

BEFORE
MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION
SHILLONG

PETITION
FOR
TRUE UP OF TRANSMISSION BUSINESS FOR FY 2013-14,
AND
PROVISIONAL TRUE UP OF TRANSMISSION BUSINESS
FOR FY 2014-15
AND
REVISION OF TRANSMISSION TARIFF AND OPEN ACCESS
CHARGES FOR FY 2016-17

FILED BY



MEGHALAYA POWER TRANSMISSION CORPORATION LIMITED

Lum Jingshai, Short Round Road, Shillong - 793 001

BEFORE THE HONORABLE MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION

At its office at Lower Lachumiere, Shillong – 793001

File/Petition No.: _____

IN THE MATTER OF

TRUE UP OF TRANSMISSION BUSINESS FOR FY 2013-14 AND PROVISIONAL TRUE UP OF TRANSMISSION BUSINESS FOR FY 2014-15 OF MEGHALAYA POWER TRANSMISSION CORPORATION LIMITED (MePTCL) AND REVISION OF TRANSMISSION TARIFF AND OPEN ACCESS CHARGES FOR FY 2016-17 UNDER THE MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION (TERMS AND CONDITIONS FOR DETERMINATION OF TARIFF) REGULATIONS, 2011, MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION(MULTI YEAR TARIFF) REGULATIONS, 2014 AND UNDER SECTIONS 62 & 64 READ WITH SECTION 86 OF THE ELECTRICITY ACT 2003.

AND IN THE MATTER OF

MEGHALAYA POWER TRANSMISSION CORPORATION LIMITED, LUMJINGSHAI, SHORT ROUND ROAD,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 31st March 2010 leading to restructuring and unbundling of erstwhile Meghalaya State Electricity Board (MeSEB) into four entities namely
 - a. **Meghalaya Energy Corporation Limited (MeECL)**: the Holding Company;
 - b. **Meghalaya Power Distribution Corporation Limited (MePDCL)**: the Distribution Utility;
 - c. **Meghalaya Power Generation Corporation Limited (MePGCL)**: the Generation Utility;
 - d. **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 1st April 2010 onwards, even after restructuring. Therefore, through notification dated 31st March 2012, State Government notified an amendment to The Power Sector Reforms Transfer Scheme leading to effective unbundling of MeECL into MeECL (Holding Company), MePDCL (Distribution Utility), MePGCL (Generation utility) and MePTCL (Transmission Utility) from 1st April 2012.
3. On 23rd December 2013, the Government of Meghalaya has issued the latest transfer scheme notification thereby notifying the Assets and Liabilities as on 1st April 2010 to be vested in MeECL. Subsequently, the Government of Meghalaya has notified the 4thAmendment to the Notified Transfer Scheme dated 31st March 2010 on 29th April 2015, wherein the opening balances of all the four entities namely, MePGCL, MePTCL, MePDCL and MeECL as on 1st April 2012 have been notified.

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4. MePTCL has begun segregated commercial operations as an independent entity from 1st April 2013.
5. The segregated audited accounts of MePTCL for FY 2012-13 and FY 2013-14 and the provisional accounts for FY 2014-15 are currently available. Therefore, in the absence of audited statement of accounts for FY 2014-15, only a provisional true up has been undertaken for FY 2014-15, to enable calculation of Revised Tariff and Open Access Charges for FY 2016-17.
6. The audited financial statements of MePTCL are inclusive of SLDC but this petition pertains only to the transmission business of MePTCL and as such the petitioner has segregated the costs and revenues of SLDC and has included only those pertaining to MePTCL in this petition.
7. The expenses of the holding company, MeECL is apportioned equally among the generation, transmission and distribution utilities since there MeECL is an administrative setup for all the three subsidiaries and undertakes common corporate functions of the three companies.
8. 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 Part – X (Sections 76 to 109) 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.
9. In exercise of its powers, MSERC had determined the segregated Aggregate Revenue Requirement (ARR) and tariffs of MePTCL for FY 2013-14 and FY 2014-15, in accordance with the MSERC Tariff Regulations, 2011.
10. Now, based on the provisions of clause 15 of the Tariff Regulations, 2011, MePTCL files this petition for approving the true-up of FY 2013-14 against the approvals in tariff order dated 28th March 2013, carrying out the provisional true-up of FY 2014-15 and for revising the notified tariffs for FY 2016-17 based on the true-up.
11. 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-A
12. While filing the present True-up petition for Transmission business, MePTCL has, to the best of its ability, endeavored to discharge its obligations and comply with the various applicable legal and regulatory directions and stipulations as per the Meghalaya State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2011.
13. The petitioner (MePTCL), therefore, humbly prays before the Hon’ble Commission to:
 - a. Approve the true-up of expenses and revenue of MePTCL for FY 2013-14 as proposed in this petition.
 - b. Approve the provisional true up of expenses and revenue of FY 2014-15 as proposed in this petition.
 - c. Allow the revision of transmission tariff and open access charges for FY 2016-17 as submitted in the petition to recover this gap.
 - d. 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)

