

BEFORE  
MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION,  
SHILLONG

**PETITION**  
FOR  
**TRUE UP FOR FY 2014-15,  
PROVISIONAL TRUE UP FOR FY 2015-16,  
MID TERM REVIEW OF 1<sup>ST</sup>  
MYT CONTROL PERIOD  
FY 2015-16 TO FY 2017-18,  
AND  
REVISED TRANSMISSION TARIFF  
FOR FY 2017-18**

FILED BY



**MEGHALAYA POWER TRANSMISSION CORPORATION LTD.  
LUM JINGSHAI, SHORT ROUND ROAD, SHILLONG - 793 001**

**BEFORE THE HON'BLE MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION**

FILE / PETITION NO.....

IN THE MATTER OF

TRUE UP OF FY 2014-15, PROVISIONAL TRUE UP OF FY 2015-16 AND MID-TERM REVIEW OF THE FIRST MULTI YEAR TARIFF CONTROL PERIOD (FY 2015-16 TO FY 2017-18) AND ANNUAL TRANSMISSION CHARGES FOR FY 2017-18 OF MEGHALAYA POWER TRANSMISSION COMPANY LIMITED (MePTCL) UNDER THE MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION (TERMS AND CONDITIONS FOR DETERMINATION OF TARIFF) REGULATIONS, 2011 AND MSERC (MULTI YEAR TARIFF) REGULATIONS 2014 AND UNDER SECTION-62 READ WITH SECTION 86 OF THE ELECTRICITY ACT 2003.

AND IN THE MATTER OF

MEGHALAYA POWER TRANSMISSION CORPORATION LIMITED, LUMJINGSHAI, SHILLONG – 793001, MEGHALAYA

**PETITIONER**

***The Petitioner respectfully submits as under:***

1. In exercising its powers conferred under the section 131 and 133 of the Electricity Act 2003, the State Government of Meghalaya notified "The Meghalaya Power Sector Reforms Transfer Scheme 2010" on 31<sup>st</sup> March 2010 leading to restructuring and unbundling of erstwhile Meghalaya State Electricity Board (MeSEB) into four entities namely (i) Meghalaya Energy Corporation Limited (MeECL), the Holding Company; (ii) Meghalaya Power Distribution Corporation Limited (MePDCL), the Distribution Utility; (iii) Meghalaya Power Generation Corporation Limited (MePDCL), the Generation Utility; & (iv) Meghalaya Power Transmission Corporation Limited (MePTCL), the Transmission Utility.
2. However, the holding company - MeECL carried out the functions of distribution, generation and transmission utilities from 1<sup>st</sup> April 2010 to 31<sup>st</sup> March 2012. Therefore, through notification dated 31<sup>st</sup> March 2012, State Government notified an amendment to The Power Sector Reforms Transfer Scheme leading to effective unbundling and functional segregation of the successor entities, as stated above.
3. The Meghalaya State Electricity Regulatory Commission (hereinafter referred to as "MSERC" or "the Hon'ble Commission") is an independent statutory body constituted under the provisions of the Electricity Act (EA), 2003. The Hon'ble Commission is vested with the authority of regulating the power sector in the State inter alia including determination of tariff for electricity consumers.
4. The Government of Meghalaya, vide its Power Sector Reforms Transfer Scheme 2010, transferred the assets, properties, rights, liabilities, obligations and personal of the

erstwhile MeSEB into four corporations namely (i) the Meghalaya Energy Corporation Limited (MeECL), which is the holding company, (ii) the Meghalaya Power Generation Corporation Limited (MePDCL), which is the generation utility, (iii) the Meghalaya Power Distribution Corporation Limited (MePDCL), which is the distribution licensee and (iv) the Meghalaya Power Transmission Corporation Limited (MePTCL), which is the transmission licensee.

5. This transfer scheme became effective from 01.04.2012 and from that date all companies/licensees started independent functioning. However, it is submitted that, even currently, some of the functions in the three companies like accounting, commercial etc. are handled commonly by MeECL, the segregated accounts for the three companies were prepared from FY 2012-13 onwards. The unbundled utilities for generation, transmission and distribution started their independent commercial operation from FY 2013-14. MSERC has also issued the segregated tariff orders of generation, transmission and distribution separately from FY 2013-14 and as such, the present true up is also being done separately for the three companies.
6. MePTCL has begun segregated commercial operations as an independent entity from 1<sup>st</sup> April 2013 onwards. The Meghalaya State Electricity Regulatory Commission (MSERC, hereinafter referred to as "The Hon'ble Commission") has determined the segregated Aggregate Revenue Requirement (ARR) and tariffs for MePTCL for FY2014-15 in accordance with Meghalaya State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2011.
7. Under Meghalaya State Electricity Regulatory Commission i.e. MSERC (Multi Year Tariff) Regulations, 2014, MePTCL had filed MYT petition for Annual Revenue Requirement for the period of FY 2015-16 to FY 2017-18. In respect to the said petition MYT order was issued by Hon'ble Commission on 30<sup>th</sup> March 2015. The Hon'ble Commission has allowed increase in tariff and the new tariff was effective from 1st April 2015.
8. Since the accounts of FY 2014-15 were not audited while passing the last tariff orders by the Honorable Commission, the true up of FY 2014-15 for MePTCL was done on provisional basis based on the pre audited Statement of Accounts, to enable complete adjustment of gaps of previous years in the calculation of revised tariff of FY 2016-17.
9. Now, since the Accounts for FY 2014-15 have now been audited by the Statutory Auditors, MePTCL, files this petition before the Honorable Commission for final true up of FY 2014-15. The audited Statements of Accounts of MePTCL & MeECL for FY 2014-15 are hereby enclosed as **Annexures A and B respectively**.
10. The Statement of Accounts for FY 2015-16 of MePTCL and MeECL have been finalized and approved by the Board of Directors and are ready for presentation to the statutory auditors and are hereby enclosed as **Annexure – C & D** respectively.

11. MePTCL would like to request the Hon'ble Commission to grant leave for filing the pre-audited accounts of FY 2015-16 along with this petition and carry out provisional true up at this stage and calculation of revised tariff of FY 2017-18 based on the same. MePTCL shall strive to complete the audit of the Statement of Accounts of FY 2015-16 at the earliest and submit the same to the Hon'ble Commission.
12. The Board of Directors of MePTCL have accorded approval for filing of this petition and authorized the undersigned to file the petition accordingly. The copy of the Board's resolution is hereby enclosed as **Annexure – E**.
13. The applicant, therefore, humbly prays before the Hon'ble Commission to pass appropriate order on the following:
  - a. True up of FY 2014-15
  - b. Provisional truing-up of FY 2015-16;
  - c. Mid-term review of the 1<sup>st</sup> MYT control period FY 2015-16 to FY 2017-18;
  - d. Revision of Annual Transmission Tariff and Open Access Charges for FY 2017-18 based on the above;
  - e. To pass such orders, as Hon'ble Commission may deem fit and proper and necessary in view of the facts and circumstances of the case;
  - f. To condone any inadvertent omissions, errors & shortcomings and permit the applicant to add/ change/ modify/ alter this filing and make further submissions as required.

(J. HYNNIEWTA)

SE (ELECT-II)

O/O DIRECTOR (TRANSMISSION)

MEGHALAYA POWER TRANSMISSION CORPORATION LIMITED

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### Abbreviations

ARR	Annual Revenue Requirement
FY	Financial Year
GoM	Government of Meghalaya
kWh	Kilo Watt Hour
kV	Kilo Volt
kVA	Kilo Volt Ampere
kVAh	Kilo Volt Ampere Hour
MSERC	Meghalaya State Electricity Regulatory Commission
MU	Million Units (Million kWh)
MW	Mega Watt
MYT	Multi Year Tariff
O&M	Operation & Maintenance
MeECL	Meghalaya Energy Corporation Limited
MePDCL	Meghalaya Power Distribution Corporation Limited
MePTCL	Meghalaya Power Transmission Corporation Limited
MePGCL	Meghalaya Power Generation Corporation Limited
MYT Regulations 2014	MSERC (Multi Year Tariff) Regulation, 2014



## 1 Introduction

### 1.1 Provisions of Law for True-up and Mid-Term Review

1.1.1 The Hon'ble Commission had notified the Meghalaya State Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2014 on 15<sup>th</sup> September 2014. It is submitted that the Regulation 1.4 of the Meghalaya State Electricity Regulatory Commission (Multi Year Tariff) regulations, 2014 states as hereunder:

*" 1.4 They shall be applicable for the determination of tariff effective from April 1, 2015 in all cases covered under these Regulations. Provided that for the purpose of review or of truing up of revenues and expenses pertaining to FYs prior to 2015-16, the provisions under MSERC (Terms and Conditions for Determination of Tariff) Regulations, 2011 shall apply."*

1.1.2 The Hon'ble Commission had notified the Meghalaya State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2011 on 10<sup>th</sup> February 2011 (hereinafter referred as "Tariff Regulations, 2011"). These Regulations provide the framework under which the licensees shall operate. Accordingly, the key provisions of the said Regulations are reproduced below for reference.

#### ***"15. Review and Truing-Up***

*(1) .....*

*(2) After Audited accounts of a year are made available, the Commission shall undertake similar exercise as above with reference to the final actual figures as per the Audited accounts. This exercise with reference to Audited accounts shall be called 'truing-Up'.*

1.1.3 *(3) The generating company or the licensee, as the case may be, shall make an application before the Commission, for 'truing up' of ARR of the previous year by 30<sup>th</sup> September of the following year, on the basis of Audited statement of accounts and the Audit Report, thereon. The generating company or the licensee shall get their accounts Audited within a specified time frame, either by the Comptroller & Auditor General of India or by a Statutory Auditor drawn from the panel of Statutory Auditors approved by the Comptroller & Auditor General of India, from time to time, to enable them to file the application for 'truing up' within the specified date, that is 30<sup>th</sup> September of the following year."*

1.1.4 It is submitted that this Petition True up for FY 2014-15 is hereby filed, based on the

information received for FY 2014-15, Audited Statement of Accounts of the utility and pursuant to the Tariff Order dated 10<sup>th</sup> April 2014 and subsequent provisional true up vide Tariff Order dated 31<sup>st</sup> March 2016 passed by Hon'ble Commission.

