25.1 The approved aggregate gain to the Generating Company or Transmission Licensee or Distribution Licensee on account of controllable factors shall be dealt with in the following manner:

- a. One-third of the amount of such gain shall be passed on as a rebate in Tariffs over such period as may be specified in the Order of the Commission under Regulation 22.6;
- b. The balance amount, which will amount to two-thirds of such gain, may be utilised at the discretion of the Generating Company or Transmission Licensee or Distribution Licensee.



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

- a. One-third of the amount of such loss may be passed on as an additional charge in Tariffs over such period as may be specified in the Order of the Commission under Regulation 22.6; and
- b. The balance amount, which will amount to two-thirds of such loss, shall be absorbed by the Generating Company or Transmission Licensee or Distribution Licensee.”

The revenue gap, based on the True-up ARR and the Gains / (Losses) approved in the Truing up for FY 2015-16, is summarised in the Table below:

Table 4.44: Revenue (Gap) / Surplus for FY 2015-16

(Rs. Crore)

Sl. No.	Particulars	2015-16
1	ARR approved in the MTR Order on 29.04.2014 for 2015-16	2770.67
2	Less: Gain on Account of Uncontrollable Factors to be Passed on to the Consumers	7.86
3	Less: Gain on Account of Controllable Factors to be Passed on to the Consumers (1/3 rd)	41.80
4	Revised ARR for 2015-16	2721.01
5	(Gap) / Surplus	49.66

The Truing up Exercise carried out indicates a revenue surplus of Rs. 49.66 Crore, as against ARR of Rs. 2770.67 Crore approved for FY 2015-16 in the MTR Order dated 29th April, 2014 and consequential order dated 03.01.2017.

Furthermore, Gujarat Energy Transmission Corporation Limited (GETCO) filed Tariff Petition No. 1262/2012 before the Commission for truing up of FY 2011-12 and determination of transmission tariff for FY 2013-14. Subsequently, the Commission issued the order on 28.03.2013. Aggrieved by the said order, GETCO filed Appeal No. 108/2013 before Hon'ble APTEL challenging the Commission's orders dated 28.03.2013.

GETCO filed Petition No. 1341/2013 before the Commission for Mid-Term Review of FY 2014-15 and FY 2015-16. Subsequently, the Commission issued the order on



29.04.2014. Aggrieved by the said order, GETCO filed Appeal No. 171/2014 before Hon'ble APTEL challenging the Commission's orders dated 29.04.2014.

GETCO filed Petition No. 1375/2013 before the Commission for truing up of FY 2012-13 and determination of transmission tariff for FY 2014-15. Subsequently, the Commission issued the order on 29.04.2014. Aggrieved by the said order, GETCO filed Appeal No. 172/2014 before Hon'ble APTEL challenging the Commission's orders dated 29.04.2014.

GETCO filed Petition No. 1461/2014 before the Commission for truing up of FY 2013-14 and determination of transmission tariff for FY 2015-16. Subsequently, the Commission issued the order on 31.03.2015. Aggrieved by the said order, GETCO filed Appeal No. 149/2015 before Hon'ble APTEL challenging the Commission's orders dated 31.03.2015.

These Appeals were heard and decided simultaneously by Hon'ble APTEL in common orders dated 21.07.2016 and 10.11.2016. Accordingly, the Commission has revised ARR and gain/loss due to controllable and uncontrollable factors for FY 2011-12, FY 2012-13 and FY 2013-14 in consequential order dated 03.01.2017. As per this consequential order there was a total reduction of Rs. 59.45 Crore (16.46 + 29.36 + 13.62 Crore) in the surplus amount for all the three trued up years i.e. FY 2011-12, 2012-13 & 2013-14.

It is also observed that while carrying out revised truing up exercise of FY 2013-14 in consequential order dated 03.01.2017, there was an inadvertent error in calculation of maintenance spares for FY 2013-14, it was considered as 1% of half net addition and not of whole net addition and escalated to 6% as per GERC (MYT) Regulations, 2011. After rectification of this error, total impact of consequential order comes out Rs. 60.51 Crore (59.45+1.06) as per the Table below;



Table 4.45: Revised calculation of consequential order dated 03.01.2017

Sl. No.	Particulars	2013-14		
		Approved in true-up Order dated 31.03.2015	Approved in Consequential Order dated 03.01.2017	Now Approved
1	ARR approved in the MYT Order on 31.03.2011	2,377.74	2377.74	2,377.74
2	Less: Gain on account of uncontrollable factors to be passed to the consumers	436.11	422.25	421.18
3	Add: Loss /(Gain) on account of Controllable factors to be passed to the consumers (1/3rd)	1.35	(1.60)	(1.60)
4	Revised ARR	1,942.98	1953.89	1,954.95
5	Net Surplus	437.47	423.85	422.79
6	Impact due to Revision in Surplus		(13.62)	(14.68)
7	Difference between Approved in Consequential Order dated 03.01.2017 and Now Approved			(1.06)

Total impact after consideration of revised Net surplus of FY 2013-14 was considered as Rs. 59.45 Crore in the consequential order dated 03.01.2017 which actually comes out to Rs. 60.51 Crore after correction of calculation of Maintenance Spare. The Commission now considers this impact of Rs 60.51 Crore along with true up of FY 2015-16 as directed by Hon'ble APTEL in the judgement dated 10.11.2016.

Table 4.46: Net Revenue (Gap) / Surplus for FY 2015-16

Sl. No.	Particulars	2015-16
1	(Gap) / Surplus due to Truing up of 2015-16	49.66
2	Add: Past period gap as per consequential order dated 03.01.2017	(59.45)
3	Add: Gap due to rectification in consequential order dated 03.01.2017	(1.06)
4	Net (Gap) / Surplus	(10.85)

The Commission has arrived at a Gap of Rs. 10.85 Crore in truing up of FY 2015-16 after adjustment of consequential order dated 03.01.2017. This Gap is carried forward to ARR of FY 2017-18 for determination of transmission charges.



5 Determination of Aggregate Revenue Requirement (ARR) for the FY 2016-17 to FY 2020-21 and Transmission Charges for FY 2017-18

5.1 Introduction

The determination of Aggregate Revenue Requirement (ARR) for the control period FY 2016-17 to FY 2020-21 and the transmission charges for the FY 2017-18 are taken up in this chapter.

5.2 Capital Investment

For improving the transmission network availability and to strengthen the overall transmission network, GETCO has proposed year wise Capital Expenditure totaling to Rs. 13,688 Crore during Control Period 2016-17 to 2020-21 for construction of new transmission lines and sub - stations along with augmentation and R&M work. The detailed breakup of proposed capital expenditure during the control period FY 2016-17 to FY 2020-21 is given in Table 5.3.

GETCO has proposed to add 13841 Ckt. Km. of transmission lines and 440 sub - stations during the control period FY 2016-17 to FY 2020-21. The Details of addition in substations and lines for third control period FY 2016-17 to FY 2020-21 are given in the Table below:

Table 5.1: Network Additions during the control period (FY 2016-17 to FY 2020-21)

Voltage class	2016-17	2017-18	2018-19	2019-20	2020-21	Total
765kV	0	0	24	84	132	240
400kV	544	823	1097	975	1047	4486
220kV	763	890	893	825	708	4079
132kV	116	103	115	125	0	459
66kV	1177	900	700	800	1000	4577
Total	2600	2716	2829	2809	2887	13841

(Ckt. Km)

Table 5.2: Addition of Sub - stations during the control period

Voltage class	2016-17	2017-18	2018-19	2019-20	2020-21	Total
765kV	0	0	0	0	1	1

(Nos.)



