



**MEGHALAYA STATE ELECTRICITY REGULATORY  
COMMISSION**

**Tariff Order**

**For**

**True up for FY 2014-15**

**And**

**Annual Revenue Requirement & Transmission Tariff**

**For**

**FY 2017-18**

**MEGHALAYA POWER TRANSMISSION CORPORATION LIMITED**



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## Abbreviations

A&G	Administration & General
ARR	Aggregate Revenue Requirement
APTEL	Appellate Tribunal For Electricity
CAGR	Compound Annual Growth Rate
CD	Contract Demand
CERC	Central Electricity Regulatory Commission
CGS	Central Generating Stations
CoS	Cost of Supply
CWIP	Capital Work In Progress
DE	Debt Equity
EHT	Extra High Tension
NER	North Eastern Region
FY	Financial Year
GFA	Gross Fixed Assets
HT	High Tension
KV	Kilo Volt
KVA	Kilo Volt Amps
KW	Kilo Watt
kWh	kilo Watt hour
LNG	Liquefied Natural Gas
LT	Low Tension
MVA	Million Volt Amps
MW	Mega Watt
PLR	Prime Lending Rate
MePGCL	Meghalaya Power Generation Corporation Limited
MePDCL	Meghalaya Power Distribution Corporation Limited
MePTCL	Meghalaya Power Transmission Corporation Limited
CoD	Commercial Operation Date
MSERC	Meghalaya Electricity Regulatory Commission
SLDC	State Load Despatch Centre

## MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION

1st Floor (Front Block Left Wing), New Administrative Building

Lower Lachumiere, Shillong – 793001

East Khasi Hills District, Meghalaya

### In the matter of:

True up of FY 2014-15, Provisional True up of 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 and Open Access charges for FY 2017-18 for Transmission of power in the State of Meghalaya.

**AND**

Meghalaya Power Transmission Corporation Limited - **Petitioner**  
(Herein after referred to as MePTCL)

**Coram**

**WMS Pariat, IAS (Retd)**

**Chairman**

## ORDER

**Date of Order: 31.03.2017**

1. The Meghalaya Power Transmission Corporation Limited (herein after referred to as MePTCL) is a deemed licensee in terms of section 14 of the Electricity Act 2003 (hereinafter referred to as Act), engaged in the business of transmission of electricity in the State of Meghalaya.
2. The MePTCL has filed the Petition for True up of 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 determination of Aggregate Revenue Requirement (ARR) for the FY 2017-18 and Transmission Tariff for FY 2017-18.

3. In exercise of the powers vested under section 62(1) read with section 62(3) and section 64 3(a) of the Electricity Act 2003 and MSERC MYT Regulations, 2014 (herein after referred to as Tariff Regulations) and other enabling provisions in this behalf the Commission issues this Order approving the ARR and determination of Transmission Tariff for FY 2017-18 for Transmission of Electricity in the State of Meghalaya.
4. In accordance with the Tariff Regulations the MePTCL has filed the ARR and Tariff Petition for the FY 2017-18 on 16.01.2017.
5. Regulation 21 of the Tariff Regulations, 2014 provides for giving adequate opportunity to all stake holders and general public for making suggestions/objections on the Tariff Petition filed by MePTCL as mandated under section 64(3) of the Electricity Act 2003. Accordingly, the Commission directed MePTCL in its Order dated 17.01.2017 to publish the ARR and Tariff Petition for FY 2017-18 in an abridged form public notice in news papers having wide circulation in the State inviting suggestions/objections on the Tariff Petition.
6. Accordingly, MePTCL has published the Tariff Petition in the abridged form a public notice in various news papers calling for suggestions / objections and the Tariff petition was also placed on the website of MePTCL. The last date of submission of suggestions/objections was fixed on 28.02.2017.
7. The Commission, to ensure transparency in the process of Tariff determination and for providing proper opportunity to all stake holders and general public for making suggestions/objections on the Tariff petition and for convenience of the consumers and general public across the state, decided to hold the Public Hearing at the headquarters of the state at Shillong on 08.03.2017.
8. The proposal of MePTCL was also placed before the State Advisory Committee in its meeting held on 06.02.2017 and various aspects of the Petition were discussed by the



Committee. The Commission has kept in mind the advise of the State Advisory Committee on the ARR and Tariff Petition of MePTCL for the FY 2017-18.

