

MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION

In the matter of: Review on Tariff Order dated 30-3-2015 of MePTCL for FY 2015-16

And

In the matter of: Meghalaya Power Transmission Corporation Limited - Petitioner
(Herein after referred to as MePTCL)

Coram:

Anand Kumar

Chairman

Date of order: 04/08/2015

1. Preamble

1.1 The MePTCL in its review petition dated 28.05.2015 on the Commission Tariff Order dated 31.03.2015 has requested Commission to revise the Tariff Order dated 31.03.2015 for the reasons noted against each item as detailed below.

2.1 Gross Fixed Assets

2.1.1 The MePTCL in its review petition dated 28.05.2015 has requested for revision the additions made during the year as projected in tariff petition for FY 2015-16 as detailed in Table below.

Table 1: Gross Fixed Assets

Proposed				
Particulars	FY 2012-13 (Provisional)	FY 2013-14 (Provisional)	FY 2014-15 (Estimated)	FY 2015-16 (Projected)
Opening GFA	63.37	222.47	361.05	412.52

Addition during the year	159.10	138.58	51.47	180.64
Retirements during the year	-	-	-	-
Closing GFA	222.47	361.05	412.52	593.16

Approved

Particulars	FY 2012-13 (Provisional)	FY 2013-14 (Provisional)	FY 2014-15 (Estimated)	FY 2015-16 (Projected)
Opening GFA	63.37	164.27	224.02	323.33
Addition during the year	100.90	59.75	99.31	77.97
Retirements during the year	-	-	-	-
Closing GFA	164.27	224.02	323.33	401.30

2.1.2 Commission's Analysis

In as much as the business plan submitted by the Licensee is incomplete, the Commission has considered the investment plan submitted by the licensee along with the affidavit vide its letter dated 10.02.2015 and allowed those projects which have been started up to March 2015. On the basis of this information the Commission has worked out the opening and closing values of assets including the assets added during each financial year starting from FY 2012-13. It is clearly mentioned in T.O dated 30.03.2015 that adjustments if any will be considered by the Commission as and when audited accounts are filed.

As verified from the investment plan format submitted by the Licensee vide Table 1 of the review petition, the work relating to LILO of 132kV Mawlai-Nongstoin line at Mawngap of Rs. 4.94 Cr. is stated to be completed in December 2012 while in investment plan submitted vide letter dated 10.02.2015 it is stated to have been completed in FY 2011-12.

As such the Licensee is directed to file petition for approval of business plan in complete shape in accordance with regulations by 30.08.2015 as already directed in the Tariff Order dated 30.03.2015 to examine and approval of the same.

As such the GFA already approved does not require any change at this stage.

2.2 Return on Equity

2.2.1 The MePTCL, in its review petition dated 28.05.2015 on the tariff order dated 30.03.2015 has requested to review return on equity based on 4th amendment to transfer scheme notified on 29.04.2015 as detailed in Table below.

Table 2: Return on Equity projected by MePTCL in review petition

Particulars	FY 2012-13 (Pre-Audited)	FY 2013-14 (Provisional)	FY 2014-15 (Estimated)	FY 2015-16 (Projected)
Opening Equity (Rs. Cr)	221.25	310.18	357.61	380.32
Addition during the year (Rs. Cr)	88.93	47.43	22.71	150.22
Closing Equity (Rs. Cr)	310.18	357.61	380.32	530.54
Equity considered for RoE (Rs. Cr)	268.98	310.56	326.00	380.19
RoE %	14%	14%	14%	14%
ROE (Rs. Cr)	37.66	43.48	45.64	53.23

2.2.2 Commission's Analysis

In the 4th amendment to transfer scheme issued on 29th April 2015 the equity amount of all the four utilities is indicated, after issue of Tariff Order for FY 2015-16. These figures finalized after issue of Tariff Order for FY 2015-16 cannot be considered at this stage. These were not available at the time of filing petition, hence cannot be considered for review.

Even as per pre audited annual accounts for FY 2012-13 the equity amount of MePTCL is only Rs 0.50 Crores. However the MePTCL may file petition with the audited results for midterm review of business plan to examine the issue and consideration.

2.3 Interest and Finance Charges on Loan Capital

2.3.1 The MePTCL in its review petition on Tariff Order for FY 2015-16 has requested to allow interest and finance charges on both existing/ proposed loans as well as on normative loan as detailed in Table below.

