

**BEFORE**  
**MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION,**  
**SHILLONG**

**PETITION**  
**FOR**  
**REVIEW OF**  
**ORDER DATED 25 SEPTEMBER 2018**  
**ON**  
**TRUE UP BUSINESS FOR FY 2015-16**

FILED BY



**MEGHALAYA POWER DISTRIBUTION CORPORATION LTD.**

**LumJingshai, Short Round Road, Shillong - 793 001**

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

At its office at Lower Lachumiere, Shillong – 793001

FILE / PETITION NO.....

IN THE MATTER OF

Review Petition filed under Clause 22 of the MSERC (MULTI YEAR TARIFF) REGULATIONS, 2014, Clause 21 OF MSERC (Conduct Of Business) Regulations 2006 and section 94 and 181 of Electricity Act 2003, on True Up Order of FY 2015-16 of Meghalaya Power Distribution Company Limited issued by the MSERC on 25<sup>th</sup> September 2018

AND IN THE MATTER OF

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

**PETITIONER**

THE PETITIONER, UNDER SECTIONS 94, 181 OF THE ELECTRICITY ACT 2003, CLAUSE 21 OF MSERC (CONDUCT OF BUSINESS) REGULATIONS 2006 AND CLAUSE 22 OF MSERC (MULTI YEAR TARIFF) REGULATIONS, 2014, FILES FOR INITIATIONS OF PROCEEDINGS BY THE HONORABLE COMMISSION FOR REVIEWING THE TRUE UP ORDER OF FY 2015-16 OF MEGHALAYA POWER DISTRIBUTION COMPANY LIMITED (herein after referred to as “MePDCL”) DATED 25<sup>TH</sup> SEPTEMBER 2018

*The Petitioner respectfully submits as under:*

1. The petitioner, Meghalaya Power Distribution Company Limited is the deemed licensee in terms of section 14 of the Electricity Act 2003 (herein after referred to as Act), engaged in the business of distribution of electricity in the state of Meghalaya.
2. Based on the provisions of Regulation 15 of the Tariff Regulations, 2014, MePDCL had filed the petition for approving the true-up of FY 2015-16 dated 29.12.2017
3. After the filing of the above petitions, the Hon'ble Meghalaya State Electricity Regulatory Commission (hereinafter referred to as 'MSERC' or 'the Commission') issued the impugned order on 25<sup>th</sup> September 2018.
4. After analysis of the order and examination of the same with respect to the latest relevant data and facts, MePDCL feels that there is a need to review the impugned order dated 25<sup>th</sup> September 2018 based on the submissions, analysis and facts, which have been produced in this review petition, in the subsequent section.
5. MePDCL prays before the Honourable Commission to admit this review petition on Distribution True Up FY 2015-16 Order of MePDCL.

**PRAYER:**

The applicant, therefore, humbly prays before the Hon'ble Commission to pass appropriate order on the following:

- Admit the Review Petition on Distribution True Up FY 2015-16 dated 25th September 2018, as submitted herewith.
- Condone any inadvertent omissions/ errors/ shortcomings and permit the Petitioner to add/ change/ modify/ alter this filing and make further submissions as may be required at a future date.
- Permit submission of any additional information required by the Hon'ble Commission during the processing of this petition.
- And pass such other and further orders as are deemed fit and proper in the facts and circumstances of the case,

(P Sahkhar)  
Superintending Engineer (R.A)

For and on behalf of  
Meghalaya Power Distribution Corporation Ltd

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## **1 Introduction**

- 1.1** The present petition is being filed as per clause 22 of MSERC (Multi Year Tariff) Regulations 2014, which is reproduced below:

### ***22 Review of Tariff Order***

*22.1 All applications for the review of tariff shall be in the form of petition accompanied by the prescribed fee. A petition for review of tariff can be admitted by the Commission under the following conditions:*

- a) the review petition is filed within sixty days for the date of the tariff order, and / or*
- b) there is an error apparent on the face of the record*