9. The Commission took into consideration the facts presented by the MePTCL in its Petition and subsequent filings, the suggestions/objections received from stakeholders, consumer organizations, general public and State Advisory Committee and also response of the MePTCL to those suggestions/objections.
10. The Commission after taking into consideration all the facts which came up during the public hearing and meeting of the State Advisory Committee, has approved the ARR and Transmission Tariff for FY 2017-18 as in **Chapters 5 and 6** of this order.
11. The Commission has reviewed the directives issued in the earlier Tariff Orders for FY 2010-11 to FY 2016-17 and noted that some of the directives are complied and some are partially attended. The Commission has dropped the directives which are complied with and the remaining directives are consolidated and fresh directives are added as in **Chapter 7**.

The MePTCL should ensure implementation of this order from the effective date after issuance of a public notice, in such a form which is clearly visible in the front page of two daily newspapers having wide circulation in the state within a week and compliance of the same shall be submitted to the Commission by the MePTCL.

**This order shall be effective from 1st April, 2017 and shall remain in force till 31st March, 2018 or till the next Tariff Order is issued by the Commission.**

**(WMS Pariat)**  
**Chairman**

## **1. Introduction**

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### **1.1 Background**

The Meghalaya Power Transmission Corporation Limited (here after referred to as MePTCL or Petitioner) has filed its Petition on 16.01.2017 under section 62 of the Electricity Act 2003, read with Meghalaya State Electricity Regulatory Commission (MYT) Regulations, 2014 for determination of Aggregate Revenue Requirement and determination of Transmission Tariff for FY 2017-18.

The Commission has admitted the Petition on 17.01.2017.

### **1.2 Meghalaya Power Transmission Corporation Limited**

The Government of Meghalaya unbundled and restructured the Meghalaya State Electricity Board with effect from 31st March, 2010 into the Generation, Transmission and Distribution businesses. The erstwhile Meghalaya State Electricity Board was restructured into four successor entities, viz.

Generation: Meghalaya Power Generation Corporation Ltd (MePGCL)

Transmission: Meghalaya Power Transmission Corporation Ltd (MePTCL)

Distribution: Meghalaya Power Distribution Corporation Ltd (MePDCL)

Meghalaya Energy Corporation Limited (MeECL) a holding company.

The Government of Meghalaya notified on 29th April, 2015 notifying the revised statement of assets and liabilities as on 1st April, 2012 to be vested in Meghalaya Transmission Corporation Limited.

The Meghalaya Power Transmission Corporation Limited (MePTCL) was incorporated with effect from 01.04.2013 and entrusted with the transmission business in the State of Meghalaya.

### 1.3 Meghalaya State Electricity Regulatory Commission

Meghalaya State Electricity Regulatory Commission (here in after referred to as “MSERC” or the Commission) is an independent statutory body constituted under the provisions of the Electricity Regulatory Commission (ERC) Act, 1998, read with Electricity Act (E.A.), 2003. The Commission is vested with the authority of regulating the power sector in the state, inter alia, including determination of tariff for all categories of electricity consumers.

### 1.4 Commission’s Order for the MYT Period FY 2015-16 to FY 2017-18

MePTCL filed its petition under Multi-year tariff framework for the FY 2015-16 to FY 2017-18 on 02.01.2015, in accordance with the Meghalaya State Electricity Regulatory Commission (Multi Year Tariff Framework) Regulations, 2014, notified by MSERC. The Commission approved the ARR for the MYT period FY 2015-16 to FY 2017-18 in the Order dated 30.03.2015.

### 1.5 Admission of the current Petition and Public hearing process

The MePTCL has submitted on 16.01.2017 the Petition for True up for FY 2014-15 and Provisional True up for 2015-16, Mid-term Review of 1<sup>st</sup> MYT order for FY 2015-16 to FY 2017-18 and determination of Aggregate Revenue Requirement and determination of tariff for FY 2017-18. The Commission had taken up the technical validation of the Petition and admitted the Petition on 17.01.2017.

In accordance with section 64 of the Electricity Act, 2003, the Commission directed the MePTCL to publish the application in an abridged form to ensure public participation. The public notice, inviting objections/suggestions from its stakeholders on the ARR Petition filed by it was published in the following news papers on the dates noted against each.