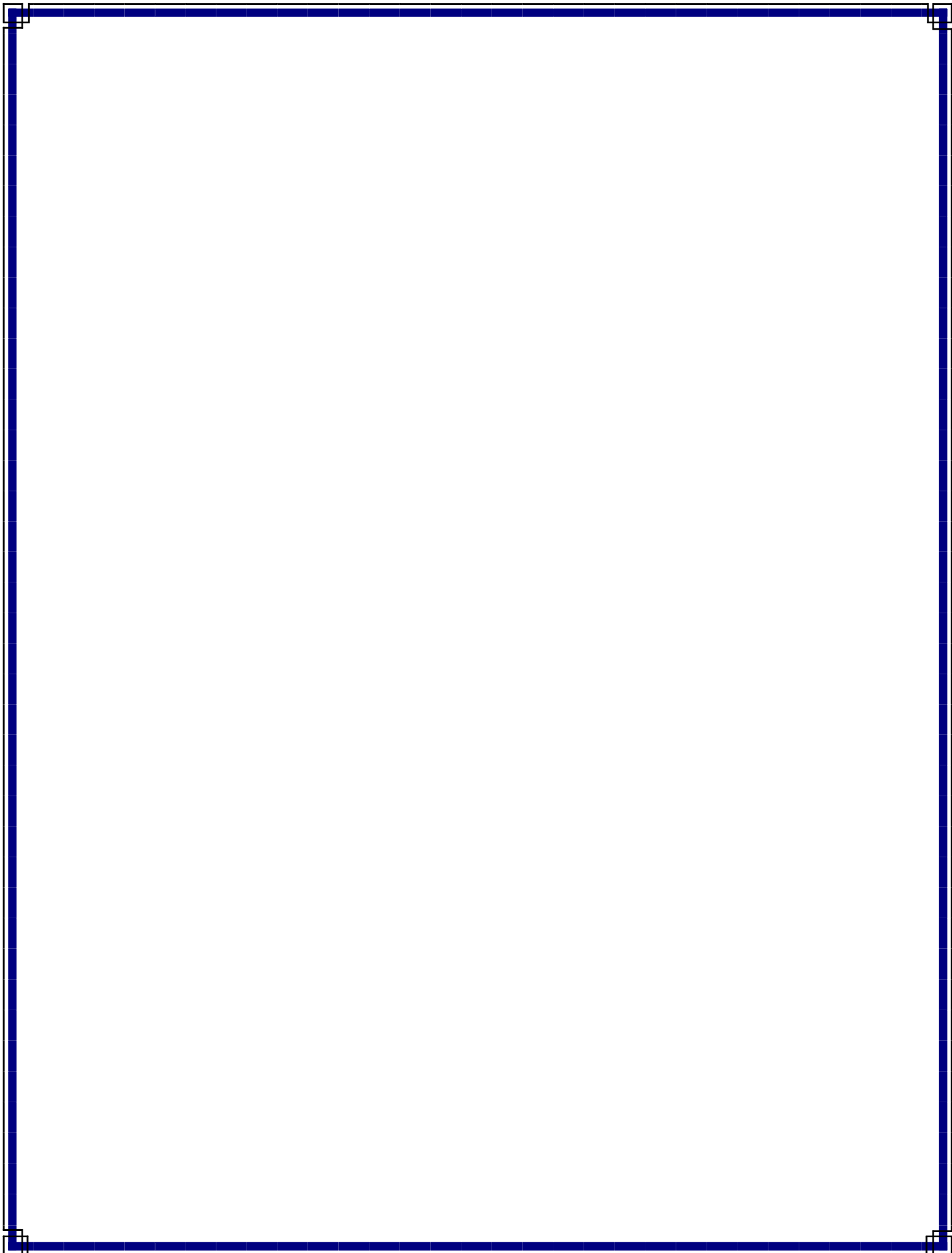
MEGHALAYA

POWER

TRANSMISSION

CORPORATION

LIMITED



1. Introduction

1.1 Regulatory Provisions for True-up

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

"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 10th 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'.*

(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 30th 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 30th September of the following year."*

1.1.3 Sharing of Gains and Losses

The gains or losses arising out of the true up would be shared between the petitioner and the consumers as per the provisions of clause 13 of the MSERC Tariff Regulations, 2011 which states:

"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.”

1.1.4 Section 61 & 62 of the Electricity Act 2003 empower the Hon'ble Commission to determine tariff for the Transmission licensee.

1.1.5 It is submitted that as per Regulation 15 (3) of the Meghalaya State Electricity Regulatory Commission (Terms and Condition for determination of tariff) Regulations, 2011, the licensee shall get their accounts audited either by C&AG of India or by a statutory auditor drawn from the panel of statutory auditors approved by the C&AG.

“(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 30th 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 30th September of the following year.”