*22.2 On being satisfied that there is a need to review the tariff of any generating company or the licensee, the Commission may on its own initiate process of review of the tariff of any generating company or the licensee. The Commission may also, in its own motion review any tariff order to correct any clerical error or any error apparent of the face of the record.*

- 1.2** As such, the MSERC (Multi Year Tariff) Regulations 2014 provides for the petitioner or any other person aggrieved by an order of the Hon'ble Commission to file a review petition based on new facts and information, which was not considered during the time of issue of order or on account of apparent errors or mistakes. MePDCL, in this petition is requesting the Hon'ble Commission to review certain costs which were disallowed in view of the latest facts and information submitted in this petition or in view of apparent errors observed.

- 1.3** The present petition is also being filed as per clause 21 of MSERC (Conduct of Business) Regulations 2006, which is reproduced below:

*"A person aggrieved by a decision or order of the Commission from which no appeal is preferred, or is not allowed to be preferred, can seek a review of the order if new and important facts which, after the exercise of due diligence, were not within his knowledge or could not be produced by him at the time when the order was passed or on account of some mistake or error apparent on the face of record or for any other sufficient reason, by making an application within 60 days of the date of the order."*

- 1.4** Further, as per the above clauses, the timeline specified by MSERC for submission of review petition is within 60 days of the date of receipt of the order of the Hon'ble Commission. It is also submitted in this context that MePDCL received a copy of the order vide **MSERC/MeECL/MYT/Order/2018/244 dated 25<sup>th</sup> September 2018 on 26<sup>th</sup> September 2018**. The filing of the present review petition was delayed inter alia since various facts of the order, and relevant documents had to be checked thoroughly before the petition was prepared and filed. MePDCL pleads before the Hon'ble Commission to condone the delay in the filing the review petition on true up order for FY 2015-16 and requests the Hon'ble Commission to admit the same.

## 2 Review of True Up of MePDCL for FY 2015-16

The grounds of review are provided below point wise against the respective components of ARR.

### 2.1 Power Purchase Cost

The Hon'ble Commission in its True Up order dated 25 September 2018, has considered power purchase cost from MePGCL to be Rs. 203.46 Cr, while the approved revenue of MePGCL in the Generation True Up Order for FY 2015-16 as well as audited figures in accounts of MePGCL is Rs. 205.75 Cr. Thus, there is a contradiction between the allowed power purchased cost from MePGCL and the revenue of MePGCL from its operation, which should be the same. If the Commission has considered the effect of 1% rebate in the power purchase cost to MePDCL, then the same figure net of rebate ought to be have been considered as an income

e in the ARR of MePGCL. This seems to be a clerical error, which has led to under recovery of ARR to the tune of Rs. 2.33 Cr.

Further, in this impugned order, the Hon'ble Commission for the first time has reduced the allowable power purchase cost for all the sources by a rebate of 1 %, thereby reducing the power purchase cost by a further amount of INR 2.72 crores (apart from the amount of INR 2.33 crore specified above). It is submitted that there is no provision in MSERC Tariff Regulations 2014 regarding reduction of rebate amount from power purchase cost and the Hon'ble Commission has also not practiced the same in previous orders. In fact, clauses 85.3 and 85.4 of MSERC Tariff Regulations 2014, clearly state that the power purchase cost shall be worked out based on the tariff notified by the respective Commission. It is to noted that in this case the tariff rates approved by the Commission have been reduced by the factor of 1% rebate, which is only provided in case of prompt payment of power purchase amount. Moreover, the accounting of expenses is also done on accrual basis which implies that the power purchase cost is booked on the basis of the amount billed and not amount paid (which may or may not be rebate). It is noteworthy that the Hon'ble Commission does not allow delayed payment surcharge which is incurred by the discom for late payment of power purchase bills. In the same manner, the rebate also should not have been considered and the actual figures as per audited accounts should have been considered. The relevant clauses are produced below,