Sl. No	Name of paper	Language	Date of Publication
1	Shillong Times	English	25 <sup>th</sup> & 27 <sup>th</sup> of January, 2017
2	U Mawphor	Khasi	25 <sup>th</sup> & 28 <sup>h</sup> of January, 2017
3	Rymphang	Khasi	25 <sup>th</sup> & 28 <sup>th</sup> of January, 2017

The Petitioner has also placed the public notice and the Petition on the website ([www.meecl.nic.in](http://www.meecl.nic.in)) inviting objections and suggestions on its Petition. The interested parties/stakeholders were asked to file their objections/suggestions on the Petition on or before 28.02.2017. MePTCL/Commission received some objections/suggestions from Consumers/consumer organizations. The Commission considered the objections/suggestions received and fixed the date for public hearing on MePTCL's petition to be held on 08.03.2017. Communication was also sent to the objectors to take part in the public hearing process for presenting their views in person before the Commission. The Public hearing was conducted at the Commission's office in Shillong as scheduled. The Commission also held meeting with State Advisory Committee on 06.02.2017. The proceedings of the meeting are given in Annexure I.

The names of consumers/consumer organizations those who filed their objections and the names of the objectors who participated in the Public Hearing for presenting their objections are given in Annexure II.

A short note on the main issues raised by the objectors in the written submissions and also in the public hearing along with response of MePTCL and the Commission's views on the response are briefly given in chapter-3 of this Order.

**1.6 Approach of the Commission for True up for FY 2014-15 and Provisional True up for FY 2015-16, Mid-term Review of 1<sup>st</sup> MYT Order for FY 2015-16 to FY 2017-18 and determination of ARR and Tariff for FY 2017-18**

The MePTCL has submitted the petition for Transmission on 16.01.2017 seeking adjustment of revenue gap as per the revised expenses claimed with reference to the audited financial statement by statutory auditor M/s A. Paul & Co. for FY 2014-15.

The MePTCL has also submitted and requested the Commission to pass appropriate Order for true up of the business for the FY 2015-16 in the same petition dated 16.01.2017.

The Commission in compliance of APTEL judgment in Op. No. 1 of 11.11.2011 had considered the petition of licensee and asked the licensee to submit the audited financial statements. The licensee MePTCL has not submitted C &AG audit report for the FY 2014-15 along with the statutory auditor's report of MePTCL for the FY 2014-15.

The Licensee has filed petition seeking true up of their business for FY 2014-15 and provisional true up of FY 2015-16 and Mid-term Review of 1st MYT order for FY 2015-16 to FY 2017-18 and also for determination of ARR and tariff for the FY 2017-18 on 16.01.2017.

The Commission has admitted the petition after calling for further information/ data gaps admitted the petitions on 17.01.2017 to ensure issue of tariff orders on time. The Commission, in pursuance of Hon'ble APTEL's judgment in OP No. 1 of 11.11.2011 vide para 65(ii), admitted the petition of the licensee to ensure orders on determination of ARR and tariff for FY 2017-18 and passed before 01.04.2017 as per the Tariff Regulations.

The Commission directs that the true up exercise without the C&AG audit report shall be interim (provisional) arrangement only subject to readjustment of revenue gap/surplus after filing of the another petition along with C&AG reports by MePTCL.

#### **Mid-Term Review**

as per the Regulation 4 (2) (a to c), Mid-Term Review of the Business plan shall be sought by the Licensee through an application filed three (3) months prior to the filing of petition for truing up of second year of the Control Period (2016-17) and the tariff determination for the third year of the control period. In this instant case, the Licensee has not filed the Petition within 3 months and hence, Mid-Term Review is not considered, Provisional Review for FY 2015-16 was also not considered due to non submission audited accounts.

**Return on Equity**

The Government of Meghalaya has communicated revised and fourth amendment allocating the assets and liabilities among the unbundled utilities vide orders dated 29.04.2015. The generation, transmission and distribution corporations shall adopt those allocations in the respective corporations books for claiming of return on equity in accordance with the Regulations and judgment made by Hon'ble APTEL in similar matters. Till the process is completed for allocation of equity, the return on equity shall be computed for arriving at the ARR and tariff.

**Capital cost**

The Commission considers opening GFA of MePTCL as per the balance sheet and depreciation is allowed after deducting grants and contributions as per the Regulations after prudence check.

**Interest and Finance charges**

The Commission has considered loans borrowed for capital works and interest charges allowed on average rate of total outstanding loans for arriving at the ARR.

**Prior period expenses**

The Commission observed that the claim of the utility is not supported with relevant records with reference to period to which the expense relates to, and accordingly, communicated to the licensee to comply with the gaps and file the details.