1.1.6 However, in a judgment passed by **the High Court of Delhi dated 30th October 2015**, it is mentioned that the requirement of C&AG is not necessary for determination of Tariff by the State Commission. The extract of the relevant section of the order goes as under:

“....

D. Audit under Section 20(1), for the reasons stated i.e. for determination of tariff is not expedient in public interest as the determination of tariff is on the sole domain of DERC which is well empowered to itself conduct the same or have the same conducted and the report of CAG of audit of DISCOMs has no place in the Regulatory Regime brought about by the Electricity Act and the Reforms Act.

E. Thus, the impugned direction for audit of DISCOMs under Section 20(1) of the CAG Act is quashed / set aside.

....”

1.1.7 It is further submitted that, M/s Kiron Joshi & Associates has been appointed as Statutory Auditor of MePDCL, M/s A Paul & Co has been appointed as Statutory Auditor of MePTCL, MePGCL, 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 2013-14 by Comptroller & Auditor General of India (C&AG). M/s Kiron Joshi & Associates, M/s A Paul & Co. and M/s Amit O P Sharma & Associates have audited the Annual Accounts of MePDCL, MePTCL & MePGCL and MeECL, respectively for FY 2013-14 under the Companies Act, 1956.

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- 1.1.8 The audited statement of accounts of MePTCL, for FY 2013-14 and provisional statement of accounts of MePTCL for FY 2014-15 are appended as **Annexure B and Annexure C respectively.**

Submissions to the Hon'ble Commission

- 1.2.1 MePTCL hereby submits the petition under section 62 & 64 of the Electricity Act, 2003, and MSERC Tariff Regulations, 2011 for true-up of Transmission business for FY 2013-14, provisional true-up of Transmission business for FY 2014-15 and revision of transmission tariff and open access charges for FY 2016-17.

2. Company Profile and Performance Overview

2.1 Company Profile

2.1.1 The Company is a Transmission Licensee within the meaning of Section 2 (73) of Electricity Act 2003. Further, Section 42 and 43 of the Electricity Act 2003 prescribes the following major duties of the Transmission Licensee:

- To undertake transmission of electricity through intra- State transmission system.
- To build, maintain and operate an efficient, coordinated and economical intra-State transmission system.
- To comply with the directions of the Regional Load Despatch Centre and the State Load Despatch Centre.
- To comply with such technical standards, of operation and maintenance of transmission lines, in accordance with the Grid Standards, as may be specified by the Authority.
- To provide non-discriminatory open access to its transmission system for use by any licensee or generating company on payment of the transmission charges or any consumer as and when such open access is provided by the State Commission, on payment of the transmission charges and a surcharge thereon, as may be specified by the State Commission.

2.1.2 As per Meghalaya Power Sector Transfer Scheme, MePTCL has been vested with the function of transmitting power by the State Government of Meghalaya, the Business Scope of the Company falls within the legal framework as specified in the Act and includes:

- Undertaking transmission of electricity through intra-State transmission system.
- Ensuring development of an efficient, coordinated and economical system of intra-State transmission lines for smooth flow of electricity from a generating station to the load centers.
- Discharging all functions of planning and co-ordination relating to intra-state transmission system with Central Transmission Utility, State Government, Generating Companies, Regional Power Committees, Authority and Licensees.
- To provide non-discriminatory open access to its transmission system for use by any licensee or generating company or any consumer as and when such open access is provided by the State Commission.
- Engaging in any business for optimum utilization of assets, with prior intimation to the State Commission

2.2 Performance Highlights

2.2.1 MePTCL has inherited an ageing network from MeSEB which itself had inherited the network from Assam State Electricity Board (ASEB) in 1975. However, both erstwhile MeSEB and MePTCL have added significant network assets in previous few years in order to sustain the load growth and to provide reliable power transmission corridor to the state of Meghalaya. MePTCL presently has a workforce of 299 regular employees and 140 casual employees, headed by Director (Transmission).

2.2.2 The key physical achievements of MePTCL are highlighted below:

Table 1: Performance Highlights of MePTCL

| Details | 2006 | 2014 | 2015 |
|---|------|------|------|
| Length of 400 KV lines (CKM) | Nil | 4 | 4 |
| No. of 400KV/ 220KV Grid Substations | Nil | 1 | 1 |
| Capacity of 400KV/ 220KV Grid Substations (MVA) | Nil | 630 | 630 |

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| | | | |
|---|-----|-----|------|
| Length of 220 KV lines (CKM) | Nil | 226 | 226 |
| No. of 220KV/ 132KV Grid Substations | Nil | 3 | 3 |
| Capacity of 220KV/ 132KV Grid Substations (MVA) | Nil | 520 | 520 |
| Length of 132 KV lines (CKM) | 684 | 993 | 1225 |
| No. of 132KV/33KV Grid Substations | 12 | 13 | 13 |
| Capacity of 132KV/33KV Grid Substations (MVA) | 357 | 465 | 545 |

- 2.2.3 Apart from capacity building, MePTCL has also put in a lot of efforts in order to improve its system availability thereby ensuring reliable power. The improvement in the system availability in the last two years (for which this petition is being filed) is depicted below:

Table 2: System Availability of MePTCL for FY 2013-14 and FY 2014-15

| Details | 2013-14 | 2014-15 |
|---------------------|---------|---------|
| System Availability | 99.501% | 99.766% |

The licensee would constantly strive to put in efforts to enhance its system for the benefit of all stakeholders.