- 1.1.5 The Hon'ble Commission had notified the Meghalaya State Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2014 on 15<sup>th</sup> September 2014 which is applicable for determination of tariff effective from 1 April 2015. Regulation 6.2 (c) (i) of the said Regulations specifies that a mid-term review petition must comprise truing up of the previous year i.e. the first year of the control period. Regulation 11 of the said Regulations lays down the general guiding principles for truing up and the provisions of the said Regulations are reproduced below for reference:

***“11. Truing-Up***

*11.1 Where the Aggregate Revenue Requirement and expected revenue from tariff and charges of a Generating Company or Transmission Licensee or Distribution Licensee is covered under a Multi-Year Tariff framework, then such Generating Company or Transmission Licensee or Distribution Licensee, as the case may be, shall be subject to truing up of expenses and revenue during the Control Period in accordance with these Regulations.*

*11.2 The Generating Company or Transmission Licensee or Distribution Licensee shall file an Application for Truing up of the previous year and determination of tariff for the ensuing year, within the time limit specified in these Regulations:*

*11.3 Provided that the Generating Company or Transmission Licensee or Distribution Licensee, as the case may be, shall submit to the Commission information in such form as may be prescribed by the Commission, together with the Audited Accounts including audit report by CA&G, extracts of books of account and such other details as the Commission may require to assess the reasons for and extent of any variation in financial performance from the approved forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges:*

*11.4 Provided further that once the Commission notifies the Regulations for submission of Regulatory Accounts applications for tariff determination and truing up shall be based on the Regulatory Accounts.*

*11.5 The scope of the truing up shall be a comparison of the performance of the Generating Company or Transmission Licensee or Distribution Licensee with the approved forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges and shall comprise of the following:*

*a) a comparison of the audited performance of the applicant for the previous financial year with the approved forecast for such previous financial year, subject to the prudence check including pass-through of impact of uncontrollable factors;*

*b) Review of compliance with directives issued by the Commission from time to time;*

*c) Other relevant details, if any.*

*11.6 In respect of the expenses incurred by the Generating Company, Transmission Licensee and Distribution Licensee during the year for controllable and uncontrollable parameters, the Commission shall carry out a detailed review of performance of an applicant vis-a-vis the approved forecast as part of the truing up.*

*11.7 Upon completion of the truing up under Regulation 11.4 above, the Commission shall attribute any variations or expected variations in performance for variables specified under Regulation 12 below, to factors within the control of the applicant (controllable factors) or to factors beyond the control of the applicant (uncontrollable factors):*

*Provided that any variations or expected variations in performance, for variables other than those specified under Regulation 12.1 below shall be attributed entirely to controllable factors.*

*11.8 Upon completion of the Truing Up, the Commission shall pass an order recording:*

*a) the approved aggregate gain or loss to the Generating Company or Transmission Licensee or Distribution Licensee on account of controllable factors, and the amount of such gains or such losses that may be shared in accordance with Regulation 14 of these Regulations;*

*b) Components of approved cost pertaining to the uncontrollable factors, which were not recovered during the previous year, shall be pass through as per Regulation 13 of these Regulations;*

*c) Tariff determined for the ensuing year.”*

1.1.6 Regulation 4.2 (a) of the said Regulations lays down the elements of the MYT framework and also provides for a mid-term review. The relevant sections is reproduced hereunder:

*“4.2 The Multi-Year Tariff framework shall be based on the following elements, for determination of Aggregate Revenue Requirement and expected revenue from tariff and charges for Generating Company, Transmission Licensee, and Distribution Business:*

...

*Provided further that a Mid-term Review of the Business Plan may be sought by the Generating Company, Transmission Licensee and Distribution Licensee through an application...”*

- 1.1.7 Also, Regulation 10.2 of the said Regulations provides that the various targets stipulated by the Commission may be reviewed during mid-term review. The relevant section is reproduced below:

*“10.2 Provided that the Generating Company, Transmission Licensee and Distribution Licensee may seek a review of the trajectory at the time of mid-term review of Business Plan.”*

- 1.1.8 Section 61 & Section 62(c) & (d) of Electricity Act 2003 empower the Hon’ble Commission to determine tariff for wheeling and retail sale of electricity for the Distribution Licensee.

## **1.2 Submissions before the Hon’ble Commission**

- 1.2.1 MePTCL hereby submits the petition under section 61, 62(c) & 62(d) of the Electricity Act, 2003, MSERC Terms and Conditions for Determination of Tariff) Regulations, 2011 and MSERC (Multi Year Tariff) Regulations, 2014 for approval of true-up of FY 2015-16, mid-term review of 1<sup>st</sup> MYT Control Period and revision of ARR and Tariff for FY 2017-18.
- 1.2.2 M/S Kiron Joshi & Associates has been appointed as Statutory Auditor of MePGCL, M/s A Paul & Co has been appointed as Statutory Auditor of MePTCL, MePDCL, and M/s Amit O P Sharma & Associates has been appointed as Statutory Auditor of MeECL. The firms are chartered Accountancy firms, appointed as Statutory Auditors for the FY 2014-15 by the Comptroller & Auditor General of India (C&AG).

## **2 True up of Transmission Business for FY 2014-15**

### **2.1 Background**

The power transmission in the state of Meghalaya is carried out by Meghalaya Power Transmission Corporation Limited (MePTCL), a wholly owned subsidiary of Meghalaya Energy Corporation Limited (MeECL). As stated earlier, MeECL was a bundled entity till 30<sup>th</sup> March 2010 carrying out the functions of generation, transmission and distribution. Thereafter, through “The Meghalaya Power Sector Reforms Transfer Scheme 2010” and its subsequent amendments notified by the Govt. of Meghalaya, the independent unbundled entities, namely (i) Meghalaya Energy Corporation Limited (MeECL), the Holding Company; (ii) Meghalaya Power Distribution Corporation Limited (MePDCL), the Distribution Utility; (iii) Meghalaya Power Generation Corporation Limited (MePGCL), the Generation Utility; & (iv) Meghalaya Power Transmission Corporation Limited (MePTCL), the Transmission Utility were formed. The individual entities started their independent commercial operations from 1st April 2013.

While approving the provisional true up of FY 2014-15, the Hon’ble Commission had considered the provisional Statement of Accounts of FY 2014-15. Now, since the audited Statement of Accounts for FY 2014-15 are available, MePTCL is claiming final the truing up of ARR of FY 2014-15 based on the actual figures as per the audited account statements, with necessary justifications as required. Moreover, the expenses of the holding company, MeECL has been apportioned equally among MePGCL, MePTCL and MePDCL and added to their respective expense heads.

### **2.2 Return on Equity**

The Honorable Commission had allowed an amount of Rs. 9.43 crores to MePTCL as Return on Equity for FY 2014-15 based on the opening equity for the year, as per ‘The Meghalaya Power Sector Reforms Transfer Scheme 2010’. This was taken as provisional value subject to correction when audited accounts are available.

However, the actual closing equity component (paid up capital + equity share pending allotment) as per the audited accounts of MePTCL for FY 2014-15 is Rs. 377.37 crores. Similarly, the opening equity capital as per audited accounts for FY

2014-15 is Rs. 357.66 crores. As such, the average equity capital for FY 2013-14, for calculation of RoE, works out to be Rs. 367.51 crores.

It may be noted that, for the first year of operation, the equity component appearing in the balance sheet as per the transfer scheme is to be considered for computation of Return on Equity but now, the equity should be considered based on the actual equity (including share application money pending allotment) reflected in audited statement of accounts. Moreover, the Commission had approved only provisional values subject to correction at the time of audited accounts reflecting the size of equity.

It is also submitted that equity capital pending allotment of INR 377.32 crores as on 30th March 2015, represents the amount of equity capital to be allotted to the MeECL, in accordance with notification issued on dated April 29, 2015 by Government of Meghalaya and subsequent transactions after that. Further, out of this amount, INR 221.26 crores have already been issued to MeECL on May 27, 2015 and the balance amount shall be allotted on completion of due procedure.

Based on these submissions, the true up of Return on Equity comes up to be as shown below:

**Table 1: Return on Equity for FY 2014-15 (in Rs. Cr.)**

<b>Particulars</b>	<b>Provisionally Approved by MSERC</b>	<b>Actuals of MePTCL</b>
Equity considered for true up	67.36	367.51
RoE (%)	14%	14%
Return on Equity (in Rs. Cr.)	9.43	51.45
Deviation	42.02	

The petitioner prays to the Honorable Commission to kindly allow the deviation since it is based on the norms specified in MSERC Tariff Regulations 2011.

### **2.3 Operation and Maintenance**

As per the directives of the Regulation, the Honorable Commission has approved the Operation and Maintenance expenditures under the following heads:

- a. Employee Expenses
- b. Repair and Maintenance Expenses
- c. Administrative and General Expenses

In the absence of audited accounts, only provisional/pre-audited figures of O&M cost heads were considered by the Honorable Commission for passing the Tariff Orders. Now, since the audited accounts are available, the Petitioner submits before the Honorable Commission, the actual audited figures for truing up.

(a) Employee Expenses

The Honorable Commission had approved an amount of Rs. 46.19 crores as employee expense of MePTCL for FY 2014-15 vide its Tariff Order.

The actual employee expense incurred by MePTCL in FY 2014-15 as per the audited accounts is Rs. 47.11 crores as shown below.

**Table 2: Details of Employee Expenses of MePTCL for FY 2014-2015**

Particulars	Amount (in Rs. Cr.)
Salaries and wages	26.86
Contributions to provident and other funds	20.24
Staff Welfare Expenses	0.01
Total Employee Expense of MePTCL	47.11

In addition to this, an amount of Rs. 4.22 crores, which is one-third of the audited employee expense of MeECL (the holding company), has also been considered. Therefore, the total amount submitted for true up comes up to Rs. 51.33 crores.