**Open Access**

The Commission opines that the utilities shall not encourage open access and issue NOC where open access charges have become legitimate receivable from such consumers and are pending against them. The Commission is of the view that Open Access process should be reviewed by the Licensee and appropriate suggestions may be made to the Commission. The Commission shall take into account and make such amendment in the Regulations as considered appropriate, in accordance with the law in the present

circumstances. Similarly, the availability of the network capacity shall be ensured, so as not to deprive the existing consumers on the network. The Commission advises the corporation to go for a detailed study and submit its petition for issue of any improvements in the current process.

### **ARR and Tariff**

The Commission keeping in view the interest of consumers/stakeholders after prudence check has considered the ARR for true up for FY 2013-14 & FY 2014-15 and determination of tariff for FY 2017-18. The Commission allows admissible claim while ensuring sustainable operations by the utilities as per the Regulations, approved the tariff order for FY 2017-18. The sustainability of the utility is important so as to serve its consumers by supplying 24x7 at affordable rates.

### **Conclusion**

The Commission is of the view that truing up exercise is a regular process and need to be done every year along with the Tariff filing of the next year with audited accounts. The Commission is constrained in attempting the truing up in the absence of audited financial statements.

## **1.7 Contents of the Order**

This Order contains Seven (7) chapters as below:

Chapter 1: Introduction

Chapter 2: Summary of true up of FY 2014-15, FY 2015-16 and ARR &  
Transmission Tariff for FY 2017-18

Chapter 3: Public hearing process

Chapter 4: True up for FY 2014-15

Chapter 5: ARR and determination of transmission Tariff for FY 2017-18

Chapter 6: Open Access Transmission Charges

Chapter 7: Directives.

## 2. Summary of True up of FY 2014-15, FY 2015-16 and Transmission Tariff for FY 2017-18

### 2.1 True up for FY 2013-14

MePTCL has projected gap of Rs. 54.46 Crore in FY 2013-14 as against the Commission's approved ARR. The details of the ARR are being discussed in chapter 4 of this Order.

### 2.2 True up for FY 2014-15

MePTCL has projected gap of Rs. 53.95 Crore in FY 2014-15 as against the Commission's approved ARR. The Petitioner has submitted the audited accounts and proposed provisional True-up of FY 2015-16. The details of the ARR are discussed in Chapter 5 of this Order.

### 2.3 Aggregate Revenue Requirement (ARR) for FY 2017-18

The Meghalaya Power Transmission Corporation Limited (MePTCL) has submitted the Petition on 16.01.2017 seeking approval for true up for FY 2014-15, Provisional True up for FY 2015-16 and Aggregate Revenue Requirement FY 2017-18 and Determination of Transmission Tariff for FY 2017-18. The MePTCL has projected the revenue requirement for FY 2017-18 as under:

**Table 2.1: Annual Transmission Charges for FY 2017-18 (Rs. Crore)**

Sl. No	Particulars	FY 2017-18
1	Return on Equity (RoE)	85.59
2	Interest on Loan capital	12.24
3	Operation and Maintenance	71.89
4	Interest on Working Capital	7.00
5	Depreciation as may be allowed	29.51
6	Taxes on Income	18.27
7	Annual License Fee	-
8	SLDC Charges	1.87
9	Total ARR	226.36
10	Less: SLDC ARR	3.73
11	Less: Other Income	3.12
	<b>Net Annual Revenue Requirement</b>	<b>219.51</b>



#### 2.4 Revised ARR for FY 2017-18 and transmission charges for FY 2017-18

The Petitioner has submitted the Revised ARR for FY 2017-18 as given in the Table below:

**Table 2.2: Revised ARR for FY 2017-18 and transmission charges for FY 2017-18  
(Rs. Crore)**

Sl. No	Particulars	FY 2017-18
1	Projected ARR for FY 2017-18	219.51
2	Gap Carried forward for True up of FY 2013-14 and FY 2014-15 and Provisional True up for FY 2015-16	137.33
3	Revised ARR for FY 2017-18	356.84

The Petitioner has prayed the Commission to pass appropriate orders on the following:

- Approval of Net ARR amounting to Rs. 356.84 Crore for FY 2017-18 as proposed in this Petition.
- 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.
- To condone any inadvertent omissions, errors & shortcomings and permit the applicant to add/change/modify/alter this filing and make further submissions as required.