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400kV	1	0	2	2	5	10
220kV	1	4	11	6	6	28
132kV	2	1	2	0	0	5
66kV	96	95	65	72	68	396
Total	100	100	80	80	80	440

GETCO has proposed to phase the capital investment of Rs. 13688 crore over the control period to create the additional network and substations over various voltage class as given in the table below:

Table 5.3: Proposed Capital Investment for FY 2016-17 to 2020-21

(Rs. Crore)

Sr. No.	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
A	New Projects					
1	765 KV Sub Station	0	0	14	99	128
2	765 KV Lines	0	0	26	179	230
3	400 KV Sub Station	85	204	313	495	431
4	400 KV Lines	632	561	628	611	517
5	220 KV Sub Station	119	362	414	224	413
6	220 KV Lines	208	328	363	245	299
7	132 KV Sub Station	18	18	19	0	0
8	132 KV Lines	19	32	36	23	0
9	66 KV Sub Station	372	380	356	372	348
10	66 KV Lines	190	153	119	136	170
11	Bus Reactor & SVC	40	65	60	60	60
12	Capacitor Bank	24	25	24	25	25
Total (A)		1,707	2,127	2,372	2,469	2,621
B	R&M					
1	Renovation and Modernization	353	260	250	250	250
2	Augmentation of Sub-station/ Lines	464	205	130	120	110
Total (B)		817	465	380	370	360
Total CAPEX (A+B)		2,524	2,592	2,752	2,839	2,981

5.3 Capital Expenditure and Capitalization

GETCO has proposed capital expenditure, capitalization and funding during the control period as given in Table below:



Table 5.4: Projected Capital expenditure and capitalization during the control period
(Rs. Crore)

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Capex for the year	2524	2592	2752	2839	2981
Capitalization	2019	2074	2202	2271	2385
Debt (70%)	1413	1452	1541	1590	1669
Equity (30%)	606	622	661	681	715
Grants	0	0	0	0	0

GETCO has submitted that the Capitalization has been assumed as 80% of capital expenditure the average ratio considering Capitalization / Capex in last five years. The Capitalization is assumed to be funded on normative basis through the means of debt and equity with the debt equity ratio of 70:30 on normative basis as per as per GERC Multi-Year Tariff Regulations, 2016

Commission's Analysis

The Commission is of the opinion that the CAPEX planned is required due to increased loading of current system, new addition of generating capacity, system strengthening and regular renovation and modernisation. Hence, the Commission accepts the CAPEX as proposed by GETCO. However, during true up exercise of each of the year, actual CAPEX will be compared with the CAPEX proposed in the present petition along with detailed justification for deviation, if any. Furthermore, GETCO shall take prior approval from Commission for any deviation in the CAPEX across voltage class/schemes.

The Commission is of the view that CAPEX proposed by SLDC for installation of RTU and weather monitoring system should be included in GETCO's CAPEX because assets of RTU and weather monitoring system are created by GETCO and are accounted in GETCO's book of accounts. The Commission has accordingly considered CAPEX related to RTU and weather monitoring system, as projected by SLDC, under GETCO's CAPEX.

The Commission, while carrying out truing-up exercise of FY 2015-16, has also observed that GETCO has incurred huge CAPEX i.e. more than what was approved in MTR order for FY 2015-16 in respect of 66 kV voltage class while the CAPEX incurred for voltage class of 132 kV, 220 kV and 400 kV was significantly less than what was approved in MTR order for FY 2015-16. Though, such deviation in CAPEX



across voltage classes were justified by GETCO, however the Commission is of the view that any deviation in capitalization across voltage classes/schemes should have prior concurrence of the Commission with due justification. The Commission has also observed that during FY 2014-15 and FY 2015-16, GETCO has incurred huge capitalization as compared to what was approved in MTR order. The Commission is of the view that CAPEX in excess of Rs. 50 Crore over the approved capitalization in this MYT order should have prior concurrence of the Commission with due justification.

GETCO has claimed capitalization as 80% of the proposed CAPEX. Considering past trend, the Commission notes that on an average the capitalization has been greater than 80% of actual CAPEX. The Commission also noted that in last 5 years, on an average GETCO has received Government Grant of 13.35% of capitalization. The Commission is of the opinion that GETCO will continue to receive Government Grants in future as well. The Commission has, therefore, considered grants for each of the year of control period equivalent to 13.35% of that year's approved capitalization. This grant is negated from the capitalization for calculation of debt and equity for that year. Hence, the Commission approves the CAPEX and capitalization and its financing through Grants, Debt and Equity as given in the Table below:

Table 5.5: Approved Capital Expenditure and Capitalization

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Capex as proposed by GETCO	2523.83	2592.45	2752.38	2839.07	2980.89
CAPEX on RTU	6.22	5.98	5.10	3.60	3.60
Total CAPEX for the year	2530.05	2598.42	2757.48	2842.67	2984.49
Capitalization	2024.04	2078.74	2205.98	2274.14	2387.59
Grants	270.21	277.51	294.50	303.60	318.74
Balance Capitalization	1753.83	1801.23	1911.49	1970.55	2068.86
Debt (70%)	1227.68	1260.86	1338.04	1379.38	1448.19
Equity (30%)	526.15	540.37	573.45	591.16	620.66

The Commission has arrived at the opening and closing balance of GFA taking into consideration the capitalization approved in true up of FY 2015-16 and in the above para as detailed in the Table below:



Table 5.6: Gross Fixed Assets for FY 2015-16 to 2020-21

(Rs. Crore)

Year	Opening balance	Additions during the year	Closing balance
2015-16 (Trued-Up)	15,520.57	2,525.45	18,046.02
2016-17	18046.02	2024.04	20070.06
2017-18	20070.06	2078.74	22148.79
2018-19	22148.79	2205.98	24354.78
2019-20	24354.78	2274.14	26628.91
2020-21	26628.91	2387.59	29016.51

The above gross fixed assets are taken into consideration for computation of depreciation charges.

5.4 Fixed Charges for the Control Period

Total fixed charges for the control period have been categorized into following elements:

- O&M expenses
 - Employee cost
 - Administration and General expenses
 - Repairs and Maintenance expenses
- Depreciation
- Interest and Finance charges
- Interest on Working Capital
- Return on Equity
- Contribution to Contingency Reserve

5.4.1 Operation and Maintenance (O&M) Expenses

GETCO has projected year wise O&M expenses totaling to Rs.8069.66 crore for the control period from FY 2016-17 to FY 2020-21 as detailed in the Table below:



Table 5.7: Proposed normative O&M expenses

(Rs. Crore)

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Sub - stations (Bays)					
Opening Number of Bays	11,872	12,583	13,283	14,000	14,646
Addition during year	711	700	717	646	702
Closing Number of Bays	12,583	13,283	14,000	14,646	15,348
Average Number of Bays	12,228	12,933	13,642	14,323	14,997
O&M expense norm per Bay	7.60	8.04	8.50	8.98	9.50
Total O&M Expenses Sub - stations	929.29	1,039.81	1,159.53	1,286.21	1,424.72
Transmission Lines (Ckt km)					
Opening Ckt Km	54,665	57,265	59,981	62,810	65,619
Addition during year	2,600	2,716	2,829	2,809	2,887
Closing Ckt Km	57,265	59,981	62,810	65,619	68,506
Average Ckt Km	55,965	58,623	61,396	64,215	67,063
O&M expense norm per Ckt Km	0.64	0.68	0.72	0.76	0.81
Total O&M Expenses Transmission Lines	358.18	398.64	442.05	488.03	543.21
Total O&M Expenses	1,287.47	1,438.45	1,601.58	1,774.24	1,967.92

The normative O&M expense is calculated based on GERC MYT Regulations 2016.