**Table 3: True up of Employee Expenses of MePTCL for FY 2014-2015**

Particulars	Amount (in Rs. Cr.)
Employee Expense Approved by the Commission	46.19
Employee Expenses incurred by MePTCL (actuals)	47.11
Employee Expenses of MeECL Apportioned (actuals)	4.22
Net Actual Employee Expense for True up	51.33
Deviation	5.14

The actual employee expense incurred is Rs. 5.14 crores higher than the approved figures. In this context, it is submitted that the actual figures as per the provisional accounts of MePTCL submitted in the provisional truing up petition was INR 49.40 crores. However, the Commission had approved only INR 46.19 crores, which was an apparent error. MePTCL had requested in its review petition on tariff order dated 30th March 2016, for review of the approved amount and correction of the error since the Commission in its order dated 30th March 2016 had itself stated that it is allowing the actual figures as per the provisional accounts. This has been detailed in the review petition of MePTCL. Furthermore, it is submitted that the actual figures as per audited account is slightly higher than the provisional figures submitted in provisional truing up.

The petitioner prays to the Honorable Commission to kindly allow the deviation since it was due to un-controllable reasons.

(b) Repair and Maintenance Expenses

The Honorable Commission had approved an amount of Rs. 2.78 crores as the R&M expense of MePTCL for FY 2014-15 vide its Tariff Order.

However, the actual R&M expenses incurred by MePTCL in FY 2014-15 as per the audited accounts are Rs. 2.45 crores as shown below.

**Table 4: Details of R&M Expenses of MePTCL for FY 2014-2015**

<b>Particulars</b>	<b>Amount (in Rs. Cr.)</b>
Buildings	0.097
Plant & Machinery	0.89
Civil Works	0.016
Lines & Cables	1.331
Vehicles	0.060
Furniture & Fixture	0.011
Office equipment	0.041
<b>Total R &amp; M Expense of MePTCL</b>	<b>2.45</b>



In addition to this, an amount of Rs. 0.068 crores, which is one-third of the audited R&M expense of MeECL (the holding company) has also been considered. Therefore, the total amount submitted for true up comes up to Rs. 2.52 crores.

**Table 5: True up of R&M Expenses of MePTCL for FY 2014-2015**

<b>Particulars</b>	<b>Amount (in Rs. Cr.)</b>
R&M Expense Approved by the Commission	2.78
R&M Expenses incurred by MePTCL (actuals)	2.45
R&M Expenses of MeECL Apportioned (actuals)	0.068
Net Actual R&M Expense for True up	2.52
Deviation	(0.26)

The actual R&M expense incurred by the petitioner is Rs. 0.26 crores less than the provisional figure approved by the Commission due to the petitioner's efforts to limit the repair cost and undergo preventive and condition based maintenance.

Therefore, the petitioner prays to the Commission to allow this gain to be shared between MePTCL and the consumers as per clause 13.1 of the Tariff Regulations, 2011.

(c) Administrative and General Expenses

The Honorable Commission had approved an amount of Rs. 5.22 crores as the A&G expense of MePTCL for FY 2014-15 vide its Tariff Order.

However, the actual A&G expenses incurred by MePTCL in FY 2014-15 as per the audited accounts are Rs. 3.196 crores as shown below:

**Table 6: Details of A&G Expenses of MePTCL for FY 2014-2015**

<b>Particulars</b>	<b>Amount (in Rs. Cr.)</b>
Insurance	0.027
Rent, Rates and Taxes	0.005
Telegram, Postage, Telegraph and Telex charges	0.050
Training and conveyance	1.252

<b>Particulars</b>	<b>Amount (in Rs. Cr.)</b>
Printing and stationery	0.021
Consultancy Charges	0.0004
Payments to auditors	0.037
Books & Periodicals	0.002
Advertisement	0.021
Legal and professional	1.661
Stipend, Training expenses	0.091
MSERC Fees	0
Entertainment	0.009
Other Purchase Related Expenses	0.014
Miscellaneous expenses	0.005
<b>Total A&amp;G Expense of MePTCL</b>	<b>3.196</b>

In addition to this, an amount of Rs. 2.222 crores, which is one-third of the audited A&G expense of MeECL (the holding company), has also been considered. Therefore, the total amount submitted for true up comes up to Rs 5.419 crores.

**Table 7: True up of A&G Expenses of MePTCL for FY 2014-2015**

<b>Particulars</b>	<b>Amount (in Rs. Cr.)</b>
A&G Expense Approved by the Commission	5.22
A&G Expenses incurred by MePTCL (actuals)	3.196
A&G Expenses of MeECL Apportioned (actuals)	2.222
<b>Net Actual A&amp;G Expense for True up</b>	<b>5.419</b>
Deviation	0.20

The actual A&G expense incurred by the petitioner is Rs. 0.20 crores more than the figure approved by the Commission. This is because of the increase in prevailing market rates and inflation rates which are beyond the control of the petitioner. Therefore, the petitioner prays to the Commission to pass on the loss as per clause 13.1 of the Tariff Regulations, 2011.

## 2.4 Interest on Loans

The Honorable Commission had not approved any amount as interest on loans of MePTCL for FY 2014-15 vide its Tariff Order.

However, the actual Interest expenses on term loans incurred by MePTCL in FY 2014-15 as per the audited accounts are Rs. 2.73 crores.

The actual interest expenses incurred by the petitioner are Rs. 2.73 crores more than the figure approved by the Commission. These are legitimate expenses incurred on the loans taken from Government of Meghalaya for capital expenditure. Therefore, the petitioner prays to the Commission to pass on the gap as per clause 13.1 of the Tariff Regulations, 2011.

## 2.5 Interest on Working Capital

MePTCL is claiming interest and financial charges as per the working capital norms prescribed in Tariff regulations. As per MSERC Tariff Regulations, 2011, working capital of transmission licensee would comprise the following:

### (a) O&M Expense for one month

Budget for maintenance spares at the rate of 1% of the historical cost escalated at the rate of 6% per annum from the date of commercial operation and;

Receivables equivalent to two months transmission charges calculated on target availability level.

Furthermore, the Regulations specify that the rate of interest on working capital would be the short term prime lending rate of State Bank of India on 1st April of the year for which the petition is being filed (i.e. 2014-15).

Based on these provisions, the approvals of the Commission in its Transmission Tariff order for FY 2014-15 vis-à-vis the petitioner's submissions (including apportioned amounts of MeECL) for true up can be summarized as follows:

**Table 8: Interest on Working Capital for FY 2014-15 (in Rs. Cr.)**

Sl. No.	Particulars	Approved by MSERC	Actuals of MePTCL
A	O&M Expenses for 12 months	54.19	59.26

Sl. No.	Particulars	Approved by MSERC	Actuals of MePTCL
B	O&M Expense for 1 month (C/12)	4.78	4.94
C	Opening Fixed Assets for FY 2013-14	360.44	362.06
D	1% Spares budgeted for FY 13-14 (1% of C)	3.60	3.62
E	Maintenance spares budget post escalation @ 6%	3.82	3.84
F	Receivables for 2 months	13.85	23.04
G	Total Working Capital (B+E+F)	22.45	31.82
H	SBI short term PLR as on 01 April 2013	14.75%	14.75%
I	Interest on Working Capital	3.31	4.69
	Deviation	<b>(1.38)</b>	

The interest on working capital computed based on the audited figures of the petitioner is higher than the provisionally approved figures by Rs. 1.38 crores. This deviation is due to the fact that the Commission had computed the interest on working capital based on provisional value of gross fixed assets which were subject to validation when audited accounts are available.

The petitioner therefore prays to the Commission to kindly allow this deviation since it was clearly beyond the control of the licensee.

## 2.6 Depreciation

The Honorable Commission in its Transmission Tariff Order had allowed Rs. 17.37 crores to be recovered as depreciation.

However, based on the audited statement of accounts for FY 2013-14, the net depreciation of MePTCL comes up to be Rs. 4.60 crores. In addition to this, an amount of Rs. 0.058 crores, which is one-third of the audited depreciation of MeECL (the

holding company) has also been considered. Therefore, the total amount submitted for true up comes up to Rs. 18.18 crores as shown below:

**Table 9: Depreciation (in Rs. Cr.)**

Particulars	Approved by MSERC	Actuals of MePTCL
Depreciation on Buildings		0.24
Depreciation on Hydraulic Works		0.00
Depreciation on Other Civil Works		0.19
Depreciation on Plant & Machinery		6.91
Depreciation on T & D Lines, Cable Net Works etc.		10.63
Depreciation on Vehicles		0.00
Depreciation on Furniture & Fixtures		0.02
Depreciation on Office Equipment		0.02
Apportioned Depreciation from MeECL		0.225
Less: Transfer from Reserve/Amortization of grant		-0.06
<b>Total</b>	<b>17.37</b>	<b>18.18</b>
<b>Deviation</b>	<b>-0.81</b>	

The depreciation expenses based on the actuals is slightly higher than the approved figures by Rs. 0.81 crores. This deviation is because of the different methodology adopted by the Commission in calculation of depreciation. The Commission has used the average depreciation rate as 4.69%. But the actual average depreciation rate depends on the category wise value of net assets which are to be depreciated i.e category wise value of gross assets – fully depreciated assets. Since, the category wise value of fully depreciated assets is not available in accounts, the same is submitted below for reference of the Commission.

**Table 10: Depreciation (in Rs. Cr.)**

Asset Type	Fully Depreciated Assets	Depreciation Rate
Land and Land Rights		0%

<b>Asset Type</b>	<b>Fully Depreciated Assets</b>	<b>Depreciation Rate</b>
Buildings and Civil Works	0.20	3.34%
Plant & Machinery, Lines and Cable Networks	15.33	5.28%
Vehicles	0.03	9.50%
Furniture, Fixtures and Office Equipment	0.34	6.33%
<b>Total</b>	<b>15.90</b>	

## 2.7 License Fees to MSERC

**Table 11: True up of Annual License Fees paid to MSERC**

<b>Particulars</b>	<b>Amount (in Rs. Crs.)</b>
Annual License Fees approved by the Commission	0.04
Annual License Fees actually paid (audited)	0.00
Deviation	0.04

## 2.8 SLDC Charges

The Honorable Commission, in its Transmission Tariff Order had allowed an amount of Rs. 1.17 crores as SLDC charges to be recovered by the transmission licensee in FY 2014-15 (being 50% of the total ARR of SLDC), which is the amount actually paid by the petitioner to SLDC and hence, there is no deviation. It is submitted that since the SLDC function is being handled by MePTCL, there is no separate booking for the SLDC charges which are required to be paid by MePTCL to SLDC (a separate entity). However, for regulatory accounting purpose, an amount of Rs. 1.17 crores has been considered as an expense for the transmission business of MePTCL and as an income for SLDC business of MePTCL.