3. True up of Transmission Business for FY 2013-14

3.1 Background

- 3.1.1 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 31st 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.
- 3.1.2 MePTCL had filed its ARR application and tariff proposal for FY 2013-14 before the Honorable MSERC on 14th December 2012. 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 2013-14 on 28th March 2013.
- 3.1.3 In line with the provisions of Tariff Regulations, 2011, MePTCL is filing this Petition for True Up for the FY 2013-14. The information provided in this petition is on the basis of audited 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 actual performance has been compared with the approved numbers in the Transmission Tariff Order for FY 2013-14.
- 3.1.4 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

Against an approved ARR of Rs. 58.32 crores approved by the MSERC vide its transmission tariff order dated 28th March 2013, the actual Annual Revenue Requirement for the FY 2013-14 was Rs. 111.01 crores as per its audited financial statements.

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 is 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 FY2012-13 shall be treated as equity. Government of Meghalaya is in the process of issuing notification of restructuredequity 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 2011-12 and were subject to validation at the time of true up. With the audited financial statements available now, it may

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be observed that these figures have also significantly varied from projections based on provisional figures.

On the revenues side, against a total approved figure of Rs. 59.25 crores as revenue from tariff and other sources for the FY 2013-14, the petitioner has earned an amount of Rs. 67.17 crores through its prudent efforts.

By sharing of gains and losses of the various heads as per clause 13 of the MSERC Multi Year Tariff Regulations, 2011, the net gap to be passed on to the tariff of FY 2016-17 is as computed below. The detailed explanations and computation of each line item has been furnished in the subsequent sub-sections.

Table 3: True up of Transmission Business for FY 2013-14 (in Rs. Cr.)

| Sl. No. | Particulars | MSERC Approved | MePTCL Actuals | Gain/(Loss) | Gains to be Retained (35%) | Deposit to Contingency Reserve Fund (30%) | Gains to be Passed on (35%) | Losses to be Passed on | Net Surplus/(Gap) to be Passed on |
|---------|--|----------------|----------------|-------------|----------------------------|---|-----------------------------|------------------------|-----------------------------------|
| 1 | Return on Equity (RoE) | 9.43 | 46.75 | (37.32) | - | - | - | (37.32) | (37.32) |
| 2 | Operation and Maintenance Expenses | | | | | | | | |
| i | Employee Expenses | 36.17 | 43.76 | (7.59) | - | - | - | (7.59) | (7.59) |
| ii | R&M Expenses | 4.29 | 3.24 | 1.06 | 0.37 | 0.32 | 0.37 | - | 0.37 |
| iii | A&G Expenses | 2.81 | 2.54 | 0.27 | 0.09 | 0.08 | 0.09 | - | 0.09 |
| 3 | Interest and Finance charges (including IWC) | 2.06 | 2.66 | (0.60) | - | - | - | (0.60) | (0.60) |
| 4 | Depreciation | 5.77 | 17.33 | (11.56) | - | - | - | (11.56) | (11.56) |
| 5 | Taxes on Income | - | - | - | - | - | - | - | - |
| 6 | Annual License Fee | 0.03 | 0.04 | (0.01) | - | - | - | (0.01) | (0.01) |
| 7 | SLDC charges | 1.31 | 1.31 | - | - | - | - | - | - |
| | Total Annual Expenditure | 61.87 | 117.64 | | | | | | |
| 8 | Less : SLDC ARR | 2.62 | 2.01 | (0.61) | - | - | - | (0.61) | (0.61) |
| 9 | Revenue from Tariff | 58.32 | 62.56 | 4.24 | 1.48 | 1.27 | 1.48 | - | 1.48 |
| 10 | Other Income | 0.93 | 4.61 | 3.68 | 1.29 | 1.10 | 1.29 | - | 1.29 |
| | Net Surplus/(Deficit) | - | (51.77) | | 3.24 | 2.77 | | | (54.46) |

The petitioner prays to the Commission to approve the net gap of Rs. 54.46 crores for FY 2013-14 crores and adjust the same in the transmission tariff of FY 2016-17.

The petitioner would also like to submit that it shall deposit the amount of Rs. 2.77 crores in the contingency fund as specified in 13.1 (3) of MSERC Multi Year Tariff Regulations, 2011.