**Table 2.3: Revised Open Access charges for FY 2017-18**

Sl. No.	Particulars	Unit	Proposed for FY 2017-18
1	Annual Transmission Charges	Rs. Crore	356.84
2	Total MW allocation	MW	693.57
3	Transmission Tariff	Rs/MW/day	14095.00
4	Energy Transmitted	MW	2324.82
5	Transmission Tariff	Paise/kWh	153

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## 3. Public Hearing Process

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### 3.1 Objections of Stakeholders, Response of the Licensee and the Commission's Views

#### Objector: M/s. Byrnihat Industries Association

##### **Objection : High Transmission Charges**

The objector is paying high amount of transmission charges to MePTCL every year for procurement of power through open access at its own cost. The steep increase of open access charges & transmission charges every year has put the objector in difficulty to sell its products. The objector is forced to utilize its full production Capacity.

It is pertinent to mention that electricity is available at very competitive rate of Rs.2.50/kWh in the open market. The low utilization of capacity has resulted in a higher production cost of the end products which are not marketable in present competitive environment.

##### **Response of MePTCL**

Transmission charges are levied on the Open Access consumers as per the approved ARR for usage of the transmission network after prudence check and as per Tariff Regulations. Such charges are to meet its expenditure incurred in setting up and maintaining the network and for ensuring reliable power supply to the consumers.

##### **Commission's View**

The commissioner agrees with the response of the petitioner and the views expressed by the objector are noted.

##### **Objection : Higher Open Access & Transmission Charges**

The Hon'ble Commission has approved transmission charges & open access charges in Meghalaya at Rs.0.75/kWh & Rs.1.90/kWh respectively for the EHT category during the financial year in 2016-17. The effective cost to the open access consumers comes after transmission losses are as under:

$$(Rs.0.75 + Rs.1.90) / (1-4\%) = Rs.2.76/kWh$$

Thus, it can be observed that open access & transmission charges together are even higher. Due to this, competition in procuring and selling power through open access has been eliminated.

### **Response of MePTCL**

The total charges paid by an industrial consumer while buying power under open access is Rs. 5.26/unit (i.e. 2.76 /kWh being open access charges and Rs. 2.5/Unit being cost of power in exchange). As against this, the approved retail supply tariff as per the last order of the Commission is Rs. 5.89/unit. As such, an open access industrial consumer is able to save more than 10% of the electricity cost by buying power under open access. As such, the continuation of the objection that open access has been eliminated is devoid of any merit. In fact, the consumer has the option of saving in electricity cost by sourcing power under open access. Moreover, the comparable rates of open access as well as retail supply tariff only justify the competitiveness of open access charges as well as the retail supply tariff.

### **Commission's View**

The commission agrees with the response of the petitioner.

### **Objection: Comparison of Transmission Charges in East and North Eastern States**

It is submitted that introducing competition in different segments of the electricity industry is one of the key features of the Electricity Act, 2003. This has also been mentioned in the National tariff Policy as a general approach to the tariff. The objector would like to provide information on transmission charges applicable across the east & north east states during FY 2016-17.

<b>State Name</b>	<b>Short Term Open Access Transmission Charges per unit</b>
Orissa	6 paise per unit
West Bengal	5 paise per unit
Assam	43 paise per unit
Manipur & Mizorm	24 paise per unit

### Response of MePTCL

The short term open access charges specified by objector are not based on facts and in fact, it is misleading. The methodology adopted by the Objector is not as per the broad objectives of Electricity Act and Tariff Policy or the methodology notified by the Commission. The correct representation of Short Tem open access charges should be in Rs/MW/Day.

States	STOA Charges (Rs/MW/Day)
Odisha	1500.00
Assam	10018.00
West Bengal	1361.45
Manipur	5511.00
Mizoram	4081.00

Short Term Open Access Charges for different states can also be compared based on the cost of per Unit Energy Handled.

Short Term Open Access Charges calculated as per the above procedure:

States	STOA Charges (Paisa/Unit)
Odisha	25.00
Assam	69.00
West Bengal	19.60
Manipur	30.00
Mizoram	26.25

The methodology adopted by the Objector based on the assumption of 100% plant load factor is unrealistic. It is submitted that in some states, the regulations provide that the short term open access charges would be less than the long term open access charges. However, there is no such provision in Meghalaya and as such, the short term open access charges should not be compared with other states. In Meghalaya, there is no long term open access customer and further, the short term charges are anyways more competitive with respect to the approved tariff. As such, the short term open access charges are legitimate and in accordance with the broad objectives of Electricity Act and Tariff Policy.