## 2.9 Taxes on Income

The Honorable Commission had not allowed any amount as taxes on income in its transmission tariff order for FY 2014-15 and the petitioner has also not paid any

amount as taxes in the year and therefore there is no deviation to be claimed under this head.

## 2.10 Income from Operations

The Honorable Commission, in its Transmission Tariff Order had approved an amount of Rs. 81.90 crores to be recovered by the licensee through tariff in FY 2013-14.

Against this, as per the audited statement of accounts, the actual revenue recovered by the licensee from transmission operations (excluding SLDC income received from MePGCL) in the FY 2014-15 is Rs. 81.90 crores resulting in no deviation from the approved values.

**Table 12: True up of Income from Operations of MePTCL for FY 2014-15**

Particulars	Amount (in Rs. Cr.)
Revenue Approved by the Commission	81.90
Actual Revenue for True Up	81.90
Deviation	0.00

## 2.11 Other Income

The Honorable Commission, in its Transmission Tariff Order had provisionally approved an amount of Rs. 7.65 crores to be earned by the licensee from sources other than tariff in FY 2014-15.

However, as per the audited statement of accounts, the actual non-tariff income earned by the licensee comes up to be Rs. 0.659 crores, the details of which is as shown below:

**Table 13: Details of Other Income of MePTCL**

Particulars	Amount (in Rs. Crs.)
Discount Received	0
Application Fee for STOA	0.075
Miscellaneous receipts	0.006
Income from Trading	0
Interest on overdue trade receivables	0

Interest Income	0.578
<b>Total</b>	0.659

In addition to this, an amount of Rs. 1.656 crores, which is one-third of the audited non-tariff income of MeECL (the holding company), has also been considered. Thus, the net-non-tariff income submitted for true up comes up to be Rs. 2.355 crores as shown below:

**Table 14: True up of Other Income of MePTCL for FY 2014-15**

<b>Particulars</b>	<b>Amount (in Rs. Cr.)</b>
Other Income Approved by the Commission	7.65
Other Income earned by MePTCL (actuals)	0.659
Other Income of MeECL Apportioned (actuals)	1.696
Net Actual Other Income for True Up	2.355
Deviation	(5.295)

The actual Non-Tariff Income incurred is Rs. 5.295 crores lower than the approved figures. This is because of the fact that in the absence of audited accounts, the Commission had estimated the Non-Tariff Income based on historical figures. Now with the availability of the audited figures, the Non-Tariff Income is observed to be on lower side.

## **2.12 Prior Period Expense**

It is submitted that the Accounting Standard 5 (AS 5) issued by Institute of Chartered Accounts of India deals with the Net Profit/Loss for the Period, Prior Period Items and Changes in Accounting Policies. Prior period items are material charges or credits which arise in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods. The following Table provides the details of the Prior Period Expenses as a net of MePTCL and apportioned amount from MeECL for FY 2014-15.



**Table 15: True up of Prior Period Expenses for FY 2014-15**

<b>Particulars</b>	<b>Amount in Crores</b>
<b><u>Expenses</u></b>	
Purchase of Power	-
Employee costs	0.26
Depreciation under provided in previous year	0.20
Materials Related Expenses	0.002
R&M to Works (O&M)	0.089
Excess Provision on Interest Accrued	2.25
Other Prior Period expenses	0.36
Net Prior Expenses	<b>3.15</b>
<b><u>Incomes</u></b>	
Other excess provision	0.046
MeECL 1/3rd prior period expense	(0.059)
<b>Total</b>	<b>3.16</b>

The disclosure of Prior Period items is in line with the Accounting Standard (AS)-5 on Prior Period and Extraordinary Items, which emphasizes that Prior period items should be separately disclosed in the current statement of profit and loss together with their nature and amount; and in a manner that their impact on current profit or loss can be perceived. Therefore, prior period items which are necessary for smooth functioning of the company are pertaining to the previous financial year but recognized during current year and hence are of uncontrollable nature.

Therefore, it is prayed before the Honorable Commission to kindly approve the same and pass it on as an uncontrollable expenditure.

### **2.13 Aggregate Revenue Requirement and Revenue Gap/Surplus for FY 2014-15**

The above section details the actual expense and revenue components along with the difference from the same with the approved figures of MSERC. The explanation for the difference in each of the component has also been provided as required.

MePTCL has also submitted the justification of each component being controllable or uncontrollable on part of MePTCL. It is proposed that the difference in uncontrollable elements be passed entirely to consumers, both for surplus and gain. Similarly, for the controllable elements, it is proposed that the 35% of the gain should be passed to the consumers and the rest should be allowed to be retained by MePTCL as per the MSERC Tariff regulations 2011. In case of gap/loss for controllable elements, entire loss is supposed to be retained by MePTCL as per MSERC Tariff Regulations 2011. The relevant clauses of MSERC Tariff Regulation are reproduced below:

#### ***“13. Sharing of Profits and Losses***

##### ***13. 1 The Commission shall –***

*(1) cause the generating company or the licensee, as the case may be, to pass on 35 percent of the profit or gain arising from over achievement of the norm laid down by the Commission or targets set by the Commission, from time to time, to Consumers, by adjustment in the next years ARR and consequential distribution tariff rates;*

*(2) allow the generating company or the licensee to retain 35 percent of the profit or gain arising from over achievement of the norm laid down by the Commission or targets set by the Commission, from time to time, for their organization; and*

*(3) cause the generating company or licensee as the case may be to deposit the remaining 30 percent of such profit or gain arising from over achievement of the norm laid down by the Commission or targets set by the Commission, from time to time, into a Contingency Reserve Fund which should be operated in a manner specified by the Commission for such purpose. No amount from such contingency reserve fund may be drawn without the prior written approval of the Commission, which may be granted on the arising of such contingency conditions as may be specified by the Commission, through issue of suitable guidelines for such purpose;*

13.2 The generating company or the licensee, as the case may be, shall bear the entire loss on account of its failure to achieve the norms laid down by the Commission or targets set by the Commission from time to time, unless it can satisfy the Commission that such losses were incurred after complying with the provisions of these regulations and such Orders as may have been passed by the Commission, for reason which are well beyond normal human control.”

Based on the above clause, the table below summarizes the Aggregate Revenue Requirement and Revenue Gap/Surplus for FY 2014-15 over and above the figures approved by the Honorable Commission in the provisional true up orders dated 30.03.2016:

**Table 16: Aggregate Revenue requirement and Revenue Gap / (Surplus) for FY 2014-15 (INR Crore)**

Sl. No.	Particulars	FY 2014-15 (Approved)	Actuals	Gain/ (Loss)	Gains to be Retained	Deposit to Contingency Reserve Fund	Gains to be Passed on	Losses to be Passed on	Net Surplus/(Gap) to be Passed on
1	Return on Equity (RoE)	9.43	51.45	(42.02)	-	-	-	(42.02)	(42.02)
2	Interest on Loan capital	-	2.73	(2.73)	-	-	-	(2.73)	(2.73)
3	Employee Expenses	46.19	51.33	(5.14)	-	-	-	(5.14)	(5.14)
4	R&M Expenses	2.78	2.52	0.26	0.09	0.08	0.09	-	0.09
5	A&G Expenses	5.22	5.42	(0.20)	-	-	-	(0.20)	(0.20)
6	Interest on Working Capital	3.31	4.69	(1.38)	-	-	-	(1.38)	(1.38)
7	Depreciation as may be allowed	17.37	18.18	(0.81)	-	-	-	(0.81)	(0.81)
8	Taxes on Income	-	-	-	-	-	-	-	-
9	Annual License Fee	0.04	-	0.04	-	-	-	0.04	0.04
10	SLDC charges	1.17	1.17	-	-	-	-	-	-
11	Prior Period Charges /(Credits)	-	3.05	(3.05)	-	-	-	(3.05)	(3.16)

Sl. No.	Particulars	FY 2014-15 (Approved)	Actuals	Gain/ (Loss)	Gains to be Retained	Deposit to Contingency Reserve Fund	Gains to be Passed on	Losses to be Passed on	Net Surplus/(Gap) to be Passed on
12	<b>Total Annual Expenditure</b>	85.51	140.54						
13	Less : SLDC ARR	2.34	2.34	-	-	-	-	-	-
14	<b>Net Annual Expenditure</b>	<b>83.17</b>	<b>138.20</b>						
15	Revenue from Tariff	81.90	81.90	(0.00)	-	-	-	(0.00)	(0.00)
16	Other Income	7.65	2.35	(5.30)	-	-	-	(5.30)	(5.30)
17	<b>Net Surplus/(Deficit)</b>	<b>6.38</b>	<b>(53.95)</b>		<b>0.09</b>	<b>0.08</b>	<b>0.09</b>		<b>(60.61)</b>

MePTCL humbly request the Hon'ble Commission to pass through gap of INR 60.61 Crore under the final truing up of FY 2014-15 in the ARR of FY 2017-18. MePTCL would like to retain a gain of around Rs. 0.09 Crores around Rs. 0.08 Crore shall be invested by MePTCL in a contingency reserve fund.

### 3 Provisional True Up of FY 2015-16

#### 3.1 Background

- 3.1.1 MePTCL had filed its ARR application and tariff proposal for FY 2015-16 before the Honorable MSERC on 22nd December 2014. Thereafter, the Honorable Commission, after solicitation of additional data from MePTCL and stakeholders' comments through public hearing, passed the tariff orders for Transmission business for FY 2015-16 on 30th March 2015.
- 3.1.2 In line with the provisions of Tariff Regulations, 2011, MePTCL is filing this Petition for Provisional True Up for the FY 2015-16. The information provided in this petition is on the basis of provisional statement of accounts and considering principles adopted by the Hon'ble Commission on the various cost heads of transmission business in its tariff orders. The figures are subject to validation when the audited financial statements are available.
- 3.1.3 Also, the expenses of the holding company, MeECL has been apportioned equally among MePGCL, MePTCL and MePDCL and added to their respective expense heads.