3.3 Return on Equity

The Honorable Commission had allowed an amount of Rs. 9.43 crores to MePTCL as Return on Equity for FY 2013-14 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 2013-14 is Rs. 357.66 crores. Similarly, the opening equity capital as per audited accounts for FY 2013-14 is Rs. 310.23 crores. As such, the average equity capital for FY 2013-14, for calculation of RoE, works out to be Rs. 333.94 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

and the Commission had approved only provisional values subject to correction at the time of audited accounts reflecting the size of equity.

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

Table 4: Interest on Working Capital for FY 2013-14 (in Rs. Cr.)

| Particulars | Approved by MSERC | Actuals of MePTCL |
|--------------------------------------|-------------------|-------------------|
| Equity considered for true up | 68.61 | 333.94 |
| RoE (%) | 14% | 14% |
| Return on Equity (in Rs. Cr.) | 9.61 | 46.95 |
| Deviation | 37.32 | |

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

3.4 Operation and Maintenance

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

- Employee Expenses
- Repair and Maintenance Expenses
- 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 true up.

3.5.1 Employee Expenses

The Honorable Commission had approved an amount of Rs. 36.17 crores as employee expense of MePTCL for FY 2013-14 vide its Tariff Order.

The actual employee expenses incurred by MePTCL in FY 2013-14 as per the audited accounts is Rs. 41.08 crores as shown below.

Table 5: Details of Employee Expenses of MePTCL for FY 2013-14

| Particulars | Amount (in Rs. Cr.) |
|--|---------------------|
| Salaries and wages | 24.77 |
| Contributions to provident and other funds | 16.18 |
| Staff Welfare Expenses | 0.13 |
| Total Employee Expense of MePTCL | 41.08 |

In addition to this, an amount of Rs. 2.68 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. 43.76 crores.

Table 6: True up of Employee Expenses of MePTCL for FY 2013-14

| Particulars | Amount (in Rs. Cr.) |
|--|---------------------|
| Employee Expense Approved by the Commission | 36.17 |
| Employee Expenses incurred by MePTCL (actuals) | 41.08 |
| Employee Expenses of MeECL Apportioned (actuals) | 2.68 |
| Net Actual Employee Expense for True up | 43.76 |
| Deviation | 7.59 |

The actual employee expense incurred is Rs. 7.59 crores higher than the approved figures. This is because of the fact that in the absence of audited accounts, the Commission had estimated the employee expenses based on historical figures. Now with the availability of the audited figures, the employee expenses is observed to be on a higher side.

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

3.5.2 Repair and Maintenance Expenses

The Honorable Commission had approved an amount of Rs. 4.19 crores as the R&M expense of MePTCL for FY 2013-14 vide its Tariff Order.

However, the actual R&M expenses incurred by MePTCL in FY 2013-14 as per the audited accounts is Rs. 3.18 crores as shown below.

Table 7: Details of R&M Expenses of MePTCL for FY 2013-14

| Particulars | Amount (in Rs. Cr.) |
|--|---------------------|
| Buildings | 0.005 |
| Plant & Machinery | 0.96 |
| Civil Works | 0.02 |
| Lines & Cables | 2.10 |
| Vehicles | 0.05 |
| Furniture & Fixture | 0.01 |
| Office equipment | 0.03 |
| Total R&M Expense of MePTCL | 3.18 |

In addition to this, an amount of Rs. 0.06 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. 3.24 crores.

Table 8: True up of R&M Expenses of MePTCL for FY 2013-14

| Particulars | Amount (in Rs. Cr.) |
|---|---------------------|
| R&M Expense Approved by the Commission | 4.29 |
| R&M Expenses incurred by MePTCL (actuals) | 3.18 |
| R&M Expenses of MeECL Apportioned (actuals) | 0.06 |
| Net Actual R&M Expense for True up | 3.24 |
| Deviation | (1.06) |

The actual R&M expense incurred by the petitioner is Rs. 1.06 crores less than the 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.

3.5.3 Administrative and General Expenses

The Honorable Commission had approved an amount of Rs. 2.81 crores as the A&G expense of MePTCL for FY 2013-14 vide its Tariff Order.

However, the actual A&G expenses incurred by MePTCL in FY 2013-14 as per the audited accounts is Rs. 1.37 crores as shown below:

Table 9: Details of A&G Expenses of MePTCL for FY 2013-14

| Particulars | Amount (in Rs. Cr.) |
|-----------------------|---------------------|
| Insurance | 0.009 |
| Rent, Rates and Taxes | 0.000 |

| Particulars | Amount (in Rs. Cr.) |
|--|---------------------|
| Telegram, Postage, Telegraph and Telex charges | 0.050 |
| Training and conveyance | 1.084 |
| Printing and stationery | 0.022 |
| Consultancy Charges | 0.000 |
| Payments to auditors | 0.073 |
| Books & Periodicals | 0.002 |
| Advertisement | 0.014 |
| Legal and professional | 0.002 |
| Stipend, Training expenses | 0.076 |
| MeSERC Fees | 0.041 |
| Entertainment | 0.002 |
| Other Purchase Related Expenses | 0.030 |
| Miscellaneous expenses | 0.006 |
| Total A&G Expense of MePTCL | 1.37 |

In addition to this, an amount of Rs. 1.17 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. 2.54 crores.