**Commission's View**

The response of the MePTCL is noted.

**Objection: Principles to Be Adopted For Truing Up Of FY 2014-15**

The MePTCL is seeking a true up for 2014-15 based on the audited statement of accounts. However, MePTCL is also required to produce the C & AG Report along with the audited statement of accounts without which any true-up will only be an interim approval. In view of the failure of MePTCL to put on record C& AG report, it is prayed that this Hon'ble Commission may not conduct any true-up as this will only be a duplication of effort and a review of which will be a wastage. Therefore, this Hon'ble Commission may instead direct MePTCL to submit the C&AG report in a time bound manner for true-up for FY 2014-15.

**Response of MePTCL**

As per MSERC tariff regulations 2011, the audited accounts are required for truing up and CAG audit is not mandatory for truing up. MePTCL has already submitted its accounts audited by an independent statutory auditor in compliance with the provisions of Companies Act. Further, it is submitted that the CA&G Report for FY 2013-14 was published on 20 Jan 2017 and the same was sent to the Commission on 23 Jan 2017. It may be noted that MePTCL will furnish the CA&G Report for FY 2014-15 as soon as it is available. As such, if the truing up is delayed on account of CAG audit report, it may result in additional burden on consumers for passing through the legitimate cost on account of carrying cost of the gap.

**Commission's View**

The Commission agrees with the view of MePTCL.

**Objection: Deviation for True-up from Original Tariff Order**

While truing-up for 2014-15, this Hon'ble Commission is requested to keep in mind the principles of law as laid down by the Hon'ble Appellate Tribunal for Electricity:

**Response of MePTCL**

MePTCL, while submitting the true up petition, has given detailed justification for the actual expenditure incurred and revenue accrued as against the approved figures. Further, there is no deviation sought in the overall principles laid down in the previous tariff order nor any correction of error is sought.

**Commission's View**

The true up is done as per the latest audited accounts with prudence check as per regulations.

**Objection: Return on Equity**

MePTCL has claimed RoE, to the tune of Rs. 51.45 Crore against approved RoE of Rs. 9.43 Crore for the FY 2014-15.

On perusal of the Audited Annual Accounts of MePTCL, it is observed that though its authorised capital has increased from Rs. 100 Crore to Rs. 320 Crore during 2014-15, the subscribed equity capital is only Rs. 5 lakh. Further as per Note 3 of the Accounts, a amount of Rs. 357.61 Crore, pending for allotment as on 1.4.2014, has been increased to Rs. 377.31 Crore at the end of FY 2014-15. Thus, MePTCL has erroneously considered the 'Equity share pending for allotment' as its 'Subscribed/Paid-up capital' and has claimed RoE on the same. Further, Note 3.2 of the Accounts reveals that Equity shares amounting to Rs. 221.25 Crore have been issued to MeECL only on 27.5.2015. Therefore for 2014-15 only equity of Rs. 5 lakhs shall be considered by the Commission.

**Response of MePTCL**

MePTCL has claimed return on equity as per the provisions of MSERC Tariff Regulations 2014 and MSERC Tariff Regulations 2011. The MSERC Regulations provide for allowing equity as appearing in the balance sheet/transfer scheme and also on equity in excess of 30% of the capital cost. The relevant provision of Meghalaya State Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2014, is reproduced herein below:

*“51. Debt-Equity Ratio*

*In the case of existing generating stations the debt equity ratio as per the Balance Sheet on the date of the Transfer notification will be the debt equity ratio for the first year of operation, subject to such modification as may be found necessary upon audit of the accounts if such Balance Sheet is not audited...”*

It may be noted that, for the first year of operation, the equity component appearing in the balance sheet as per the transfer scheme was considered for computation of Return on Equity and the Hon’ble Commission had approved only provisional values subject to correction after audited accounts are produced.

Since the equity outstanding pending allotment was as per the Transfer Scheme notification, the same has been claimed and the regulations provide for claiming return on funds received but not subscribed as share capital (premium/internal reserves). Further, MePTCL considered equity received from the State Government as equity and also utilized for capital expenditure and return should be calculated on the same. Further, the regulations do not restrict allowing of return on equity pending allotment.