*"85.3 The cost of power purchased from the central generating companies shall be worked out based on the tariff determination by the Central Electricity Regulatory Commission (CERC).*

*85.4 Where power is purchased by the licensee from State-owned existing generating stations, the cost of power purchase shall be worked out based on the price determined by the State Commission."*

Hence, the Hon'ble Commission is requested to allow additional amount of Rs. 5.05 Cr. as Power Purchase charge, as shown in the table below:

**Power Purchased Cost Based on Revised Components (In Rs Cr)**

Sr. No.	Particulars	Amount in INR Cr.
1	Power Purchase Charges for MePGCL claimed by MePDCL in the True Up petition (1)	205.7
2	Power Purchase Charges for MePGCL allowed by MSERC in the True Up order (2)	203.46
3	<b>Additional Power Purchase Charges from MePGCL to be allowed in the review petition (=2-1)</b>	<b>2.33</b>
4	<b>Additional deduction from power purchase cost on account of rebate</b>	<b>2.72</b>
5	<b>TOTAL</b>	<b>5.05</b>

## 2.2 Interest & Finance Charges

The Hon'ble Commission in its True Up order had approved Interest and Finance Charges at Rs. 8.67 Cr against the licensee's claim for Interest and Finance Charges of Rs. 34.19 Cr for FY 2015-16. The Hon'ble Commission has not approved the total claim for Interest on Loan citing the absence of schedule of outstanding loans.

The detailed Schedule of loans and detailed break up of State Government loans is now being provided in Annexure A and Annexure B respectively. The claim of the Licensee are in line with the schedule of loans and as well as the audited statement of accounts. As such, MePDCL is now requesting the Commission to review the Interest and Financial Charges on account of additional information submitted herein.

Further, the Hon'ble Commission has also not taken into account the other finance charges, without providing any reason. These charges are actual charges which are incurred on account of financial transactions with banks and financial institutions whose details as per the audited SoA (Note 22) is given below:

### Other Finance Charges (In Rs Cr)

Particulars	FY 2015-16
Cost of raising finance	0.037
Other charges	1.017
Discount to Consumers for Timely Payment of Bills	0.007
<b>Total Other Finance Charges</b>	<b>1.061</b>

The total Interest and Finance charges as per the audited SoA (Note 22) which was claimed by the licensee in the true up petition is given below:

### Interest and Finance Charges (In Rs Cr)

Particulars	FY 2015-16
Interest Expense on borrowings	33.12
Other Finance Charges	1.06
<b>Interest and Finance Charges</b>	<b>34.19</b>

Based on the Schedule of Loans, Audited Statement of Accounts, and other finance charges, the Hon'ble Commission is requested to allow an additional amount of Rs 25.52 Cr as Interest and Finance charge (the total claim is the same as per the true up petition), as shown in the table below:

### Interest & Finance Charges Based on Revised Components (In Rs Cr)

Sr. No.	Particulars	Amount in INR Cr.
1	Interest and Finance Charges claimed by MePDCL in the True Up petition (1)	34.19
2	Interest on Loan Capital allowed by MSERC in the True Up order (2)	8.67
<b>3</b>	<b>Additional Interest and Finance Charges to be allowed in the review petition (=2-1)</b>	<b>25.52</b>

## 2.3 Return on Equity

The issue of Return on Equity (methodology of MeECL & its subsidiaries vs methodology of MSERC: APTEL Case no 46 of 2016) is still under subjudice. The Utility is reiterating the fact that the approved value of Commission for Return on Equity is not in line with the Regulations. In sake of brevity, MePDCL is not reiterating the grounds and the justification for the claim here since the matter is already under subjudice.