Petitioner's submission

GETCO has submitted that the normative values of O&M cost per Ckt km and per Bay as per the GERC MYT Regulations, 2016 have an escalation of around 6%. This would only address the inflation aspect of O&M costs but is insufficient to meet additional expenses on account of 7th Pay Commission.

Furthermore, as per GETCO's estimation, additional expense to the tune of Rs 145 Cr in FY 2016-17 would be needed to address the 7th Pay Commission impact. This estimated year-on-year impact considering an escalation of 5.72% is shown below:

Table 5.8: Projected 7th Pay commission impact for the control period

(Rs. Crore)

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
7 th Pay Commission Impact	145.00	153.29	162.06	171.33	181.13

GETCO has stated that the amount is significantly higher (11.2% of projected O&M expenses) and disallowance of the same will have a considerable strain on GETCO finances and may even lead to operational cash flow issues. Therefore, GETCO



requested the Hon'ble Commission to approve the additional impact on account of 7th Pay Commission as shown above and allow GETCO the recovery of the same.

Commission's analysis

The Commission has examined the submissions made by GETCO. GETCO has projected the O&M expenses as per details submitted regarding Bays and Circuit Kms expected to be operationalized in the control period. The scheme wise details are already submitted in the annexure to the petition.

GETCO has considered closing values of Bays and Ckt. Kms of FY 2015-16 as opening value of Bays and Ckt. Kms. For FY 2016-17. However, as shown in Table No. 4.5 of this order, closing value of Bays and Ckt. Kms for FY 2015-16 are 11811 and 54605 respectively. The Commission has considered actual closing values of Bays and Ckt. Kms of FY 2015-16 as the opening values of FY2016-17 to arrive at the O&M expenses for this MYT control period.

The Commission is of the view that GETCO has claimed 80% capitalization of the proposed CAPEX for current control period. The scheme wise details of Bays and Ckt. Kms given in the annexure attached the present petition are related to the proposed CAPEX. As O&M expense can only be claimed for operating Bays and Lines, and as GETCO has proposed capitalization of only 80% of the CAPEX, the Commission is of the view that new Bays and Ckt. Kms should also be approved based on 80% of proposed numbers. Hence, the approved Bays and Circuit Kms, and related normative O&M expenditure are calculated in accordance with GERC (MYT) Regulations, 2016 as detailed in the Table below:

Table 5.9: Approved O&M expenses for the control period FY 2016-17 to FY 2020-21

(Rs. Crore)

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Substations (Bays)					
Opening Number of Bays	11811.00	12379.80	12939.80	13513.40	14030.20
Addition during year	568.80	560.00	573.60	516.80	561.60
Closing Number of Bays	12379.80	12939.80	13513.40	14030.20	14591.80
Average Number of Bays	12095.40	12659.80	13226.60	13771.80	14311.00
O&M expense norm per Bay	7.60	8.04	8.50	8.98	9.50



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Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Total O&M Expenses Substations	919.25	1017.85	1124.26	1236.71	1359.55
Transmission Lines (Ckt km)					
Opening Ckt km	54605.44	56685.44	58858.24	61121.44	63368.64
Addition during year	2080.00	2172.80	2263.20	2247.20	2309.60
Closing Ckt km	56685.44	58858.24	61121.44	63368.64	65678.24
Average Ckt km	55645.44	57771.84	59989.84	62245.04	64523.44
O&M expense norm per Ckt km	0.64	0.68	0.72	0.76	0.81
Total O&M Expenses Transmission Lines	356.13	392.85	431.93	473.06	522.64
Total O&M Expenses (as per norms)	1,275.38	1,410.70	1,556.19	1,709.77	1,882.18

The Commission accordingly approves the O&M expenses for the control period for FY 2016-17 to FY 2020-21 as detailed in the Table above.

5.4.2 Depreciation

GETCO has projected year wise depreciation charges totaling to Rs. 5116.19 Crore for the control period FY 2016-17 to 2020-21 as given in the Table below:

Table 5.10: Proposed Depreciation

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Gross block at the beginning of the year	18,046.02	20,065.08	22,139.04	24,340.94	26,612.20
Additions during the year (Net)	2,019.06	2,073.96	2,201.90	2,271.26	2,384.71
Closing Block	20,065.08	22,139.04	24,340.94	26,612.20	28,996.91
Average Block	19,055.55	21,102.06	23,239.99	25,476.57	27,804.56
Depreciation for the year	928.49	1,028.20	1,132.37	1,241.35	1,354.78
Average rate of depreciation	4.87%	4.87%	4.87%	4.87%	4.87%
Less: Deduction on Assets funded through Govt. Grants/Consumer Contribution	113.80	113.80	113.80	113.80	113.80
Total depreciation	814.69	914.40	1018.57	1127.55	1240.98



Petitioner's Submission

GETCO has submitted that the Gross Fixed Assets & Depreciation for the control period has been computed on the basis of accounts for FY 2015-16. Depreciation for the year has been calculated considering the GERC norms for various blocks of assets

GETCO further submitted that it has computed the net depreciation by negating the depreciation on account of assets funded by Consumer Contribution/Grants as per the APTEL order dated 21st July 2016 in Appeal Nos. 108 of 2013, 149 of 2015, 171 of 2014 and 172 of 2014. GETCO recognizes Government Grants, Subsidies and Consumer Contribution @ 11.75% of the closing balance as income during the year (Deferred Income). Cumulative Consumer Contribution/Grants as on 31.03.2016 is Rs. 2335.57 Cr. The depreciation on the assets created from such Grants and Consumer Contribution is negated from the depreciation applicable for the FY 2016-17 to FY 2020-21. In line with the above treatment, GETCO has not projected any deferred income of Grants and Consumer Contributions as Non-tariff Income of FY 2016-17 to FY 2020-21.

Commission's Analysis

The Commission has computed the depreciation charges applying the weighted average rate of depreciation of 4.87% for the control period. The closing block of 2015-16 is taken as opening block of first year of the control period. Asset addition on account of capitalization of capital expenditure is considered as already approved for the control period in Table 5.5 above. While deducting the depreciation computed on the assets acquired under Grants and Consumer Contribution from the depreciation claim for the year, GETCO has not considered that portion of Consumer Contribution and Grants depicted in the Non-Tariff income, for deduction from the ARR. The Commission has noted in Para 6 of the consequential order dated 03.01.2017, as given below:

Hon'ble APTEL has directed the Commission to re-examine the issue of consideration of deferred income as Non-Tariff Income in light of the Accounting Standard and recommendation of CAG and advised to amend the MYT Regulations if necessary.

Accounting Standard 12 issued by Institute of Chartered Accountants reads as under:



8.2 Two methods of presentation in financial statements of grants (or the appropriate portions of grants) related to specific fixed assets are regarded as acceptable alternatives.

8.3 Under one method, the grant is shown as a deduction from the gross value of the asset concerned in arriving at its book value. The grant is thus recognised in the profit and loss statement over the useful life of a depreciable asset by way of a reduced depreciation charge. Where the whole, or virtually the whole, of the cost of the asset, the asset is shown in the balance sheet at a nominal value.