Table 10: True up of A&G Expenses of MePTCL for FY 2013-14

| Particulars | Amount (in Rs. Cr.) |
|---|---------------------|
| A&G Expense Approved by the Commission | 2.81 |
| A&G Expenses incurred by MePTCL (actuals) | 1.37 |
| A&G Expenses of MeECL Apportioned (actuals) | 1.17 |
| Net Actual A&G Expense for True up | 2.54 |
| Deviation | (0.27) |

The actual A&G expense incurred by the petitioner is Rs. 0.27 crores less than the figure approved by the Commission due to the efforts of MePTCL to maintain the A&G expenses within the norms allowed by the Commission.

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.

3.5 Interest on Working Capital

As per MSERC Tariff Regulations, 2011, working capital of transmission licensee would comprise the following:

- 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. 2013-14).

Based on these provisions, the approvals of the Commission in its Transmission Tariff order for FY 2013-14 vis-à-vis the petitioner's submissions (including apportioned amounts of MeECL) for true up can be summarized as follows:

Table 11: Interest on Working Capital for FY 2013-14 (in Rs. Cr.)

| Sl. No. | Particulars | Approved by MSERC | Actuals of MePTCL |
|----------|---|-------------------|-------------------|
| A | O&M Expenses for 12 months | 43.27 | 49.54 |
| B | O&M Expense for 1 month (C/12) | 3.61 | 4.13 |
| C | Opening Fixed Assets for FY 2013-14 | 131.10 | 310.13 |
| D | 1% Spares budgeted for FY 13-14 (1% of C) | 1.31 | 3.10 |
| E | Maintenance spares budget post escalation @ 6% | 1.39 | 3.29 |
| F | Receivables for 2 months | 9 | 10.65 |
| G | Total Working Capital (B+E+F) | 14.00 | 18.06 |
| H | SBI short term PLR as on 01 April 2013 | 14.75% | 14.75% |
| I | Interest on Working Capital | 2.06 | 2.66 |
| | Deviation | | 0.60 |

The interest on working capital computed based on the audited figures of the petitioner is higher than the approved figures by Rs. 0.60 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.

3.6 Depreciation

The Honorable Commission in its Transmission Tariff Order had allowed Rs. 5.77 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. 17.07 crores. In addition to this, an amount of Rs. 0.26 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. 17.33 crores as shown below:

Table 12: Depreciation (in Rs. Cr.)

| Particulars | Approved by MSERC | Actuals of MePTCL |
|---|-------------------|-------------------|
| Depreciation on Buildings | 0.29 | 0.24 |
| Depreciation on Hydraulic Works | 0.00 | 0.00 |
| Depreciation on Other Civil Works | 0.05 | 0.19 |
| Depreciation on Plant & Machinery | 0.43 | 6.92 |
| Depreciation on T & D Lines, Cable Net Works etc. | 4.80 | 9.74 |
| Depreciation on Vehicles | 0.10 | 0.00 |
| Depreciation on Furnitures & Fixtures | 0.05 | 0.02 |
| Depreciation on Office Equipment | 0.06 | 0.02 |
| Apportioned Depreciation from MeECL | | 0.26 |
| Less: Transfer from Reserve/Amortization of grant | | (0.04) |
| Total | 5.77 | 17.33 |
| Deviation | | 11.56 |

The depreciation expenses based on the actuals is higher than the approved figures by Rs. 11.56 crores. This deviation is because of the fact that in the absence of audited statement of accounts, the Commission had estimated the depreciation based on provisional figures of opening Gross Fixed Assets for FY 2013-14 and has not considered the additions to fixed assets in FY 2013-14 (which is to the tune of Rs. 137.29 crores).

Since the Regulation enables the licensee to charge depreciation from the first year of operation and in case of operation of the asset for part of the year, depreciation shall be charged on pro-ratabasis, the petitioner humbly prays to the Commission to allow the deviation to be passed through.

3.7 License Fees to MSERC

The annual license fees paid to MSERC by MePTCL in FY 2013-14 was Rs. 0.04 crores against an amount of Rs. 0.03 crores approved by the Commission thereby having a deviation of Rs. 0.01 crores as summarized below

Table 13: True up of Annual License Fees paid to MSERC

| Particulars | Amount (in Rs. Crs.) |
|--|----------------------|
| Annual License Fees approved by the Commission | 0.03 |
| Annual License Fees actually paid (audited) | 0.04 |
| Deviation | 0.01 |

The petitioner humbly prays to the Commission to allow this deviation of Rs.0.01 crores to be passed through since the license fees are paid at the rates specified by the Commission and are beyond the control of the petitioner.