Hence based on above, the additional claim of Utility for review is given below:

**Return on Equity Based on Revised Components (In Rs Cr)**

Sr. No.	Particulars	Amount in INR Cr.
1	Return on Equity claimed by MePDCL in the True Up petition (1)	112.81
2	Return on Equity allowed by MSERC in the True Up order (2)	9.00
<b>3</b>	<b>Additional Return on Equity to be allowed in the review petition (=2-1)</b>	<b>103.81</b>

#### 2.4 Non-Tariff Income & Other Income

The Hon'ble Commission in its True Up order has approved Non-Tariff & Other Income at Rs. 116.78 Cr for FY 2015-16 against the claim of Rs 90.29 Cr making adjustment based on CAG comments and open access bills.

##### a) Based on C&AG Comments

The Hon'ble Commission has increased the Non-Tariff & Other income based on the CAG comment while considering “**Note B2: Interest income from FD with Banks**” of the CAG Report of MePDCL for FY 2015-16, which states that the income from FD with banks have been understated by the Licensee by Rs. 5.04 Cr. However, the Hon'ble Commission seems to have overlooked a similar CAG comment “**Note B1: Other Income**”, which pointed out the erroneous booking of “Other Income” of **Rs. 55.78** Cr by the Licensee, which led to overstatement of “Other Income”, and understatement of “Loss for the Year”. The Note B1 of CAG report clearly states that the other income has been overstated by an amount of INR 55.78 crores. MePDCL would request the Hon'ble Commission to adjust this amount from Non-Tariff Income of FY 2015-16 based on CAG comments in the same manner as done for the comment on Note B2 provided above, based on the basic principles of uniformity and justice.

##### b) Based on Open Access Bills

Para C of Non-tariff Income head of the order states an amount of INR 17.03 Cr as billed and collected amount from Open access consumers. The same was submitted to Commission vide letter no. MePDCL/DD/T-450(Pt.III)2016-17/37 dated 22.02.2017 based on which Commission has increased the approved non tariff income by the above amount.

The open access bills are primarily transmission/SLDC charges and the MePTCL is the nodal agency for the billing/collection of it. The discom has no role in it and hence the amount is not booked in discom accounts. Moreover, it is already reflected in Transmission Audited Statement of accounts. Hence, the adjustment for the same has already been done and considering the same as part of Non-tariff income for Discom has led to double adjustment, resulting in understatement of ARR and approved true up gap for discom in the order. The figures as per the letter from SLDC to MSERC were provisional in the absence of audited accounts at that time (auditing was done subsequently). Hence there is a mismatch in the figures as per the letter of details of Open access bills to Hon'ble Commission and the amount for the subheads of the open access bills based on audited accounts. Details of the sub heads of the open access bills as per the letter vis-à-vis the amount part of the audited accounts for MePTCL is given below:

Particulars	Amount in Rs Cr		Reference/Note No of the Sub heads in the MePTCL Audited Accounts
	As per the Letter to Commission	As per MePTCL Audited Accounts	
Application Fee	0.060	0.056	Note 17
SLDC Operating & Scheduling Charge	0.457	15.316	Note 16
STU Charge	15.091	0.689	Part of Note 16 (Other

Particulars	Amount in Rs Cr		Reference/Note No of the Sub heads in the MePTCL Audited Accounts
	As per the Letter to Commission	As per MePTCL Audited Accounts	
			Charges)
Deviation Charge	1.419	1.690	Note 8 (Credit Part of the Amount)
<b>Total</b>	<b>17.027</b>	<b>17.752</b>	

Hence, the Licensee requests the Hon'ble Commission to review the amount which has been double adjusted.