#### 3.2 Summary of Filings

Table 17: Provisional True Up of FY 2015-16

Sl. No	Particulars	FY 2015-16 (Approved)	Actuals	Gain/(Loss)	Gains to be Retained	Deposit to Contingency Reserve Fund	Gains to be Passed on	Losses to be Passed on	Net Surplus/(Gap) to be Passed on
1	Return on Equity (RoE)	9.43	54.93	(45.50)	-	-	-	(45.50)	(45.50)
2	Interest on Loan capital	6.16	6.55	(0.39)	-	-	-	(0.39)	(0.39)
3	Operation and Maintenance Expenses								
I	Employee Expenses	17.80	58.14	(40.34)	-	-	-	(40.34)	(40.34)
II	R&M Expenses	6.70	1.46	5.24	1.83	1.57	1.83	-	1.83
III	A&G Expenses	22.50	26.41	(3.91)	-	-	-	(3.91)	(3.91)
4	Interest on Working Capital	3.20	5.93	(2.73)	-	-	-	(2.73)	(2.73)
5	Depreciation as may be allowed	18.59	20.31	(1.72)			-	(1.72)	(1.72)
6	Taxes on Income	-	-	-	-	-	-	-	-
7	Annual License Fee	0.03	-	0.03				0.03	0.03
8	SLDC charges	1.05	1.05	-	-	-	-	-	-
9	Prior Period Charge/(Credits)	-	0.11	(0.11)	-	-	-	(0.11)	(0.11)
10	Total Annual	<b>85.46</b>	174.90						

Sl. No	Particulars	FY 2015-16 (Approved)	Actuals	Gain/(Loss)	Gains to be Retained	Deposit to Contingency Reserve Fund	Gains to be Passed on	Losses to be Passed on	Net Surplus/(Gap) to be Passed on
	Expenditure								
11	Less : SLDC ARR	2.10	2.10	-	-	-	-	-	-
12	Net Annual Expenditure	83.36	172.80						
13	Revenue from Tariff	78.12	97.02	18.90				(18.90)	18.9
14	Other Income	5.24	2.47	(2.77)	-	-	-	(2.77)	(2.77)
	<b>Net Surplus/(Deficit)</b>	<b>-</b>	<b>(73.31)</b>		<b>1.83</b>	<b>1.57</b>	<b>1.83</b>	<b>(116.35)</b>	<b>(76.72)</b>

### 3.3 Transmission System Availability and Losses

3.3.1 As per MSERC Tariff regulations' 2011, the target transmission availability proposed for FY 2016-17 for MSPCL is 98%. The estimated transmission availability for FY 2016-17 is also 98%.

3.3.2 With the completion of boundary metering at the boundaries of the generator and distributor in March 2016, it has been possible to have a more accurate evaluation of transmission loss and to ensure that the level of 4% as allowed by MSERC is adhered to. The transmission loss for FY 2015-16 is considered at 5.39%.

### 3.4 Summary of Deviations

The main reasons for deviation are:

- Due to unavailability of audited statements at the time of preparation of tariff orders, the Commission had considered provisional figures of Gross Fixed Assets for computation of Return on Equity and Depreciation. However, the actual amounts based on audited accounts are much higher thereby leading to a deviation.
- As per the letter PE.73/97/Vol IV/217 dated 13th December 2012 received from Government of Meghalaya, the grant received by the companies during FY 2012-13 shall be treated as equity. Government of Meghalaya is in the process of issuing notification of restructured equity of MePGCL, MePTCL and MePDCL. The Commission had considered only the opening equity as per the transfer scheme and had not considered this conversion of grants into equity while passing the Tariff Orders and therefore, there is this huge deviation in the equity capital appearing in the licensee's balance sheets and that considered by the Commission while passing the tariff orders.
- Similarly, O&M expense figures (employee expense, R&M expense and A&G expense) have been computed by applying an escalation on the figures of 2012-13 and were subject to validation at the time of true up. With the audited

financial statements available now, it may be observed that these figures have also significantly varied from projections values

### 3.5 Return on Equity

3.5.1 The Honorable Commission had allowed an amount of Rs. 9.43 crores to MePTCL as Return on Equity for FY 2015-16 based on the opening equity for the year as per 'The Meghalaya Power Sector Reforms Transfer Scheme 2010'. This was taken as provisional value subject to correction when audited accounts are available.

3.5.2 However, the actual closing equity component (paid up capital + equity share pending allotment) as per the audited accounts of MePTCL for FY 2013-14 is Rs. 377.37 crores. Similarly, the opening equity capital as per audited accounts for FY 2013-14 is Rs. 407.30 crores. As such, the average equity capital for FY 2013-14, for calculation of RoE, works out to be Rs. 392.33 crores.

**Table 18: Return of Equity Computation for FY 2015-16 (INR Crore)**

Particulars	Approved by MSERC	Actuals of MePTCL
Equity considered for true up	67.36	392.33
RoE (%)	14%	14%
Return on Equity (in Rs. Cr.)	<b>9.43</b>	<b>54.93</b>
Deviation	<b>45.50</b>	

3.5.3 The petitioner prays to the Honorable Commission to kindly allow the deviation as per the audit since it was due to reasons not under the control of the licensee.

### 3.6 Administration and General (A & G) Expenses

3.6.1 Out of the total A&G expenses of MePTCL for FY 2015-16, around 23.9 crores is provision for bad debts which was not considered by the Commission and as such there is a gap between the approved O&M expenses and actual A&G expenses as provided above.. The apportionment of MeECL expense has been added as part of A & G expense of MePGCL. The increase in A&G costs is due to increase in prevailing market rates and inflation rates which are beyond the control of the petitioner. Therefore, the petitioner, prays to the Commission to pass on the loss as per clause 13.1 of the Tariff Regulations, 2011.

### 3.7 Prior Period Expense

3.7.1 It is submitted that the Accounting Standard 5 (AS 5) issued by Institute of Chartered Accounts of India deals with the Net Profit/Loss for the Period, Prior Period Items and Changes in Accounting Policies. Prior period items are material charges or credits which arise in the current period as a result of errors or omissions in the

preparation of the financial statements of one or more prior periods. The following Table provides the details of the Prior Period Expenses as a net of MePTCL and apportioned amount from MeECL for FY 2015-16.

**Table 19: Prior Period Expense for FY 2015-16 (INR Crore)**

<b>Particulars</b>	<b>Amount</b>
<b><u>Expenses</u></b>	
Purchase of Power	-
Employee costs	0.125
Depreciation under provided in previous year	
Materials Related Expenses	
R&M to Works (O&M)	0.005
Excess Provision on Interest Accrued	
Other Prior Period expenses	
Net Prior Expenses	<b>0.13</b>
<b><u>Incomes</u></b>	
Other excess provision	0.021
Prior Period Expenses of MeECL Apportioned (actuals)	(0.005)
<b>Total</b>	<b>0.108</b>



#### **4 ARR for the 1st Control Period of FY 2015-16 to FY 2017-18**

##### **4.1 Approach**

4.1.1 In accordance with the provisions of the MYT Regulations, 2014, MePTCL hereby submits revised ARR for FY 2016-17 and FY 2017-18 based on actuals of FY 2014-15 and FY 2015-16.

##### **4.2 Segregation of Annual Accounts**

4.2.1 Pursuant to Meghalaya Power Sector Reforms Transfer Scheme 2012, the Assets and Liabilities including rights, obligations and contingencies is transferred to and vested in MePTCL by MeECL on and from 1.4.2012.

4.2.2 The provisional segregated annual accounts post restructuring and unbundling for FY 2012-13 are being audited. The accounts for the holding company and its subsidiaries have been segregated by appropriating the Assets, Properties, Liabilities, Expenditures, and Obligations etc. as attributable to the respective companies. The Assets and liabilities of individual functions i.e. Generation, Transmission and Distribution were maintained by erstwhile MeSEB and later MeECL, and appropriation of common items to respective companies is being done by taking relevant basis/ methodology.

##### **4.3 Annual Expenditure of MePTCL**

4.3.1 The Regulation 65 of the MYT Regulations, 2014, provides the cost components of MePTCL. The relevant regulation is reproduced below for ready reference:

***“65 Components of tariff***

*Annual Transmission Charges for each year of the Control Period:*

*65.1 The Annual Transmission Charges for each financial year of the Control Period shall provide for the recovery of the Aggregate Revenue Requirement of the Transmission Licensee for the respective financial year of the Control Period, a reduced by the amount of Non-Tariff Income, income from Other Business and short-term transmission charges of the previous year, as approved by the Commission: Provided that in case of competitively awarded transmission system projects in pursuance of Section 63 of the Act and in accordance with guidelines for competitive bidding for transmission, the annual transmission charges shall be as per the annual Transmission Service Charges (TSC) quoted by such competitively awarded transmission projects.*

*65.2 The Annual Transmission Charges of the Transmission Licensee shall be determined by the Commission on the basis of an application for determination of Aggregate Revenue Requirement made by the*

*Transmission Licensee in accordance with Chapter-2 of these Regulations.*

65.3 *The Annual Expenditure of the Transmission Licensee shall comprise of the following:*

- a. *Return on equity as may be allowed;*
- b. *Interest on loan capital;*
- c. *Depreciation as may be allowed;*
- d. *Interest on working capital;*
- e. *Operation and maintenance expenses;*
- f. *Taxes on Income*
- g. *Annual License fee*

65.4 *The Annual Transmission Charge of the Transmission Licensee shall be determined after deducting the following components from the Annual Expenditure as determined above:*

- a. *Income from surcharge and additional surcharge for Open Access Consumers if any*
- b. *Transmission/wheeling charges recovered from Open Access Consumers, if any*
- c. *Authorized portion of Income/ Revenue from other business engaged in by the Licensee for optimum utilization of assets, if any."*

#### 4.4 Transmission Network details

4.4.1 MePTCL has a total transmission network of 226.840 Circuit Kilometers at 220 KV level and 993.854 Circuit Kilometers at 132 KV voltage level. The summarized transmission line detail is mentioned in Table 11 below:

**Table 20: Voltage wise Transmission Line details**

Transmission Lines	Single Circuit		Double Circuit	
	No	Ckt Km	No	Ckt Km
<b>400 KV Line</b>			1	4.428
<b>220 KV Line</b>			1	226.84
<b>132 KV Line</b>	38	558.614	20	435.24

4.4.2 MePTCL fixed assets includes 13 sub-stations with a total capacity of 1675 MVA. The summarized sub-station detail of MePTCL is mentioned in Table below.