3.8 SLDC Charges

The Honorable Commission, in its Transmission Tariff Order had allowed an amount of Rs. 1.31 crores as SLDC charges to be recovered by the transmission licensee in FY 2013-14 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. 1.31 crores has been considered as an expense for the transmission business of MePTCL and as an income for SLDC business of MePTCL.

3.9 Taxes on Income

The Honorable Commission had not allowed any amount as taxes on income in its transmission tariff order for FY 2013-14 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.

3.10 Income from Operations

The Honorable Commission, in its Transmission Tariff Order had approved an amount of Rs. 58.32 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 operations in the FY 2013-14 is Rs. 62.56 crores.

Table 14: True up of Income from Operations of MePTCL for FY 2013-14

| Particulars | Amount (in Rs. Cr.) |
|------------------------------------|---------------------|
| Revenue Approved by the Commission | 58.32 |
| Actual Revenue for True Up | 62.56 |
| Deviation | 4.24 |

The licensee has been able to earn an excess revenue of Rs. 4.24 crores in the FY 2013-14 for which it humbly prays to the Commission to allow the sharing of this gain as per clause 13.1 of the Regulations, 2011.

3.11 Other Income

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The Honorable Commission, in its Transmission Tariff Order had estimated an amount of Rs. 0.93 crores to be earned by the licensee from sources other than tariff in FY 2013-14.

However, as per the audited statement of accounts, the actual non-tariff income earned by the licensee comes up to be Rs. 0.27 crores, the details of which is as shown below:

Table 15: Details of Other Income of MePTCL

| Particulars | Amount (in Rs. Crs.) |
|---------------------------------------|----------------------|
| Discount Received | - |
| Application Fee for STOA | 0.03 |
| Miscellaneous receipts | 0.21 |
| Income from Trading | 0.03 |
| Interest on overdue trade receivables | - |
| Total | 0.27 |

In addition to this, an amount of Rs. 4.34 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. 4.61 crores as shown below:

Table 16: True up of Other Income of MePTCL for FY 2013-14

| Particulars | Amount (in Rs. Cr.) |
|--|---------------------|
| Other Income Approved by the Commission | 0.93 |
| Other Income earned by MePTCL (actuals) | 0.27 |
| Other Income of MeECL Apportioned (actuals) | 4.34 |
| Net Actual Other Income for True Up | 4.61 |
| Deviation | 3.68 |

The petitioner has made prudent efforts and has achieved non-tariff income higher than the approved figure by Rs. 3.68 crores and therefore, humbly prays to the Commission to allow the sharing of this gain as per clause 13.1 of the Regulations.

4. Provisional True up of Transmission Business for FY 2014-15

4.1 Background

- 4.1.1 MePTCL had filed its ARR application and tariff proposal for FY 2014-15 before the Honorable MSERC on 11th December 2013. 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 2014-15 on 10th April 2014.
- 4.1.2 In line with the provisions of Tariff Regulations, 2011, MePTCL is filing this Petition for True Up for the FY 2014-15. 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.
- 4.1.3 Also, the expenses of the holding company, MeECL has been apportioned equally among MePGCL, MePTCL and MePDCL and added to their respective expense heads.

4.2 Summary of Filings

Against an approved ARR of Rs. 72.79 crores approved by the MSERC vide its transmission tariff order as total revenue requirement for the FY 2014-15, the actual revenue requirement of the petitioner comes up to Rs. 81.90 crores as per its audited financial statements.

The main reasons for deviation are:

- 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 FY2012-13 shall be treated as equity. Government of Meghalaya is in the process of issuing notification of restructure 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.
- While passing the Tariff Orders for FY 2014-15, the Commission had computed the O&M expense figures (employee expense, R&M expense and A&G expense) by applying an escalation on the figures of 2011-12 and were subject to validation at the time of true up. However, the escalation factor considered by the Commission does not seem to meet the actual hike in O&M expenses and therefore, needs a revision.
- The depreciation cost is on a lower side because the actual capitalization in the year has been lower than that envisaged in the Tariff Orders.

On the revenues side, against a total approved figure of Rs. 75.45 crores as revenue from tariff and other sources for the FY 2013-14, the petitioner has earned an amount of Rs. 90.00 crores through its prudent efforts.

By sharing of gains and losses of the various heads as per clause 13 of the MSERC Multi Year Tariff Regulations, 2011, the net gap to be passed on to the tariff of FY 2016-17 is as computed below.