8.4 Under the other method, grants related to depreciable assets are treated as deferred income which is recognised in the profit and loss statement on a systematic and rational basis over the useful life of the asset. Such allocation to income is usually made over the periods and in the proportions in which depreciation on related assets is charged.

Ongoing through the Accounting Standard 12, it reveals that the deferred income to be offered to the P&L Statement must be over the useful life of the asset and in proportion in which depreciation on the asset created out of Government grant, consumer contribution and subsidy is charged. In the present case, GETCO has charged depreciation at around 5% on Straight Line Method and offered deferred income at around 11.75% on Written Down Value Method. GETCO justified this action as the policy decision is taken by the Company. It appears that the CAG has accepted the justification provided by GETCO as they have been giving "NIL" comments certificate on the Audited Annual Accounts of GETCO and have not raised the issue again. Since, the deferred income offered by GETCO is a part of Other Income as per their Audited Annual Accounts, the same is considered accordingly for working out the Profit Before Tax and Income Tax paid / payable. The Commission while truing up the FYs 2011-12 to 2013-14 has allowed the actual Income Tax paid by GETCO as a separate item of ARR and passed it on to the beneficiaries in respective years. The methodology adopted by GETCO for depreciation and deferred income is on different footing resulting into higher deferred income being offered in the initial years as compared to depreciation while in subsequent years depreciation will exceed the deferred income. However, over the life of the assets both the income and depreciation even out. In fact, GETCO has adopted this practice which is in line with the Accounting Standard 12, as they are not in a position to earmark the assets created out of such Government



Grants, Subsidy and Consumer Contribution. Commission has also adopted same methodology in tune with the Accounting Standard 12. In view of the above, as there is no deviation from the Accounting Standard and also the accounting methodology adopted by GETCO,

Thus, as explained above, the Commission considers both i.e. Grants and Consumer Contribution in Non-tariff income and depreciation related to assets created from Grants and Consumer Contribution in the depreciation. Accordingly, depreciation related to assets funded through Grants and Consumer Contribution is not deducted from the total depreciation. The depreciation has been provided on straight-line basis, as per the rates prescribed by GERC.

The Commission, approves the depreciation charges for the control period for FY 2016-17 to 2020-21 as detailed in the table below:

Table 5.11: Approved Depreciation

(Rs. Crore)

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Gross block at the beginning of the year	18,046.02	20,070.06	22,148.79	24,354.78	26,628.91
Additions during the year (Net)	2,024.04	2,078.74	2,205.98	2,274.14	2,387.59
Closing Block	20,070.06	22,148.79	24,354.78	26,628.91	29,016.51
Average Block	19,058.03	21,109.42	23,251.78	25,491.84	27,822.70
Depreciation for the year	928.61	1,028.56	1,132.95	1,242.10	1,355.67
Average rate of depreciation	4.87%	4.87%	4.87%	4.87%	4.87%
Less: Deduction on Assets funded through Govt. Grants and Consumer Contribution	0.00	0.00	0.00	0.00	0.00
Total Depreciation	928.61	1,028.56	1,132.95	1,242.10	1,355.67

In case of Depreciation, Regulation 39 of the GERC (MYT) Regulations, 2016 provides that-

*“Depreciation shall be computed annually based on the straight line method at the rates specified in the **Annexure I** to these Regulations.*



Provided that the remaining depreciable value as on 31st March of the year closing after a period of 12 years from date of commercial operation shall be spread over the balance useful life of the assets.

Provided further that for a Generating Company or a Transmission Licensee or SLDC or a Distribution Licensee formed as a result of a Transfer Scheme, the depreciation on assets transferred under the Transfer Scheme shall be charged as per rates specified in these Regulations for a period of 12 years from the date of Transfer Scheme, and thereafter depreciation will be spread over the balance useful life of the assets.”

The petitioner came into existence through Transfer Scheme of the State Government effective from 1st April 2005 and the period of 12 years is getting completed on 31.03.2017. Accordingly, the petitioner is required to consider depreciation for the FY 2017-18 in accordance with the MYT Regulations, 2016 as stated above. The Commission will consider and allow depreciation charges for FY 2017-18 in accordance with the MYT Regulations, 2016.

5.4.3 Interest and Finance charges for FY 2016-17 to 2020-21

GETCO has projected year wise interest and finance charges totaling to Rs. 3397.61 crore for the control period for FY 2016-17 to 2020-21 as detailed in the Table below:

Table 5.12: Proposed Interest and Finance charges for FY 2016-17 to 2020-21

(Rs. Crore)

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Opening loans	5,459.59	6,058.25	6,595.62	7,118.38	7,580.71
Loan additions during the year	1,413.34	1,451.77	1,541.33	1,589.88	1,669.30
Repayment during the year	814.69	914.40	1,018.57	1,127.55	1,240.98
Closing loans	6,058.25	6,595.62	7,118.38	7,580.71	8,009.03
Average loans	5,758.92	6,326.94	6,857.00	7,349.55	7,794.87
Interest on loan	581.93	633.76	682.09	727.10	767.74
Other Borrowing Charges	1.00	1.00	1.00	1.00	1.00
Total Interest & Finance charges	582.93	634.76	683.09	728.10	768.73
Weighted average rate of interest on loan	10.10%	10.02%	9.95%	9.89%	9.85%



Petitioner's submission

GETCO has submitted that the funding for new capital expenditure in the control period has been assumed to be undertaken at a normative debt: equity ratio of 70:30 in accordance with the GERC Multi-Year Tariff Regulations, 2016 and accordingly the new loan additions during the year have been estimated.

Weighted average rate of interest has been considered for the computation of Interest on Loans. For existing loans, the Interest Rate is assumed on the basis of estimates of FY 2015-16 and for new loan additions, interest rate of 9.65% has been considered in line with the present market scenario. GETCO has considered repayment equivalent to depreciation in line with the provisions of GERC Multi-Year Tariff Regulations, 2016.

Commission's Analysis

The Commission has examined the interest and finance charges projected by GETCO for the control period for FY 2016-17 to 2020-21. The closing loan of Rs.5349.39 crore in the true up for FY 2015-16 is taken as the opening balance of loan for FY 2016-17. The Commission has analyzed the capitalization of capital expenditure proposed by GETCO and approved the capitalization and funding of the Capex i.e debt and equity. GETCO has taken into consideration the weighted average rate of interest on the existing loan and for the new loans, the rate is taken as 9.65% which is in line with present market rates. The Commission has notified that as per MYT Regulations, 2016, repayment for the year during the tariff period from FY 2016-17 to FY 2020-21 shall be deemed to be equal to the depreciation allowed for that year. The year wise depreciation approved in Table 5.11 above is considered to be the repayment of loan in the corresponding year. The Commission has accordingly computed the interest charges on the opening loan and debt approved for the control period as detailed in the Table below:

Table 5.13: Approved Interest and Finance charges for FY 2016-17 to FY 2020-21

(Rs. Crore)

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Opening loans	5,349.39	5,648.46	5,880.76	6,085.85	6,223.13
Loan additions during the year	1,227.68	1,260.86	1,338.04	1,379.38	1,448.19
Repayment during the year	928.61	1,028.56	1,132.95	1,242.10	1,355.67
Closing loans	5,648.46	5,880.76	6,085.85	6,223.13	6,315.65
Average loans	5,498.93	5,764.61	5,983.30	6,154.49	6,269.39



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Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Interest on loan	556.14	578.13	595.86	609.40	617.80
Other Borrowing Charges	1.00	1.00	1.00	1.00	1.00
Total Interest & Finance charges	557.14	579.13	596.86	610.40	618.80
Weighted average rate of interest on loan	10.11%	10.03%	9.96%	9.90%	9.85%

The Commission approves the interest and finance charges as detailed in the above Table for the control period for FY 2016-17 to 2020-21.