As against this, the Commission had determined the Return on Equity for the 1st MYT Period for FY 2015-16 to FY 2017-18 (and also for previous years) on provisional basis as Rs 9.43 Crores based on the figures of equity available with MeSEB prior to unbundling. As per the order of the Commission dated 31st March 2016,

*“The Government of Meghalaya has communicated revised and fourth amendment allocating the assets and liabilities among the unbundled utilities vide orders dated 29.04.2015. The generation, transmission and distribution corporations shall adopt those allocations in the respective corporations’ books for claiming of return on equity in accordance with the Regulations and judgment made by Hon’ble APTEL in similar matters. After the process of Government of Meghalaya allocation of equity, the return on equity shall be computed for arriving at the ARR and tariff.”*

As such, it is clear that the approved figures were provisional and subject to change based on actual allocation of equity as per the transfer scheme and adoption of allocation of equity in books of accounts.

The objection of BIA that additional RoE cannot be passed to the consumers appears repugnant by the fact that the equity amount claimed for RoE is actual as per the balance sheet of audited accounts.

### **Commission's View**

The return on equity is determined after prudence check and as per the APTEL Judgments in similar matters and Tariff Regulations.

### **Objection: Operation and Maintenance Expenses**

There are three components of Operation and Maintenance Expenses, as under:

- i. **Employee Expenses:** MePTCL has claimed actual expenses of Rs. 51.33 Crores as against the approved expenses of Rs. 46.19.
- ii. **Repair & Maintenance Expenses:** MePTCL has stated that it has incurred the actual expenses of Rs. 2.52 crores against approved Rs. 2.78 crores and requested for approval of the same.
- iii. **Administrative & General Expenses:** MePTCL, as against the approved expenses of Rs. 5.22 crores, has incurred the actual expenses of Rs. 5.419 crores and that this is due to increase in prevailing market rates and inflation rates which are beyond its control.

It is stated that no losses accrued due to failure to achieve normative parameters may be passed onto the consumers. Regulation 13.2 clearly says *that the licensee shall bear the entire loss on account of its failure to achieve the norms laid down by the Commission unless it can satisfy the Commission that such losses were incurred, for reasons which are well beyond its control.*

### **Response of MePTCL**



The basic principle of truing up is that the projected figures considered in tariff petition can vary from the audited actual figures and the same should not be considered as normative figures. Basically, the MSERC regulations do not provide for specific norms on O&M expenses. The deviations in total approved O&M expenses and actual O&M expenses are minor and to the tune of around 9.4%. There can be minor variations in the projected figures and the actual figures. Further, the salaries of the employees in case of MePTCL is governed by Government policies and the same are not controllable. The petitioner requested the Commission to allow more Employee Expenses to fund the pension and other benefits of the retired employees as on the date of restructuring.

On account of A&G expense, the petitioner requested the Commission to allow more A&G expenses in the first few years of restructuring because during this period, the new incumbent of the companies require extensive training and capacity building.

**Commission's View**

The O&M expenses are checked for prudence and limited to eligible expenses as per the Tariff Regulations and statement of accounts.

**Objection: Interest on Loan**

MePTCL has claimed interest cost of Rs. 2.73 Crore towards interest and finance charges incurred on the loans taken from the government. The Hon'ble Commission did not approve any interest on loan while conducting the provisional true up.

As per Audited Annual Accounts for FY 2014-15, MePTCL has long term loans amounting to Rs. 32 Crore i.e. almost 10% of its Gross Fixed Assets. Further, MePTCL has been recovering depreciation year on year and depreciation recovered as per the Audited Accounts of FY 2014-15 is around Rs. 87 Crore.

Since the amount of depreciation already recovered by the Licensee exceeds by a huge margin over the gross loan in the books of MePTCL, there is no question of allowing any repayment, either in terms of principal or in terms of interest amount thereon.

MePTCL may also be directed to furnish the details of its overall loan portfolio, interest and dues, if any.

**Response of MePTCL**

At the time of approval of ARR of FY 2014-15, the segregated account statements along with segregated loan statements for the new successor companies were not available and as such, the figures were calculated on a provisional basis. Now, since the audited statement of accounts is available, the true-up projections are done based on the actual.

Interest of Rs 2.73 Cr is calculated on the State Government loans taken for the Capital Investment and Asset addition of MePTCL. The same is payable by MePTCL as per the terms and conditions of the loan agreement.

The depreciation amount is used to fund the capital cost of the working assets and is essential to recover not just the loan part but also the equity part. It may be noted that loan generally has a repayment period of 12-15 years but depreciation is claimed for complete life of the asset which is around 25 years.

**Commission's View**

The Commission agrees with the response of MePTCL.