**Table 21: Sub-Station details of MePTCL**

Sl. No.	Voltage	Capacity (MVA)	Nos.	Total Capacity (MVA)
<b>1</b>	400/220 kV	315	2	630
<b>2</b>	220/132 kV	160	2	320

Sl. No.	Voltage	Capacity (MVA)	Nos.	Total Capacity (MVA)
3	220/132 kV	100	2	200
4	132/33 kV	50	1	50
5	132/33 kV	20	19	380
6	132/33 kV	12.5	4	50
7	132/33/11 kV	10	1	10
8	132/11 kV	10	2	20
9	132/33 kV	5	3	15
	<b>Total :</b>		<b>36</b>	<b>1675</b>

#### 4.5 Gross Fixed Assets

4.5.1 The opening balance of GFA of MePTCL as on 1.4.2014 is **Rs. 371.04 Cr.** The closing GFA for each year of the control period is worked out considering actual capitalization during FY 2014-15 and FY 2015-16, estimated capitalization during FY 2016-17 and projected capitalization during the FY 2017-18 based on the investment plan of MePTCL (submitted as Annexure along with this petition).

**Table 22: Gross Fixed Asset Details (Rs. Cr)**

Particulars	FY2015-16 (Provisional)	FY2016-17 (Estimated)	FY2017-18 (Projected)
<b>Opening GFA</b>	375.70	434.47	588.89
<b>Additions during the year</b>	58.77	154.42	80.20
<b>Retirements during the year</b>	-	-	-
<b>Closing GFA</b>	<b>434.47</b>	<b>588.89</b>	<b>669.09</b>

4.5.2 MePTCL submits before the Hon'ble Commission to kindly approve the GFA as submitted in the table above.

#### 4.6 Computation of Return on Equity

4.6.1 The relevant regulations for determination of debt-equity ratio are extracted for reference as below:

***"27 Debt-Equity Ratio***

*27.1 For a project declared under commercial operation on or after 1.4.2015, if the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan;*

*Provided that where equity actually deployed is less than 30% of the capital cost, the actual equity shall be considered for determination of tariff.*

*Provided further that equity invested in foreign currency shall be designated in Indian rupees on the date of each investment.*

*Provided any grant obtained for execution of the project shall not be considered as a part of capital structure for the purpose of debt-equity ratio.*

*Explanation:- The premium, if any, raised by the generating company or the transmission licensee or the distribution licensee, as the case may be, while*

*issuing share capital and investment of internal resources created out of its free reserve, for the funding of the project, shall be reckoned as paid up capital for the purpose of computing return on equity, provided such premium amount and internal resources are actually utilized for meeting the capital expenditure.*

27.2 *In case of the generating station and the transmission system declared under commercial operation prior to 1.4.2015, debt-equity ratio allowed by the Commission for determination of tariff for the period ending 31.3.2015 shall be considered.*

27.3 *Any expenditure incurred or projected to be incurred on or after 1.4.2015 as may be admitted by the Commission as additional capital expenditure for determination of tariff, and renovation and modernization expenditure for life extension shall be serviced in the manner specified in this regulations."*

4.6.2 The Regulation 31 of the MYT Regulations, 2014, provides for computation of Return on Equity. The extract is reproduced below:

***"31 Return on Equity***

31.1 *Return on equity shall be computed on the equity base determined in accordance with regulation 27 and shall not exceed 14%.*

*Provided that in case of generation & transmission projects commissioned after notification of these regulations, an additional return of 0.5 % shall be allowed if such projects are completed within the time line as specified in CERC Tariff Regulations.*

*Provided that in case of generation & transmission projects commissioned after the notification of these regulations an additional return of 1.5 % shall be allowed if such projects are completed within the original sanctioned project cost without any time and cost overrun whatsoever.*

*Provided that equity invested in a foreign currency may be allowed a return up to the prescribed limit in the same currency and the payment on this account shall be made in Indian Rupees based on the exchange rate prevailing on the due date of billing.*

- *The premium received while issuing share capital shall be treated as a part of equity provided the same is utilized for meeting capital expenditure.*
- *Internal resources created out of free reserves and utilized for meeting capital expenditure shall also be treated as a part of equity."*

4.6.3 For computation of RoE till 1st April, 2015, the Meghalaya State Electricity Regulatory Commission (Terms and Conditions for determination of Tariff) Regulations, 2011 (hereinafter referred as Tariff Regulations, 2011) have been followed. The relevant provision of Tariff Regulations, 2011 is reproduced below:

***"72. Debt-Equity Ratio***

*For the purpose of determination of tariff, debt-equity ratio in the case of existing, ongoing as well as new projects commencing after the date of notification of these regulations shall be 70:30. Where equity employed is*

more than 30%, of the capital cost the amount of equity for the purpose of tariff shall be limited to 30% and the balance shall be treated as loan. Where actual equity employed is less than 30%, of the capital cost the actual equity employed shall be considered. Provided that the Commission may, in appropriate case, consider equity higher than 30% for the purpose of determination of tariff, where the transmission licensee is able to establish to the satisfaction of the Commission that deployment of equity more than 30% is in the interest of general public.

.....”

#### “74. Return on Equity

(1) Return on equity shall be computed on the equity base determined in accordance with Regulation 72, at a fixed rate of 14 percent, per annum.

.....

(2) The equity amount appearing in the Balance Sheet as per Transfer scheme notification will be considered for the purpose of considering the return for the first year of operation.

.....”

4.6.4 Based on the above submission the Return on Equity computation is shown in the table below:

**Table 23: Return on Equity Computation (Rs. Cr)**

Particulars	FY2015-16 (Provisional)	FY2016-17 (Estimated)	FY2017-18 (Projected)
Opening Equity (Rs Cr)	377.37	407.30	499.02
Additions During the Year (Rs Cr)	29.93	91.72	224.64
Closing Equity (Rs Cr)	407.30	499.02	723.66
Equity considered of RoE	392.33	453.16	611.34
RoE (%)	14%	14%	14%
RoE (Rs Cr)	<b>54.93</b>	<b>63.44</b>	<b>85.59</b>

4.6.5 MePTCL submits before the Hon’ble Commission to kindly approve RoE of Rs. **85.59** FY 2017-18 respectively.

#### 4.7 Interest and Finance Charges on Loan Capital

4.7.1 As per Regulation 32 of the MYT Regulations, 2014, Interest and finance charges on loan capital shall be computed on the outstanding loans, duly taking into account the schedule of loan repayment, terms and conditions of loan agreements, bond or debenture and the prevailing lending rate of bank and financial institution. It is submitted that the Interest on Loan for the control period has been computed by considering Interest obligation for existing loans as well as for future projects with a loan component. The summarized statement of Interest and Finance charge for the Control Period is shown below:

Table 24: Computation of Interest on Loan (Rs. Cr)

Particulars	FY2015-16 (Provisional)	FY2016-17 (Estimated)	FY2017-18 (Projected)
Opening Balance	31.17	91.11	101.30
Addition During the Year	59.94	10.19	23.72
Repayment during the year	-	-	-
Closing Balance	91.11	101.30	125.02
Average Interest Rate	10.71%	11.09%	10.82%
Interest Payable	6.55	10.67	12.24
Add: Finance Charge	-	-	-
Interest and Finance Charges	6.55	10.67	12.24

#### 4.8 Operation and Maintenance Expenses

4.8.1 As per Regulation 69 of the MYT Regulations, 2014, the Operation and Maintenance Expenses is a sum of Employee Cost, Repairs and Maintenance (R & M) Expense and Administrative and General (A & G) Expenses. The extract of the regulations is reproduced as follows:

***“69 Operation and Maintenance Expenses***

*69.1 Operation and Maintenance Expenses or O&M Expenses shall mean the total of all expenditure under the following heads:-*

- a. Employee Cost*
- b. Repairs and Maintenance*
- c. Administration and General Expenses.*

*69.2 The Licensee shall submit O&M expenses budget indicating the expenditure under each head of account showing actual of the last financial year, estimates for the current year and projections for the next financial year.*

*69.3 The norms for O&M expenses on the basis of circuit kilometers of transmission lines, transformation capacity and number of bays in substations shall be submitted for approval of the Commission.*

*69.4 The Commission shall verify the budget estimates and projections and allow the expenditure depending on its views about the reasonableness of the projections.*

*69.5 Increase in O& M expenses due to natural calamities or insurgency or other factors not within its control may be approved by the Commission.”*

#### 4.9 Employee Cost

4.9.1 It is submitted that before corporatization, Meghalaya State Electricity Board (MeSEB) used to revise pay scale of employees every 5 years. Further at the time corporatization in the year 2010 the Management and Employees Association have mutually decided that the earlier trend of revision of pay will continue in future i.e.

Management will revise pay scale of all the employees every 5 years. The last pay revision was made effective in the year 2010.

4.9.2 Therefore, pay wage revision which was to be implemented from January 2015 has been delayed and revision is expected to take place in FY 2017-18. As per the latest decision taken for pay revision, there will be average increase of 17% in the pay of employees on the existing pay as on 1<sup>st</sup> January 2016. As such, for projecting the employee cost of FY 2016-17, the existing pay has been increased by a factor of 17%. The arrears in wages for FY 2017-18 is expected to be taken up during the True up. The following assumptions were taken to arrive at the pay of Employees for FY 2017-18:

- **Basic Pay:** On a yearly basis the permanent employees of MePTCL are given a increment of 3%
- **Dearness Allowance (DA):** The DA increment is taken around 12% for FY 2017-18
- The other allowance is estimated to remain at the same level as FY 2015-16
- Terminal benefit provision for FY 2017-18 considered at an increment of 3%. However the same will be claimed as per the actuals at the time of true-up.
- The yearly recruitment of technical and non-technical staff is also considered for projection of cost.