5.4.4 Interest on working capital for FY 2016-17 to FY 2020-21

GETCO has projected year wise interest on working capital totaling to Rs. 405.04 crore for the control period FY 2016-17 to 2020-21 as detailed in the Table below:

Table 5.14: Proposed Interest on Working Capital for FY 2016-17 to 2020-21

(Rs. Crore)

Sr. No.	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
1	O & M Expenses (1 Month)	107.29	119.87	133.46	147.85	163.99
2	Maintenance Spares	180.46	200.65	221.39	243.41	266.12
3	Receivables (1 Months)	266.51	299.52	333.98	369.73	407.61
4	Total Working Capital	554.26	620.04	688.83	760.99	837.72
5	Rate of Interest on Working Capital	11.70%	11.70%	11.70%	11.70%	11.70%
6	Interest on Working Capital	64.85	72.55	80.59	89.04	98.01

Petitioner's submission

GETCO has submitted that the interest on working capital is worked out on normative basis and is based on the norms specified under the GERC Multi-Year Tariff Regulations, 2016. The relevant provision in the Regulations for Interest on Working Capital is produced as under:

Operation and maintenance expenses for one month; plus

Maintenance spares at one per cent of the historical cost; plus

Receivables equivalent to one month of transmission charges calculated on target availability level;

Minus



Amount, if any, held as security deposits except the security deposits held in the form of Bank Guarantee from Transmission System Users:

GETCO has further submitted that Interest rate has been considered as per the GERC (MYT) (First Amendment) Regulations, 2016 reproduced as under:

Interest on working capital shall be allowed at a rate equal to the State Bank Base Rate/1 year State Bank of India Marginal Cost of Funds Based Lending Rate/ any replacement thereof by SBI for the time being in effect applicable for 1 year period, as may be applicable as on 1st April of the financial year in which the Petition is filed plus 250 basis points.

Commission's Analysis

The Commission has calculated the working capital and interest on working capital in accordance with GERC (MYT) Regulations, 2016, and its First Amendment. GETCO has not furnished the security deposits held other than in the form of Bank Guarantee and not claimed any interest on security deposits. The MCLR of State Bank of India, as on 01/04/2016, is 9.20%, and adding a spread of 250 Basis Points thereon as provided in the MYT Regulations 2016, the interest rate works out to 11.70%. The Commission has calculated the working capital and interest on working capital for the control period for FY 2016-17 to 2020-21 in accordance with Regulation 40.2 as detailed in the Table below:

Table 5.15: Approved Interest on Working Capital for FY 2016-17 to 2020-21

(Rs. Crore)

Sr. No.	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
1	O&M Expenses (1 Month)	106.28	117.56	129.68	142.48	156.85
2	Maintenance Spares	180.46	200.70	221.49	243.55	266.29
3	Receivables (1 Months)	254.75	282.99	312.39	342.84	375.11
4	Total Working Capital	541.49	601.25	663.56	728.87	798.25
5	Rate of Interest on Working Capital	11.70%	11.70%	11.70%	11.70%	11.70%
6	Interest on Working Capital	63.35	70.35	77.64	85.28	93.39

The Commission approves the interest on working capital as detailed in the above Table for the control period for FY 2016-17 to 2020-21.



5.4.5 Return on Equity for FY 2016-17 to 2020-21

GETCO has projected year wise return on equity totaling to Rs. 4396.91 crore for the control period FY 2016-17 to 2020-21 as detailed in the Table below:

Table 5.16: Proposed Return on Equity for FY 2016-17 to 2020-21

(Rs. Crore)						
Sr. No.	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
1	Opening Equity	4,694.39	5,300.11	5,922.29	6,582.86	7,264.24
2	Equity Additions during the year	605.72	622.19	660.57	681.38	715.41
3	Closing Equity	5,300.11	5,922.29	6,582.86	7,264.24	7,979.66
4	Average Equity	4,997.25	5,611.20	6,252.58	6,923.55	7,621.95
5	Rate of Return on the Equity	14.00%	14.00%	14.00%	14.00%	14.00%
6	Return on Equity	699.61	785.57	875.36	969.30	1,067.07

Petitioner's submission

GETCO has submitted that the funding for new capital expenditure in the control period has been assumed to be undertaken at a normative debt: equity ratio of 70:30 and return on equity at 14% in accordance with the GERC Multi-Year Tariff Regulations, 2016 and accordingly the new equity additions during the year has been estimated.

Commission's Analysis

The Commission has examined the submission made by GETCO. The return on equity is to be considered on normative basis on the opening balance of equity and approved equity addition during the respective years. The rate of return on equity as per the GERC (MYT) Regulations, 2016 is 14% as claimed by GETCO. The Commission has approved the capitalization, debt and equity portions of funding in earlier section. The closing balance of equity for the FY 2015-16 has been considered at Rs.4694.39 crore as approved in the true-up for FY 2015-16. Taking this as opening balance of equity for FY 2016-17 and the equity additions approved for the control period in earlier section, the Commission has computed the return on equity as detailed in the Table below:



Table 5.17: Approved Return on Equity for FY 2016-17 to FY 2020-21

(Rs. Crore)

Sr. No.	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
1	Opening Equity	4,694.39	5,220.54	5,760.91	6,334.36	6,925.52
2	Equity Additions during the year	526.15	540.37	573.45	591.16	620.66
3	Closing Equity	5,220.54	5,760.91	6,334.36	6,925.52	7,546.18
4	Average Equity	4,957.47	5,490.73	6,047.63	6,629.94	7,235.85
5	Rate of Return on the Equity	14%	14%	14%	14%	14%
6	Return on Equity	694.04	768.70	846.67	928.19	1013.02

The Commission approves the return on equity as detailed in the above Table for the control period for FY 2016-17 to 2020-21.

5.4.6 Contingency Reserve for FY 2016-17 to 2020-21

GETCO has projected Contingency Reserve for the control period for FY 2016-17 to 2020-21 as detailed in the Table below:

Table 5.18: Projected Contingency Reserve for FY 2016-17 to 2020-21

(Rs. Crore)

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Contingency Reserve	0.00	0.00	0.00	0.00	0.00

Petitioner's submission

GETCO submitted that as per Regulation 68.3 of the GERC MYT Regulations, 2016, GETCO is required to maintain contingency reserves at 0.5 per cent of the original cost of fixed assets. GETCO further stated that as per the Annual Accounts 2015-16, GETCO has Rs. 124 Cr in the Contingency Reserve fund as on 31st March, 2016. This amount is sufficient to cover any contingency requirement of GETCO. Therefore, GETCO has not projected contingency reserves for the control period FY 2016-17 to FY 2020-21

Commission's Analysis

The Commission has examined the submission made by GETCO. The Commission accordingly approves the contingency reserve for each year of the control period as shown in the Table below:



Table 5.19: Approved Contingency Reserve for FY 2016-17 to 2020-21

(Rs. Crore)

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Contingency Reserve	0.00	0.00	0.00	0.00	0.00

5.4.7 Tax on Income for FY 2016-17 to 2020-21

GETCO has projected the tax on income for the control period FY 2016-17 to 2020-21 as detailed in the Table below:

Table 5.20: Projected tax on income for FY 2016-17 to 2020-21

(Rs. Crore)

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Tax on Income	64.62	64.62	64.62	64.62	64.62

Petitioner's submission

GETCO has submitted that it has computed the tax for the control period FY 2016-17 to FY 2020-21 in line with the provisions of GERC MYT Regulations, 2016 by considering the tax expense incurred during the FY 2015-16. The relevant provision of the Regulation is as mentioned below:

41.1 The Commission in its MYT Order shall provisionally approve Income Tax payable for each year of the Control Period, if any, based on the actual income tax paid, including cess and surcharge on the same, if any, as per latest Audited Accounts available for the Applicant, subject to prudence check.