Table 3: Interest and Finance Charges projected by MePTCL in review petition

Particulars	Approved (Rs. Cr)	Review (Rs. Cr)
Interest on Loan and Finance Charges	6.16	6.48
Interest on Normative loan	-	19.62
Total Interest and Finance Charges proposed	6.16	26.10

2.3.2 Commission's Analysis

As on the date of issue of Tariff Order for FY 2015-16, utility wise GFA/equity are not finalized and therefore normative loan could not be computed. Hence interest on normative loan is not considered. Now in the 4th amendment to transfer scheme issued on 29.04.2015, utility wise GFA/Equity are notified. MePTCL may file petition for midterm review of business plan to examine the case.

2.4 Interest on Working Capital

2.4.1 The MePTCL in its review petition on Tariff Order for FY 2015-16 has requested to revise the interest on working capital based on proposed revised costs as detailed in Table below.

Table 4: Interest on Working Capital projected by MePTCL in review petition

Particulars	Approved	Review
Working Capital (Rs. Cr)	21.66	34.26
Bank Advance Rate (SBAR) as on 10.04.2015	14.75%	14.60%
Interest on Working Capital (Rs. Cr)	3.20	5.00

2.4.2 Commission's Analysis

As no changes in ARR components have been considered the interest on working capital of Rs 3.20 Crores already approved in Tariff Order for FY 2015-16 does not require any change.

2.5 Depreciation

2.5.1 The MePTCL in its review petition on Tariff Order for FY 2015-16 has requested to revise the depreciation based on opening GFA of Rs 63.67 Crores for FY 2012.13 and additions proposed till FY 2015-16 as detailed in Table below.

Table 5: Depreciation for FY 2015-16 proposed by MePTCL in review petition

Particulars	Approved (Rs. Cr)	Review (Rs. Cr)
Depreciation	18.59	23.79

2.5.2 Commission's Analysis

Changes in additions to GFA from FY 2012-13 to FY 2015-16 as proposed by the MePTCL has not been considered by the Commission as discussed in Para 2.1.2 supra the depreciation of Rs 18.59 Crores already approved does not require any change at this stage.

However, the MePTCL may file review petition along with information called for in Para 2.1.2 to examine the issue and consideration.

2.6 Aggregate Revenue Requirement

As no revision of expenses are considered the ARR already approved in Tariff Order dated 30.03.2015, does not require any change in the ARR for FY 2015-16 as detailed in the Table below.

Table 6: ARR approved for FY 2015-16

Sl. No.	Particulars	Approved (Rs. Cr)	Review (Rs. Cr)	Now approved (Rs. Cr)
1	Return on Equity (RoE)	9.43	53.23	9.43
2	Interest on Loan Capital	6.16	26.10	6.16
3	Operation & Maintenance Expenses	47.00	47.00	47.00
4	Interest on Working Capital	3.20	5.00	3.20
5	Depreciation as May be allowed	18.59	23.79	18.59
6	Taxes on Income	0.00	0.00	0.00
7	Annual License Fee	0.03	0.03	0.03
8	SLDC Charge	1.05	1.05	1.05
9	Total Annual Expenditure	85.46	156.20	85.46
10	Less: SLDC ARR	2.10	2.10	2.10
11	Less: Other Income	5.24	5.24	5.24
	Net Annual Revenue Requirement	78.12	148.86	78.12

2.7 Conclusion

The Commission has examined the Review Petition of MePTCL and required it to file audited accounts of FY 2012-13 and pre-audited/audited accounts for FY 2013-14 vide its letter dated 22.06.2015 so as to validate the actual expenses of the licensee and its proposal. A hearing was held on 13.07.2015 on the issue of maintainability of the review petition. In the hearing it was pointed out that there was neither any error apparent on the face of the record nor was there any new or important facts in the matter which could not be produced during the

proceedings. The changes in the size of the assets and liabilities of all the companies were notified only on 29.04.2015 by the Government of Meghalaya while the tariff order was passed on 30.03.2015. The fact being such, there cannot be a ground for review of the order. Similarly, the changes in the investment plan in respect of transmission lines and associated works in Byrnihat GIS substation was also made after the date of the tariff order. Therefore, this also can not be a ground for review of the tariff order. However, the Commission is open to consider such changes at appropriate time in accordance with the Regulations and prudence check. Further, during the hearing no substantial evidence could be produced by the MePTCL in the absence of audited statements of accounts for FY 2012-13 to validate its expenses. MePTCL requested time up to 31st July, 2015 to submit complete records of audited financial statements for FY 2012-13. The Commission accepted the request and granted time up to 31st July 2015. However, no such records could be produced. Accordingly, in the light of the above discussions, present situations and provisions of Multiyear Tariff Regulations, 2014, the Commission is disposing of this matter with the directive to MePTCL to file petition with audited accounts in accordance with Regulations for consideration of the Commission at appropriate time.

(ANAND KUMAR)

CHAIRMAN