**Table 25: Employee Cost (Rs. Cr)**

SL No.	Particulars	FY 2015-16 (Actuals)	FY 2016-17 (Estimated)	FY 2017-18 (Projected)
1	Salaries & Wages	31.45	37.28	40.20
2	Contribution to provident and other funds	22.46	26.28	27.07
3	Staff Welfare Expenses	0.011	0.011	0.011
4	Pay Revision Arrears	4.23		
5	Sub Total	58.15	63.57	67.28
	Amount Capitalized	-	-	-
	Add Prior Period Expenses	-	-	-
6	Grand Total	58.15	63.57	67.28

4.9.3 MePTCL submits before the Hon'ble Commission to kindly approve Employee Cost of **Rs. 67.28** for 2017-18 respectively.

#### 4.10 Repairs and Maintenance (R & M) Expenses

4.10.1 Meghalaya, being a hilly terrain, demands comparatively more investment for maintaining the transmission network. Under these circumstances there is a genuine need for incurring repair & maintenance expenses to keep the current assets under satisfactory running condition. Further with new addition of assets, there is increased requirement of repair and maintenance expense. However, due to ongoing restructuring activities and revenue deficit faced by MeECL & its subsidiaries, MePTCL has not been able to take up R&M works in extremely planned

manner. Therefore, the R & M Expense for the control period was projected by considering inflation rate of 9% over the last 3 years (November 2011 to October 2014).

**Table 26: R & M Expenses (Rs. Cr)**

SL No.	PARTICULARS	FY 2015-16 (Actuals)	FY 2016-17 (Estimated)	FY 2017-18 (Projected)
<b>1</b>	<b>Plant &amp; Machinery</b>			
	Plant & Apparatus	0.503	0.55	0.60
	EHV Sub- Stations			
	33kv Sub- Stations			
	11kv Sub-Stations			
	Switch Gear and cable connections			
	<b>Sub-Total</b>	<b>0.503</b>	<b>0.55</b>	<b>0.60</b>
<b>2</b>	Building	0.059	0.06	0.07
<b>3</b>	Hydraulic works & Civil Works	0.031	0.03	0.04
<b>4</b>	<b>Lines &amp;Cable</b>			
	EHV Lines	0.741	0.81	0.88
	33Kv Lines			
	11Kv Lines			
	LT Lines			
	Meters & Metering Equipment			
	Others			
	<b>TOTAL</b>	<b>0.741</b>	<b>0.81</b>	<b>0.88</b>
<b>5</b>	Vehicles	0.037	0.04	0.04
<b>6</b>	Furniture & Fixtures	0.006	0.01	0.01
<b>7</b>	Office Equipments	0.037	0.04	0.04
<b>8</b>	Operating Expenses	0		-
<b>9</b>	<b>TOTAL</b>	<b>1.41</b>	<b>1.54</b>	<b>1.68</b>
<b>10</b>	Add: Deduct share o other (To be specified)	-	-	-
<b>11</b>	Apportionment of holding expenses	0.05	0.05	0.06
<b>12</b>	<b>Total Expenses</b>	<b>1.46</b>	<b>1.60</b>	<b>1.74</b>
<b>13</b>	Less capitalized			
<b>14</b>	<b>Net Expenses</b>	<b>1.46</b>	<b>1.60</b>	<b>1.74</b>
<b>15</b>	Add: Prior Period			
<b>16</b>	<b>Total Expenses charges to revenue as R&amp;M expenses</b>	<b>1.46</b>	<b>1.60</b>	<b>1.74</b>

4.10.2 MePTCL submits before the Hon'ble Commission to kindly approve R & M Expense of **Rs. 1.74** for FY 2017-18 respectively.

#### **4.11 Administration and General (A & G) Expenses**

4.11.1 The increase in A & G Expenses mainly depends upon the price inflation and the business volume. As the A & G Expense is being projected for the control period as a whole, therefore A & G expense for the control period is projected by considering the average inflation rate of 9% over the last 3 year period (November 2011 to October 2014). Further, at the time of unbundling, MeECL and its subsidiaries i.e. MePGCL, MePTCL & MePDCL have mutually agreed to reimburse the expense of



MeECL in the ratio of cost of respective corporations. The apportionment of MeECL expense has been added as part of A & G expense of MePGCL.

4.11.2 The summarized A & G expense for FY 2014-15 and the control period is shown in the table below:

**Table 27: A & G Expenses (Rs. Cr)**

SL No.	PARTICULARS	FY 2015-16 (Actuals)	FY 2016-17 (Estimated)	FY 2017-18 (Projected)
1	Insurance	0.009	0.01	0.01
2	Rent, Rates and Taxes	0.000	-	-
3	Telegram, Postage, Telegraph and Telex charges	0.042	0.05	0.05
4	Training and conveyance	1.148	1.25	1.37
5	Printing and stationery	0.061	0.07	0.07
6	Consultancy Charges	0.002	0.00	0.00
7	Payments to auditors	0.036	0.04	0.04
8	Books & Periodicals	0.002	0.00	0.00
9	Advertisement	0.013	0.01	0.02
10	Legal and professional	0.087	0.10	0.10
11	Stipend, Training expenses	0.102	0.11	0.12
12	MeSERC Fees	0.043	0.05	0.05
13	Entertainment	0.002	0.00	0.00
14	Other Purchase Related Expenses	0.014	0.02	0.02
15	Miscellaneous expenses	0.005	0.01	0.01
16	Provision for doubtful debts	23.993	-	-
17	Sub Total	<b>25.56</b>	1.71	1.86
18	Apportionment of holding expenses	0.852	0.93	1.01
19	Total Expenses to be charged	<b>26.41</b>	<b>2.64</b>	<b>2.87</b>

4.11.3 MePTCL submits before the Hon'ble Commission to kindly approve A & G Expense of **Rs.2.87 Cr** for FY 2017-18 respectively including apportionment of MeECL Expense.

#### 4.12 Summary of Operation and Maintenance (O & M) Expenditure

4.12.1 The summarized Operation and Maintenance Expense is shown in the table below.

**Table 28: Operation and Maintenance Expense (Rs Cr)**

Sl. No.	Particulars	FY 2015-16 (Provisional)	FY2016-17 (Estimated)	FY2017-18 (Projected)
1	Employee Cost	58.15	63.57	67.28
2	R&M	1.46	1.60	1.74
3	A&G	26.41	2.64	2.87
	<b>Total O &amp; M Expense</b>	<b>86.03</b>	<b>67.80</b>	<b>71.89</b>

4.12.2 MePTCL submits before the Hon'ble Commission to kindly approve total O&M expenses of **Rs 71.89** for FY 2017-18.

#### 4.13 Interest on Working Capital

4.13.1 As per Regulation 34.3 (i) of the MYT Regulations, 2014, the components of working

capital will be:

**“34.2 Transmission Business**

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

- Operation and maintenance expenses for one month; plus
- Maintenance spares at one (1) per cent of the historical cost escalated at 6% from the date of commercial operation; plus
- Receivables equivalent to two (2) month of transmission charges calculated on target availability level;

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.”

4.13.2 The Working Capital is calculated as shown in the table below:

**Table 29: Working Capital Computation (Rs. Cr)**

Sl. No.	Particulars	FY 2015-16 (Actuals)	FY2016-17 (Estimated)	FY2017-18 (Projected)
1	O&M Expense for 1 month	7.17	5.65	5.99
2	Maintenance spares budget	4.29	5.42	6.67
3	Receivables for 2 months	28.80	30.65	37.11

4.13.3 As per Regulation 34.2 (i) of the MYT Regulations, 2014, the State Bank Advance Rate (SBAR) as on 1st April of the financial year in which the Petition is filed need to be considered as interest rate for computation of Interest on Working Capital. The Interest on Working Capital is computed as shown in the table below:

**Table 30: Interest on Working Capital (Rs. Cr)**

Sl. No.	Particulars	FY 2015-16 (Actuals)	FY2016-17 (Estimated)	FY2017-18 (Projected)
1	Total Working Capital (B+E+F)	40.26	41.73	49.76
2	SBI short term PLR	14.75%	14.05%	14.05%
	<b>Interest on Working Capital</b>	<b>5.94</b>	<b>5.86</b>	<b>7.00</b>

4.13.4 MePTCL submits before the Hon’ble Commission to kindly approve **Rs. 7.00** for FY 2017-18.

**4.14 Income Tax**

As per Regulation 35 of the MYT Regulations, 2014, Income Tax on the licensed business of the Transmission Licensee shall be treated as expense and shall be recoverable from consumers through tariff. The petitioner has also not paid any amount as taxes in the previous years. However, MePTCL submits that a tax of 21.34% i.e the MAT rate is to be charged in the Return of Equity for FY 2017-18. Income Tax computation has been shown below:

**Table 31: Taxes on Income (Rs. Cr)**

Particulars	FY2016-17 (Estimated)	FY2017-18 (Projected)
RoE	63.44	85.59
Income Tax Rate	21.34%	21.34%
Income Tax	13.54	18.27

4.14.1 MePTCL submits before the Hon'ble Commission to kindly approve total income tax of **Rs 18.27** for FY 2017-18.

#### 4.15 Depreciation for the Control Period

4.15.1 Depreciation is computed as per Regulation 33 of the MYT Regulations, 2014. The depreciation is projected based on the estimated completion of ongoing and upcoming projects during the control period. The computation of depreciation is shown in the table below:

**Table 32: Depreciation (Rs. Cr)**

Sl. No.	Particulars	FY2015-16 (Provisional)	FY2016-17 (Projected)	FY2017-18 (Projected)
1	Land		-	-
2	Buildings	0.43	0.54	0.74
3	Hydraulic works	0.00	0.01	0.02
4	Other Civil works	0.27	0.45	0.67
5	Plant & Machinery	7.31	9.00	10.59
6	Lines & Cables	12.34	13.81	16.98
7	Vehicles	0.06	0.25	0.27
8	Furniture	0.06	0.11	0.15
9	Office equipment	0.05	0.08	0.09
10	Less: Transfer from Reserve /Amortization of grant	-0.22		
	<b>Total</b>	<b>20.31</b>	<b>24.26</b>	<b>29.51</b>

4.15.2 MePTCL submits before the Hon'ble Commission to kindly approve Depreciation of **Rs.29.51** for FY 2017-18.

#### 4.16 SLDC Charges

4.16.1 As per as Regulation 1, 3(3) , 3(6) of MSERC (Levy and Collection of State Load Despatch Centre Fees and Charges) Regulations, 2009, MePTCL will need to bear 50% of the Annual Revenue Requirement of SLDC. As per information received from SLDC, the total ARR of SLDC for the FY 2017-18 is **Rs. 3.73 Cr**. Therefore it is submitted that **Rs. 1.87 Cr** (50% of the total SLDC ARR) may kindly be allowed to be passed through as SLDC charges as a part of Transmission ARR.