Commission's Analysis

The Commission has examined the submission made by GETCO. As provided in Regulation 41.1 of GERC MYT Regulations 2016, the latest audited accounts available for GETCO is for FY 2015-16 and accordingly, the Commission considers tax expense of FY 2015-16 as the provisional tax expense approved for each year of the control period.

The Commission approves Income Tax payable for each year of the Control Period FY 2016-17 to FY 2020-21, based on the actual income tax paid as per latest Audited Accounts available for the Applicant. Any variation in income tax actually paid and approved shall be reimbursed based on documentary evidence



at the time of truing up for each year of the control period subject to prudence check in accordance with Regulation 41.2 of GERC MYT Regulations, 2016.

Table 5.21: Approved Tax on income for FY 2016-17 to 2020-21

(Rs. Crore)					
Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Tax on Income	64.62	64.62	64.62	64.62	64.62

The Commission approves the tax on income as detailed in the above Table for the control period for FY 2016-17 to 2020-21.

5.4.8 Expenses capitalized during the control period

Petitioner's submission

GETCO has projected year wise capitalization of expenses totaling to Rs. 970.65 crores for the control period FY 2016-17 to FY 2020-21 as detailed in the Table below:

Table 5.22: Expenses capitalized during the control period

(Rs. Crore)					
Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Expenses capitalized	194.13	194.13	194.13	194.13	194.13

Commission's Analysis

The Commission considers the expenses capitalized as approved for true-up of FY 2015-16 as expenses capitalized for each of the year of control period FY 2016-17 to FY 2020-21.

The Commission approves the capitalization of other expenses for the control period as given in Table below.

Table 5.23: Approved Expenses Capitalized during the control period

(Rs. Crore)					
Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Expenses capitalized	194.13	194.13	194.13	194.13	194.13

5.4.9 Non-tariff income for FY 2016-17 to 2020-21

GETCO has projected the Non-tariff income for the control period for FY 2016-17 to 2020-21 as detailed in the Table below:



Table 5.24: Projected Non-tariff income for FY 2016-17 to 2020-21

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Non-tariff income	121.94	121.94	121.94	121.94	121.94

Rs. Crore)

Petitioner's submission

GETCO has submitted that it may earn revenue from other sources consisting of parallel operation charges, income from sale of scrap, etc. GETCO has estimated Non-tariff income, which is Rs. 121.94 Crores, to remain same as actual as submitted in True up for FY 2015-16.

GETCO stated that it has computed depreciation by negating depreciation on the assets acquired from Grant/Consumer Contribution as per the APTEL order dated 21st July 2016 in Appeal Nos. 108 of 2013, 149 of 2015, 171 of 2014 and 172 of 2014. Hence, deferred income of Grant/Subsidies and Consumer Contribution is also not considered in Non-tariff Income.

Commission's Analysis

The Commission has examined the submission of GETCO. GETCO has estimated the actual Non-tariff Income of FY 2015-16 to remain constant during the control period. The non-tariff income considered by GETCO does not include deferred income of Government Grants/Consumer Contributions.

The Commission has allowed depreciation on all the assets, including those created through Grants and Consumer Contribution. Therefore, it is necessary that the Non-tariff income of Rs. 312.42 Crore (including deferred income pertaining to Grants/Subsidies/Consumer Contribution), as approved in the true-up of FY 2015-16 in earlier section, is considered to be Non-tariff income for each of the year of the control period.

Regulation 68.1 (h) of GERC (MYT), Regulations, 2016 provides for considering Revenue from short-term transmission charges on the basis of latest audited figures for projection. The Commission has accordingly considered Revenue from short-term transmission charges of FY 2015-16 as per the submission of the petitioner i.e. Rs. 18.95 Crore.



The Commission accordingly approves Non-tariff income for the control period FY 2016-17 to FY 2020-21 as detailed in the Table below:

Table 5.25: Approved Non-tariff income for FY 2016-17 to 2020-21

(Rs. Crore)					
Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Non-tariff income	312.42	312.42	312.42	312.42	312.42
Revenue from short-term transmission charges	18.95	18.95	18.95	18.95	18.95
Total Non-tariff Income	331.37	331.37	331.37	331.37	331.37

5.4.10 Incentive for achieving target availability during the control period

Petitioner's Submission

GETCO has submitted that incentives corresponding to the target availability as per GERC MYT Regulations 2016 shall be filed separately at the time of true-up.

Commission's Analysis

Incentive depends on the actual availability at the end of the year and hence the same shall be considered at the time of truing up duly supported by detailed calculations.

5.4.11 Projected and Approved Fixed Costs

Based on the Commission's analysis and decisions the approved fixed charges for the control period for FY 2016-17 to 2020-21 are determined.

The ARR as projected by the GETCO and ARR as approved by the Commission for the control period from FY 2016-17 to 2020-21 are given in the Tables below:

Table 5.26: Proposed ARR by GETCO for FY 2016-17 to 2020-21

(Rs. Crore)						
Sr. No.	Fixed Charges	2016-17 (Projected)	2017-18 (Projected)	2018-19 (Projected)	2019-20 (Projected)	2020-21 (Projected)
1	Operation & Maintenance Expenses	1287.47	1438.45	1601.58	1774.24	1967.92
2	Depreciation	814.69	914.40	1018.57	1127.55	1240.98
3	Interest & Finance Charges	582.93	634.76	683.09	728.10	768.73
4	Interest on Working Capital	64.85	72.55	80.59	89.04	98.01



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Sr. No.	Fixed Charges	2016-17 (Projected)	2017-18 (Projected)	2018-19 (Projected)	2019-20 (Projected)	2020-21 (Projected)
5	Return on Equity	699.61	785.57	875.36	969.30	1,067.07
6	Contingency Reserve	0.00	0.00	0.00	0.00	0.00
7	Total Fixed Costs	3449.54	3845.73	4259.19	4688.22	5142.72
8	Add: Provision for Tax	64.62	64.62	64.62	64.62	64.62
9	Less: Expenses Capitalized	194.13	194.13	194.13	194.13	194.13
10	Total Transmission Charges	3320.03	3716.21	4129.68	4558.70	5013.21
11	Less: Non-tariff Income	121.94	121.94	121.94	121.94	121.94
12	Add: Incentive for achieving target availability	0.00	0.00	0.00	0.00	0.00
13	Total Revenue Requirement	3198.09	3594.27	4007.74	4436.76	4891.27

Table 5.27: Approved ARR for FY 2016-17 to 2020-21

(Rs. Crore)