Based on the above submission in a) and b), the Hon'ble Commission is requested to review the Non-tariff & Other income amount, as shown in the table below:

**Non-Tariff Income & Other Income Based on Revised Components (In Rs Cr)**

Sr. No.	Particulars	Amount in INR Cr.
1	Non-tariff & Other Income allowed by MSERC in the True Up Order (2)	116.78
2	Non-tariff & Other Income claimed by MePDCL in the Review petition(2) (Adjustment of Rs 55.78 Cr based on a) and Rs 17.027 Cr based on b) on the approved non tariff income)	43.97
<b>3</b>	<b>Non-tariff &amp; Other Income to be allowed in the review petition (=1-2)</b>	<b>(72.81)</b>

## 2.5 Amortization of grants

The Hon'ble Commission in its True Up order has provided a separate ARR element as the Amortization of grants at Rs. 4.73 Cr for FY 2015-16, and has reduced the ARR by the same amount. However, the depreciation amount of Rs. 10.29 Cr as claimed by the Licensee in its True Up petition is already net of amortization of grants. Accordingly, the Hon'ble Commission also while allowing depreciation in Table 12 (Sr. no.8) has already considered the effect of amortization of grants in its True Up Order dated 25<sup>th</sup> September 2018. As such, because of separate adjustment of amortization of grants (already adjusted in depreciation), there has been double accounting leading to under recovery of ARR.

The details of Depreciation & Amortization Expenses as per the audited SoA (**Note 23**) and the apportioned amount of MeECL for FY 2015-16 is given below:

**Depreciation & Amortization Expenses Charges FY 2015-16 (In Rs Cr)**

Particulars	FY 2015-16
Depreciation Charge (1)	14.80
Amortisation of grant (2)	4.73
<b>Net Depreciation Charge of MePDCL (3=1-2)</b>	<b>10.07</b>
Depreciation Charge claimed by the Licensee for the apportioned amount of MeECL (4)	0.23
<b>Net Depreciation Charge claimed by the Licensee (=3+4)</b>	<b>10.30</b>

Based on the above submission, the Hon'ble Commission is requested to review the Amortization of Grants amount which has been double adjusted, as shown in the table below:

**Amortization of Grants Based on Revised Components (In Rs Cr)**

Sr. No.	Particulars	Amount in INR Cr.
1	Amortization of grants claimed by MePDCL in the True Up petition ( <b>as already adjusted in depreciation</b> ) (1)	0
2	Amortization of grants approved by MSERC in the True Up order (2)	4.73

## 2.6 Energy Balance & Sale of Power to Assam

The Hon'ble Commission in its True Up order has considered the sale of power to Assam as power sold outside the state and because of the same has reduced the ARR by Rs. 3.72 Cr ( the treatment of sale of power to Assam and outside state sale leads to overstatement of surplus power and revenue from sale of surplus power).

This is in contradiction to the earlier orders including ARR and tariff order for FY 2015-16 where the Hon'ble Commission has considered power sold to Assam within the state. The calculations of average cost of supply, average revenue to be realized per unit as well as tariff revision was done considering sale of power to Assam as inside state sale.

Fundamentally the sale of power to Assam is similar to sale of power to a consumer within the state at 33/11 kV level. The sale of power to Assam cannot be treated as interstate sale as the power supply to Assam is through the intra state network of Meghalaya and not through an interface point of state network with the interstate network. Because of geographical and topographical constraints, the power supply happens electrically within the state network although the power is going geographically to an area outside state.

**Based on the above submissions, the Licensee in line with earlier orders of Hon'ble Commissions is requesting the Hon'ble Commission to consider the sale of power to Assam as within the state sale. Hence, the Licensee requests the Commission to nullify the amount of Rs 3.72 Cr done for the adjustment for sale of power to Assam.**

## 2.7 Interest on Working Capital

Based on the above submissions for review, the interest on working capital has been computed in line with the existing MSERC Regulations as given below:

### Interest on Working Capital Based on Revised Components (In Rs Cr)

Particulars	FY 2018-19
O&M Expenses for one (1) month	11.34
Maintenance Spares at 1% of Opening GFA escalated at 6%	3.49
Receivables equivalent to two (2) months at prevailing tariffs	130.71
Working Capital requirement	145.54
Interest on Working Capital at 14.75%	<b>21.47</b>

Moreover, the Commission in the order has erroneously calculated the receivable component for interest on working capital. The same can be corrected as given below:

### Corrected Interest of Working Capital based on Commission's Data (In Rs Cr)

	MSERC Order	Corrected IWC with data as per the order
O&M Expenses for one (1) month	10.94	10.94
Maintenance Spares at 1% of Opening GFA escalated at 6%	3.49	3.49
Receivables equivalent to two (2) months at prevailing tariffs	88.48	93.60 (561.59/6)
Working Capital requirement	102.91	108.03
Interest on Working Capital at 14.75% Interest on Working Capital at 14.75%	15.18	15.93

Based on the above submissions, MePDCL is requesting the Commission to review the interest on working capital component as shown below:

**Revised Claim for Interest on Working Capital**

Sr. No.	Particulars	Amount in INR Cr.
1	Interest on Working Capital claimed by MePDCL in the tariff petition	26.38
2	Interest on Working Capital allowed by MSERC	15.18
3	Interest on Working Capital claimed by Licensee as per the Review	21.47
<b>4</b>	<b>Additional Interest on Working Capital to be allowed in the review petition (=3-2)</b>	<b>6.29</b>

The Petitioner now humbly requests Hon'ble Commission to allow additional claim of INR 6.29 Cr. as Interest on Working Capital.

**3 Revised ARR & Net Additional Claim in Review for True Up FY 2015-16**

Based on the above submissions, the revised ARR and additional amount claimed for MePDCL in review is given below:

(Rs. in crore)

SI. No	Particulars	MSERC Approved	MePDCL Claimed in Review	Additional Gap to be Passed
1	Power Purchase Cost	517.63	522.68	5.05
2	Transmission charges (PGCIL)	86.17	86.17	
3	Transmission Charges (MePTCL)	78.12	78.12	
4	Employee Expenses	124.18	124.18	
5	Repairs & Maintenance Expenses	3.67	3.67	
6	Administrative & general Expenses	8.27	8.27	
7	Depreciation	10.32	10.32	
8	Interest & Finance Charges	8.67	34.19	25.52
9	Interest on Working Capital	15.18	21.47	6.29
13	Return on Equity	9	112.81	103.81
	<b>Gross ARR</b>	<b>861.21</b>	<b>1001.88</b>	
14	<b>Less: Non-Tariff Income &amp; Other Income, C&amp;AG observations &amp; Open Access Wheeling charges.</b>	<b>116.78</b>	<b>43.97</b>	<b>-72.81</b>
16	<b>Less: RE Subsidy</b>	14.53	14.53	
17	<b>Less: Subsidy against Power Purchase</b>	6.33	6.33	
18	<b>Less: RE Subsidy loss on Account of Flood Fire, Cyclone etc.</b>	2.35	2.35	
19	<b>Less: Revenue Grant on other Expenditure</b>	0.51	0.51	
20	<b>Less: Amortization of grants (Note 23 of SOA)</b>	4.73	0	-4.73
21	<b>Less: Penalty for Non-achievement of AT&amp;C loss</b>	44.56	44.56	
22	<b>Net ARR</b>	<b>671.42</b>	<b>889.61</b>	
23	<b>Less: Revenue from sale of Surplus Energy</b>	106.11	106.11	
24	<b>Less: Recovery of energy balance variation</b>	3.72	0	-3.72
25	<b>Less: Revenue from sale of Power(incl. Assam)</b>	548.98	548.98	
26	<b>Net Gap (Surplus)</b>	<b>12.61</b>	<b>234.52</b>	
27	<b>Add: Bilateral Power Purchase for FY 2010-11 as per the APTEL Directive in Appeal No.74/2015 on 19.07.2017</b>	<b>2.39</b>	2.39	
28	<b>Total GAP</b>	<b>15</b>	<b>236.91</b>	<b>221.91</b>

Based on the above submission, MePDCL requests the Hon'ble Commission to approve the above mentioned amount of **INR 221.91 Cr** and allow MePDCL to recover the same in the ARR of FY 2019-20.