#### 4.17 Other Income

4.17.1 The Regulation 65 of the MYT Regulations, 2014, provides the cost components of MePTCL. The relevant regulation is reproduced below for ready reference:

***“65 Components of tariff***

.....

*65.4 The Annual Transmission Charge of the Transmission Licensee shall be determined after deducting the following components from the Annual Expenditure as determined above:*

- a. Income from surcharge and additional surcharge for Open Access Consumers if any*
- b. Transmission/wheeling charges recovered from Open Access Consumers, if any*
- c. Authorized portion of Income/ Revenue from other business engaged in by the Licensee for optimum utilization of assets, if any.”*

4.17.2 The summary of Other Income is mentioned in Table 26 below. Hon’ble commission is requested to approve Rs. 3.12 Cr as other Income for FY 2017-18.

**Table 33: Other Income Summary (Rs Cr)**

SL No.	PARTICULARS	FY 2015-16 (Actuals)	FY 2016-17 (Estimated)	FY 2017-18 (Projected)
1	Discount Received	0	0.00	0.00
2	Application Fee for STOA	0.056	0.06	0.07
3	Miscellaneous receipts	0.089	0.10	0.11
4	Income from Trading	0	0.00	0.00
5	Interest on overdue trade receivables	0	0.00	0.00
6	Interest Income	1.470	1.69	1.86
7	Other Income of MeECL Apportioned	0.855	0.98	1.08
	<b>Total</b>	<b>2.47</b>	<b>2.84</b>	<b>3.12</b>

#### 4.18 Annual Revenue Requirement for the Control Period

4.18.1 Based on the detailed computation of ARR components, the abstract of ARR is shown in the table below. MePTCL submits before the Hon’ble Commission to kindly approve Net ARR of **Rs.219.51** for FY 2017-18 respectively. The component-wise summary of ARR is given in table below:

**Table 34: Annual Transmission Charges (Rs. Cr)**

Sl. No.	Particulars	FY2015-16 (Actuals)	FY2016-17 (Estimated)	FY2017-18 (Projected)
1	Return on Equity (RoE)	54.93	63.44	85.59
2	Interest and Other Finance Charges	6.55	10.67	12.24
3	Operation and Maintenance expenses			
	i)Employee Expenses	58.15	63.57	67.28

Sl. No.	Particulars	FY2015-16 (Actuals)	FY2016-17 (Estimated)	FY2017-18 (Projected)
	ii)R&M Expenses	1.46	1.60	1.74
	iii)A&G Expenses	26.41	2.64	2.87
4	Interest on Working Capital	5.94	5.86	7.00
5	Depreciation as may be allowed	20.31	24.26	29.51
6	Taxes on Income	-	13.54	18.27
7	Annual License Fee	-	-	-
8	SLDC Charges	1.05	1.66	1.87
9	Prior Period Expenses	0.11		
10	<b>Total Annual Expenditure</b>	<b>174.91</b>	<b>187.23</b>	<b>226.36</b>
11	<i>Less: SLDC ARR</i>	2.10	3.31	3.73
12	<i>Net Annual Expenditure</i>	172.81	183.92	222.63
13	<i>Less: Other Income</i>	2.47	2.84	3.12
14	<b>Net Annual Revenue Requirement</b>	<b>170.34</b>	<b>181.08</b>	<b>219.51</b>

## 5 Computation of Transmission Charges

### 5.1 Regulatory Provisions

5.1.1 MePTCL submits that based on the Annual Fixed Cost approved by Hon'ble Commission it will calculate the Transmission Charges based on following provisions:

#### ***"72 Sharing of Transmission Charges***

*72.1 In case of more than one beneficiaries of the transmission system, the monthly transmission charges leviable on each beneficiary shall be computed as per the following formula:*

*Transmission charges for transmission system payable for a month by the beneficiary of that transmission system =  $\left[ \frac{TC}{12} - TRSC \right] \times \frac{CL}{SCL}$*

*Where*

*TC= Annual Transmission charges computed in accordance with Regulation 65.*

*CL=Allotted transmission capacity of the beneficiary*

*SCL=Sum of allotted transmission capacities of all the beneficiaries of the state transmission system*

*TRSC=Total recovery of transmission charges for the month from short term transmission consumers."*

*74. Computation and payment of transmission charge for Intra-State Transmission system.*

*74.1 The fixed cost of the transmission system shall be computed on annual basis, in accordance with norms contained in these regulations, aggregated as appropriate, and recovered on monthly basis as transmission charge from the users, who shall share these charges in the manner specified.*

*74.2 The transmission charge (inclusive of incentive) payable for a calendar month for a transmission system or part thereof shall be*

$$= AFC \times ( NDM / NDY ) \times ( TAFM / NATAF )$$

*Where,*

*AFC = Annual fixed cost specified for the year, in Rupees.*

*NATAF= Normative annual transmission availability factor in percent*

*NDM = Number of days in the month*

*NDY = Number of days in the year*

*TAFM = Transmission availability factor achieved during the month, in %*

*The transmission licensee shall raise the bill for the transmission charge (Inclusive of incentive) for a month based on its estimate of TAFM.*

*As per the Annexure-III of MYT*

*Procedure for Calculation of Transmission System Availability Factor for a Month as per latest CERC Regulations*

*The TAFM shall be computed in accordance with the following formula:*

**TAFM= (100-100 x NAFM) where**

$$\text{NAFM} = \left[ \sum_{l=1}^L (\text{OH}_l \times \text{Cktkm}_l \times \text{NSC}_l) + \sum_{t=1}^T (\text{OH}_t \times \text{MVA}_t \times 2.5) + \sum_{r=1}^R (\text{OH}_r \times \text{MVAR}_r \times 4) \right] \div \text{THM} \times \left[ \sum_{l=1}^L (\text{Cktkm}_l \times \text{NSC}_l) + \sum_{t=1}^T (\text{MVA}_t \times 2.5) + \sum_{r=1}^R (\text{MVAR}_r \times 4) \right]$$

*Where,*

*l identifies transmission line circuit*

*t identifies transformer circuit*

*r identifies bus reactor, switchable line reactor and SVCs.*

*T= total no. of transformers and ICTs.*

*L= total no. of line circuits*

*R= total no. of bus reactors, switchable line reactor and SVCs.*

*Ckt km= length of a transmission line circuit in km*

*NSC= no. of sub conductors per phase*

*MVA= MVA rating of transformer/ ICTs*

*MVAR=MVAR rating of bus reactor, switchable line reactor and SVCs.*

*THM= Total hours in a month*

*OH= Outage hours or hours of non-availability in a month, excluding the duration of outages not attributable to transmission licensee*

*NAFM for each HVDC system shall be calculated separately, as follows :*

$$\text{NAFM} = \left[ \sum (\text{TCR} \times \text{hours}) \right] \div \left[ \text{THM} \times \text{RC} \right]$$

*Where*

*TCR = Transmission capability reduction of the system in MW*

*RC = Rated capacity of the system in MW.*

*For the above purpose, the HVDC terminals and directly associated EHV / HVDC lines of an HVDC system shall be taken as one integrated system*

## **5.2 Net Gap to be carried over to FY 2016-17**

- 5.2.1 The revenue gap arrived at in the true up of FY 2014-15 is Rs. 60.61 crores and the revenue gap from the provisional true up of FY 2015-16 stands at Rs. 76.72 crores.
- 5.2.2 The gap of the revised ARR of FY 2016-17 will be considered during its true up and hence not considered here.
- 5.2.3 Thus, the net gap to be passed on to the Transmission ARR of FY 2017-18 comes up to Rs. 137.33 crores as shown below.

**Table 35: Gap to be recovered with ARR of FY 2017-18 (in Rs. Cr.)**

Particulars	Amount
Revenue Gap from true up of FY 2014-15	60.61
Revenue Gap from the True up of FY 2015-16	76.72
<b>Net Gap to be passed on to Transmission ARR of FY 2016-17</b>	<b>137.33</b>

### 5.3 Revised Transmission ARR for FY 2017-18 and its Recovery Mechanism

- 5.3.1 MePTCL, in its petition of revised ARR for FY 2017-18 has projected an ARR of Rs. 219.51 crores.
- 5.3.2 Now, based on the truing up exercise for the years FY 2014-15 and FY 2015-16, the petitioner has computed a net gap of Rs. 137.33 crores in these years.
- 5.3.3 Therefore, the revised Transmission ARR for FY 2017-18 after incorporating this gap comes up to Rs. 356.84 crores as shown below:

**Table 36: Revised ARR of FY 2017-18 (in Rs. Cr.)**

Particulars	Amount
Projected ARR of FY 2017-18	219.51
Gap carried forward from the True up of FY 2014-15 & FY 2015-16	137.33
<b>Revised ARR of FY 2017-18</b>	<b>356.84</b>

- 5.3.4 The petitioner prays to the Commission to approve this revised ARR of Rs. 356.84 crores to be recovered from its beneficiaries in FY 2017-18.
- 5.3.5 MePDCL being the main beneficiary, would pay this amount to the licensee in twelve equal monthly instalments of Rs. 29.74 crores each subject to availability of transmission network in accordance with the Regulations as may be certified by SLDC.

### 5.4 Revised Transmission Tariff for FY 2017-18

- 5.4.1 Accordingly, the petitioner has computed the transmission tariff as below:

**Table 37: Revised Open Access Charges of FY 2017-18**

SL. No	Particulars	FY 2015-16 (Actuals)	FY 2016-17 (Estimated)	FY 2017-18 (Projected)
1	Annual Transmission Charges (Rs. Lakhs)	17,033.87	19,334.89	35684
2	Total MW Allocation (MW)	693.57	693.57	693.57
3	Transmission Tariff (Rs / MW / Day)	6,728.68	7,637.63	14095
4	Energy Transferred (MU)	2336.92	1809.82	2324.82
5	Transmission Tariff (Paise / Unit)			153

- 5.4.2 The petitioner prays to the Honorable Commission to kindly allow the revised tariff for FY 2017-18 as computed above.