Sr. No.	Fixed Charges	2016-17	2017-18	2018-19	2019-20	2020-21
1	Operation & Maintenance Expenses	1275.38	1410.70	1556.19	1709.77	1882.18
2	Depreciation	928.61	1028.56	1132.95	1242.10	1355.67
3	Interest & Finance Charges	557.14	579.13	596.86	610.40	618.80
4	Interest on Working Capital	63.35	70.35	77.64	85.28	93.39
5	Return on Equity	694.04	768.70	846.67	928.19	1,013.02
6	Contingency Reserve	0.00	0.00	0.00	0.00	0.00
7	Total Fixed Costs	3518.53	3857.44	4210.30	4575.73	4963.06
8	Add: Provision for Tax	64.62	64.62	64.62	64.62	64.62
9	Less: Expenses Capitalized	194.13	194.13	194.13	194.13	194.13
10	Total Transmission Charges	3389.02	3727.93	4080.79	4446.22	4833.55
12	Less: Non-tariff Income	331.37	331.37	331.37	331.37	331.37
	Aggregate Revenue Requirement	3,057.64	3,396.55	3,749.42	4,114.85	4,502.18
13	Add: Incentive for achieving target availability	0.00	0.00	0.00	0.00	0.00
14	Total Revenue Requirement	3,057.64	3,396.55	3,749.42	4,114.85	4,502.18



6 Approval of Final ARR of FY 2016-17 and Determination of Transmission Charges for FY 2017-18

6.1 Introduction

This chapter deals with the determination of final ARR of FY 2016-17 and transmission charges for the FY 2017-18 for GETCO. The Commission in the Order dated 02.12.2015 in the suo-motu petition had decided to consider the ARR of FY 2015-16 as the provisional ARR for FY 2016-17 in view of delay in finalization of MYT Regulations for the new Control Period FY 2016-17 to FY 2020-21. The Commission had also decided in the same order that the licensee/generating companies shall file the ARR for FY 2016-17 based on the MYT Regulations, 2016 for FY 2016-17 to FY 2020-21 and the true up for the same shall also be governed as per the new MYT Regulations, 2016. Accordingly, the Commission has approved the final ARR for FY 2016-17 in terms of MYT Regulations, 2016 as given in the Table below:

Table 6.1: Projected and Approved ARR for FY 2016-17

(Rs. Crore)			
Sr. No.	Fixed Charges	2016-17 (Projected)	2016-17 (Approved)
1	Operation & Maintenance Expenses	1287.47	1275.38
2	Depreciation	814.69	928.61
3	Interest & Finance Charges	582.93	557.14
4	Interest on Working Capital	64.85	63.35
5	Return on Equity	699.61	694.04
6	Contingency Reserve	0.00	0.00
7	Total Fixed Costs	3449.54	3518.53
8	Add: Provision for Tax	64.62	64.62
9	Less: Expenses Capitalized	194.13	194.13
10	Total Transmission Charges	3320.03	3389.02
12	Less: Non-tariff Income	121.94	331.37
	Aggregate Revenue Requirement	3198.09	3,057.64
13	Add: Incentive for achieving target availability	0.00	0.00
14	Total Revenue Requirement	3198.09	3,057.64

The Commission shall consider the final approved ARR of Rs. 3057.64 Crore while truing up of FY 2016-17.



Determination of Transmission Tariff for FY 2017-18

The table below summarizes the Annual Revenue Requirement, as approved by the Commission for the FY 2017-18.

The approved ARR for FY 2017-18 is given in the Table below:

Table 6.2: Approved ARR for 2017-18

Sr. No.	Fixed Charges	(Rs.Crore) 2017-18
1	Operation & Maintenance Expenses	1410.70
2	Depreciation	1028.56
3	Interest & Finance Charges	579.13
4	Interest on Working Capital	70.35
5	Return on Equity	768.70
6	Contingency Reserve	0.00
7	Total Fixed Costs	3857.44
8	Add: Provision for Tax	64.62
9	Less: Expenses Capitalized	194.13
10	Total Transmission Charges	3727.93
12	Less: Non-tariff Income	331.37
	Aggregate Revenue Requirement	3,396.55
13	Add: Incentive for achieving target availability	0.00
14	Total Revenue Requirement	3,396.55

GETCO has submitted the total loading projected for GETCO system for FY 2017-18 as detailed below:

Table 6.3: Total Loading in MW

Stations	2017-18
GSECL Plants	5127
IPPs	6554
Share from Central Sector	6126
CPP Wheeling	279
Wind Farm Capacity	4733
Solar Project	1477
Bio mass Project	41
Mini Hydel	88
Total Loading in MW	24425

The Petitioner has submitted Transmission Tariff for FY 2017-18, based on the claimed truing up of FY 2015-16. The Commission has determined the revenue gap/surplus,



Gujarat Energy Transmission Corporation Limited
Truing up for FY 2015-16, Approval of Final ARR for FY 2016-17, Approval of Multi-Year ARR
for FY 2016-17 to FY 2020-21 and Determination of Tariff for FY 2017-18

based on the truing up of FY 2015-16 including adjustment of past period gaps as per the Commission's consequential order dated 03.01.2017.

The Petitioner's proposal and the Commission's approved transmission Tariff for FY 2017-18 are given in Table below:

Table 6.4: Transmission Tariff for FY 2017-18

Sl. No.	Particulars	Unit	2017-18 (Projected)	2017-18 (Approved)
1	ARR for 2017-18	Rs. Crore	3594.27	3396.55
2	Add: Adjustment for the Truing up for 2015-16, Consequential order dated 03.01.2017 & Rectification in consequential order dated 03.01.2017	Rs. Crore	406.78	10.85
3	Total ARR for 2017-18	Rs. Crore	4001.05	3407.40
4	Total MW Allocation, as per this order	MW	24425.41	24425.41
5	Transmission Tariff	Rs./MW/Day	4487.86	3821.98

The Commission, accordingly, approves the Annual Tariff for Transmission for FY 2017-18, as mentioned above.

Regulation 72.1 of the GERC (MYT) Regulations, 2016 specifies a formula for sharing of the Aggregate Revenue Requirement of the Transmission Licensee, as approved by the Commission by all long-term users and medium-term users of the transmission system on monthly basis in the ratio of their respective contracted transmission capacities to the total contracted transmission capacity. The Transmission ARR of FY 2017-18 as approved by the Commission shall be shared accordingly.

Regulation 72.2 of the GERC (MYT) Regulations, 2016 specifies formula for levy of transmission charges on Rs./MW/day basis from short-term users of the transmission system. The Commission has already worked out Transmission Charges of Rs. 3821.98/MW/day for FY 2017-18 and accordingly the transmission charges from short-term shall be recovered for FY 2017-18.

Regulation 72.3 of the GERC (MYT) Regulations, 2016 specifies for recovery of transmission charges for short-term collective transactions in Rs./kWh terms as per the formula given below:



TC (Rs/kWh) = Transmission ARR/ Total units wheeled,

Where,

TC (Rs/kWh) = Transmission Charges payable in the case of short-term collective transactions through power exchanges;

Transmission ARR = Aggregate Revenue Requirement of the Transmission Licensee,

Total units wheeled = total energy units wheeled through the transmission system, which shall be equal to the total energy input into the intra-State transmission system during the financial year.

The Commission has approved the Transmission ARR of Rs. 3407.40 Crore for FY 2017-18 in the Table above. The Commission has taken Energy input of 90011.60 MUs of Transmission System and Transmission Capacity utilised of 21456 MW during FY 2015-16 as submitted by the petitioner. Considering the actuals of FY 2015-16 the total estimated wheeled units during FY 2017-18 works out as 102468.78 MUs on proportionate basis considering the Transmission Loading Capacity of 24425 MW as submitted by the petitioner. As per the above formula, transmission charges payable in the case of short-term collective transactions through power exchanges works out to;

$$\begin{aligned} \text{TC (Rs/kWh)} &= \text{Rs. 3407.40 Crore}/102468.78 \text{ Mus} \\ &= 33.25 \text{ Ps./kWh} \end{aligned}$$



7 Compliance of Directives

7.1 Compliance of Directives issued by the Commission

In the Tariff Orders issued by GERC on 31st March, 2015 and 31st March 2016, the Commission had given certain directives to GETCO. GETCO has submitted a report on compliance of the Directives issued by the Commission. The comments of the Commission on the submission / compliance of the GETCO are given below:

7.2 Compliance of Directives issued vide T.O. dated 31st March, 2015

Directive 1: Efforts to be made to adhere to the approved capex as far as possible

It was observed that there is a consistent deviation in the capitalization as against the capital expenditure approved by the Commission. GETCO should make efforts to adhere to the approved capex as far as possible.