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Table 17: True up of Transmission Business for FY 2014-15 (in Rs. Cr.)

| Sl. No. | Particulars | MSERC Approved | MePTCL Actuals | Gain/(Loss) | Gains to be Retained (35%) | Deposit to Contingency Reserve Fund (30%) | Gains to be Passed on (35%) | 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 | - | - | - | - | - | - | - | - |
| 3 | Operation and Maintenance Expenses | | | | | | | | |
| i | Employee Expenses | 36.27 | 49.40 | (13.13) | - | - | - | (13.13) | (13.13) |
| ii | R&M Expenses | 3.85 | 2.78 | 1.07 | 0.37 | 0.32 | 0.37 | - | 0.37 |
| iii | A&G Expenses | 2.50 | 5.22 | (2.72) | - | - | - | (2.72) | (2.72) |
| 4 | Interest and Finance Charges (including IWC) | 2.93 | 3.03 | (0.10) | - | - | - | (0.10) | (0.10) |
| 5 | Depreciation as may be allowed | 21.62 | 18.20 | 3.42 | 1.20 | 1.03 | 1.20 | - | 1.20 |
| 6 | Taxes on Income | - | - | - | - | - | - | - | - |
| 7 | Annual License Fee | 0.03 | 0.04 | (0.01) | - | - | - | (0.01) | (0.01) |
| 8 | SLDC charges | 1.17 | 1.17 | - | - | - | - | - | - |
| | Total Annual Expenditure | 77.80 | 131.29 | | | | | | |
| 9 | Less : SLDC ARR | 2.34 | 2.51 | 0.17 | - | - | - | - | 0.17 |
| 10 | Revenue from Tariff | 72.79 | 81.90 | 9.11 | 3.19 | 2.73 | 3.19 | - | 3.19 |
| 11 | Other Income | 2.66 | 8.10 | 5.44 | 1.90 | 1.63 | 1.90 | - | 1.90 |
| | Net Surplus/(Deficit) | - | (38.78) | | | 5.71 | | | (51.15) |

The petitioner prays to the Commission to approve the net gap of Rs. 51.15 crores for FY 2014-15 crores and adjust the same in the transmission tariff of FY 2016-17.

The petitioner would also like to submit that it shall deposit the amount of Rs. 5.71 crores in the contingency fund as specified in 13.1 (3) of MSERC Multi Year Tariff Regulations, 2011.

5. Revised Transmission Tariff and Open Access Charges for FY 2016-17

5.1 Net Gap to be carried over to FY 2016-17

5.1.1 The revenue gap arrived at in the true up of FY 2013-14 is Rs. 54.46 crores and the revenue gap from the true up of FY 2014-15 stands at Rs. 51.15 crores.

5.1.2 Thus, the net gap to be passed on to the Transmission ARR of FY 2016-17 comes up to Rs. 105.61 crores as shown below.

Table 18: Gap to be recovered with ARR of FY 2016-17 (in Rs. Cr.)

| Particulars | Amount |
|--|---------------|
| Revenue Gap from true up of FY 2013-14 | 54.46 |
| Revenue Gap from the True up of FY 2014-15 | 51.15 |
| Net Gap to be passed on to Transmission ARR of FY 2016-17 | 105.61 |

5.2 Revised Transmission ARR for FY 2016-17 and its Recovery Mechanism

5.2.1 MePTCL, in its petition for approval for business plan and ARR for FY 2015-16 to FY 2017-18 had projected an ARR of Rs. 211.69 crores for the FY 2016-17.

5.2.2 Now, based on the truing up exercise for the years FY 2013-14 and FY 2014-15, the petitioner has computed a net gap of Rs. 105.61 crores in these years.

5.2.3 Therefore, the revised Transmission ARR for FY 2016-17 after incorporating this gap comes up to Rs. 317.30 crores as shown below:

Table 19: Revised ARR of FY 2016-17 (in Rs. Cr.)

| Particulars | Amount |
|---|---------------|
| Projected ARR of FY 2016-17 | 211.69 |
| Gap carried forward from the True up of FY 2013-14 & FY 2014-15 | 105.61 |
| Revised ARR of FY 2016-17 | 317.30 |

5.2.4 The petitioner prays to the Commission to approve this revised ARR of Rs. 317.30 crores to be recovered from its beneficiaries in FY 2016-17.

5.2.5 MePDCL being the main beneficiary, would pay this amount to the licensee in twelve equal monthly instalments of **Rs. 26.44 crores** each subject to availability of transmission network in accordance with the Regulations as may be certified by SLDC.

5.3 Open Access Charges for FY 2016-17

5.3.1 The Honorable Commission vide its MYT order for FY 2015-16 to FY 2017-18 had approved 1521.21 MUs as energy to be handled by MePTCL in FY 2016-17. Accordingly, the petitioner has computed the open access charges as below:

$$\text{Average Load (ALST)} = 1521.21 \times 1000 / (24 \times 365) = 173.65 \text{ MW}$$

Table 20: Revised Open Access Charges of FY 2016-17

| Particulars | Amount |
|--|------------------|
| Revised ARR of FY 2016-17 (Rs. Cr.) | 317.30 |
| Average Load (MW) | 173.65 |
| Open Access Charges for FY 2016-17 (Rs./MW/Day) | 50,059.85 |

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Access Charges for FY 2016-17

The petitioner prays to the Honorable Commission to kindly allow the open access charges as computed above.