Compliance: GETCO has complied with the directive of the Commission vide letter dated 31.07.2015 where GETCO has clarified the reasons for deviation in the capitalization as against the capital expenditure. GETCO has also stated the steps taken to meet the target of capitalization and capital expenditure as approved by the Commission.

Commission's comments: Compliance of the directive is noted. However, GETCO shall ensure to keep the variation at minimum for the approved CAPEX for lines and sub-stations.

Directive 2: GETCO to plan their network to avoid transmission constraints and a report to be submitted in this regard by May 30.09.2015

It is observed that there has been instances of transmission constraints in the GETCO system. GETCO has to plan their network to avoid such transmission constraints. A report in this regard may be submitted by 30.09.2015.

Compliance:

GETCO is submitting the compliance along with this tariff petition. The report on transmission planning to avoid transmission constraints in GETCO system is attached as Annexure B to the petition.



Commission's Comments

Compliance of the directive is noted. However, transmission planning should be done in accordance with the CEA Transmission Planning Criteria to avoid such transmission constraints. The Commission directs GETCO to carry out transmission planning accordingly to minimize such transmission constraints. It is also directed to keep the Commission informed about transmission planning being carried out to avoid such transmission constraints by 30th September, 2017.

Directive 3: Quarterly report of voltage-wise peak loading

GETCO shall submit a quarterly report on the average as well as peak loading of various 220 KV, 132 KV and 66 KV SS in the Gujarat system, within 1 month of completion of the quarter.

Compliance:

GETCO has complied with the directive of Hon'ble Commission vide letter dated 26.07.2016 (Report of 1st Quarter of FY 2016-17) and 29.10.2016 (Report of 2nd Quarter of FY 2016-17), where GETCO has submitted the quarterly report on average as well as peak loading of various 220 KV, 132 KV and 66 KV sub-stations in the Gujarat system along with details of average & peak loading of various sub-stations. Latest submitted quarterly report is attached as Annexure C to the petition.

Commission's Comment:

The Commission has noted the submission of the report. The Commission has also received an objection from Federation of Gujarat Industries regarding a few transmission elements continuously operating beyond loading capacity. The objection and the reply of the petitioner are detailed in Chapter 3. The Commission is of the view that transmission system should be planned in accordance with CEA Transmission Planning Criteria to avoid transmission elements operating on overload conditions. It is also directed to keep the Commission informed on a quarterly basis about average as well as peak loading of various 220 kV, 132 kV and 66 kV sub-stations in the Gujarat system.



7.3 New Directives

Directive 1: Prior concurrence for any deviation in capitalization across voltage classes/schemes

The Commission, while truing up of FY 2015-16, has observed that GETCO has incurred very less capitalization in 400 kV and 220 kV voltage class/schemes compared to capitalization approved in Mid-term Review Order dated 29.04.2014 while significantly huge capitalization in 66 kV voltage class compared to that of approved in Mid-Term Review Order dated 29.04.2014. The Commission, therefore directs that henceforth, any deviation in capitalization across voltage classes/schemes should have prior concurrence of the Commission with due justification.

Directive 2: Submission of scheme wise progress report at quarterly interval

The Commission has also observed that GETCO has not been able to actually incur the capitalization during second Control Period FY 2011-12 to FY 2015-16 as compared to what was approved in MYT Order dated 31.03.2011 and Mid-Term Review Order dated 29.04.2014. Though, the Commission has approved scheme-wise CAPEX and capitalization as projected by GETCO, the Commission is of the opinion that GETCO should not deviate from such approved capitalization. GETCO is also directed to keep the Commission apprised about progress made in scheme-wise capitalization. It is also directed to have prior approval of the Commission while incurring CAPEX in excess of Rs. 50 Crore over the approved capitalization in this MYT order with due justification

Directive 3: Submission of copies of MoUs signed with DISCOMs /copies of Management approval for 66 kV sub-stations

GETCO has proposed significant amount of CAPEX for 66 kV voltage –class on the ground that 66 kV sub-stations are being created based on the requirement of Discoms and 66 kV network is the backbone of transmission system of the State. The Commission has accordingly approved the CAPEX for 66 kV voltage-class. However, GETCO is directed to submit copies of the MoUs signed with DISCOMs/ copies of Management approval for 66 kV sub-stations at half-yearly interval.



Directive 4: Calculation of Depreciation

In case of Depreciation, Regulation 39 of GERC (MYT) Regulations, 2016 provides that-

“Depreciation shall be computed annually based on the straight line method at the rates specified in the **Annexure I** to these Regulations.

Provided that the remaining depreciable value as on 31st March of the year closing after a period of 12 years from date of commercial operation shall be spread over the balance useful life of the assets.

Provided further that for a Generating Company or a Transmission Licensee or SLDC or a Distribution Licensee formed as a result of a Transfer Scheme, the depreciation on assets transferred under the Transfer Scheme shall be charged as per rates specified in these Regulations for a period of 12 years from the date of Transfer Scheme, and thereafter depreciation will be spread over the balance useful life of the assets”

The petitioner came into existence through Transfer Scheme of the State Government effective from 1st April 2005 and the period of 12 years is getting completed on 31.03.2017. Accordingly, the petitioner is required to consider depreciation for the FY 2017-18 in accordance with the MYT Regulations, 2016 as stated above The Commission will consider and allow depreciation charges for FY 2017-18 in accordance with the MYT Regulations, 2016.



COMMISSION'S ORDER

The Commission approves the components of transmission charges and the Transmission tariff for GETCO for FY 2017-18, as shown in the Tables below:

Sr. No.	Particulars	(Rs. Crore) 2017-18
1	Operation & Maintenance Expenses	1410.70
2	Depreciation	1028.56
3	Interest & Finance Charges	579.13
4	Interest on Working Capital	70.35
5	Return on Equity	768.70
6	Contingency Reserve	0.00
7	Total Fixed Costs	3857.44
8	Add: Provision for Tax	64.62
9	Less: Expenses Capitalized	194.13
10	Total Transmission Charges	3727.93
12	Less: Non-tariff Income	331.37
13	Aggregate Revenue Requirement	3396.55
14	Add: Incentive for achieving target availability	0.00
15	Add: Revenue Gap for FY 2015-16 after adjustment of Consequential order Dated 03.01.2017 and Rectification in consequential order dated 03.01.2017	10.85
16	Total Revenue Requirement	3407.40

Transmission Tariff

Sl. No.	Particulars	Unit	2017-18
1	Transmission Tariff	Rs./MW/Day	3821.98
2	Transmission Tariff for STOA collective transactions	Ps./kWh	33.25

This order shall come into force with effect from 1st April, 2017.

Sd/-

Sd/-

Sd/-

P. J. THAKKAR
Member

K. M. SHRINGARPURE
Member

ANAND KUMAR
Chairman

Place: Gandhinagar

Date: 31/03/2017