**Objection: Prior Period Charges**

MePTCL has claimed an amount of Rs 3.16 Crore as prior period charges, supposedly in line with the Accounting Standards (AS)-5. In table No. 15 although MePTCL has given item wise break-up of the expense but did not mention the time period to which these expenses relate to. It is submitted that the Tariff Regulations, 2011 recognizes prior-period income under the head of 'non-tariff income'. Thus, it is prayed that this Hon'ble Commission may disallow the same and allow truing up strictly in terms of tariff regulations.

### **Response of MePTCL**

The claim of prior period income and expenses is in accordance with the MSERC Tariff Regulations 2011. The formats specified in the MSERC Tariff Regulations 2011, (Format 1, 4, 5, 7, D-5) allow the licensee to add the prior period expenses claimed under various components to the total expenses of the licensee. As such, claim of prior period income and expenses are in accordance with the regulations.

### **Commission's View**

The response of MePTCL is noted. The prior period charges without related transaction details not considered.

### **Objection: Interest on Working Capital**

MePTCL has claimed an amount of Rs. 4.69 towards interest on working capital as against approved amount of Rs. 3.31 Crores.

There are gross inconsistencies in the computation of working capital. For instance MePTCL has considered Gross Fixed Assets on 01.04.2013 for the purpose of computing Maintenance Spares as Rs 360.44 Crore. This amount includes capital works in progress (CWIP). From Note 10 of Audited Accounts of MePTCL, the GFA stands at Rs. 222.47 Crore and not at Rs. 360.44 Crore.

### **Response of MePTCL**

The deviation is due to the fact that the Hon'ble Commission had computed the interest on working capital based on provisional value of gross fixed assets which are subject to validation when audited accounts are available. The Working Capital is dependent on the total ARR, if the total ARR is changing after true up, the working capital shall also change.

The maintenance spares are calculated on the gross fixed assets. Gross fixed Assets on 1.04.2014 as per the audited statement of accounts are Rs 359.7 Cr and addition of assets during the year is Rs 4.6 Cr. As a result, GFA for the year was to be Rs 362.06.

**Commission's View**

The Commission endorses the response of the MePTCL.

**Objection : Allowable ARR for FY 2014-15**

In the light of the above submissions the allowable Aggregate Revenue Requirement for FY 2014-15 is as under:

Sl. No.	Particulars	FY 2014-15 (Approved)	Actuals	As per BIA's Assessment
1	Return on Equity (RoE)	9.43	51.45	0.00
2	Interest on Loan capital	-	2.73	0.00
3	Employee Expenses	46.19	51.33	51.33
4	R&M Expenses	2.78	2.52	2.52
5	A&G Expenses	5.22	5.42	5.42
6	Interest on Working Capital	3.31	4.69	3.03
7	Depreciation	17.37	18.18	18.18
8	Taxes on Income	-	-	-
9	Annual License Fee	0.04	-	0.04
10	SLDC charges	1.17	1.17	1.17
11	Prior Period Charges /(Credits)	-	3.05	0.00
12	Total Annual Expenditure	85.51	140.54	81.63
13	Less : SLDC ARR	2.34	2.34	2.34
14	Net Annual Expenditure	83.17	138.20	79.29
15	Revenue from Tariff	81.90	81.90	81.90
16	Other Income	7.65	2.35	2.36
17	Net Surplus/(Deficit)	6.38	-53.95	4.92

Thus, it is submitted that MePTCL has surplus of Rs. 4.92 Crore as against the deficit claimed by it.

**Response of MePTCL**

As submitted above, MePTCL requested the Commission to approve the proposal.

**Commission's View**

The true up is done as per the principles of the Tariff Regulations and after prudence check with reference to audited accounts

**Objection: Provisional True up of FY 2015-16**

The MePTCL is seeking a provisional true-up of 2015-16 based on un-audited statement of accounts which may not be allowed. It is pertinent to note that in Appeal No. 146 of 2014, the Hon'ble Tribunal by its judgment dated 1.12.2015 had directed the Commission to carry out the provisional true-up of 2014-15 as MePDCL was unable to present audited accounts due to unbundling of MeECL. However, Hon'ble Tribunal had also directed Hon'ble Commission to issue directions to MePDCL to submit the audited accounts before the determination of ARR for FY 2015-16. Therefore, Hon'ble Commission may not allow provisional true-up of FY 2015-16. The provisional true-up will only be an interim arrangement and will have to be revisited when MePTCL submits the audited accounts along with the C&AG Report. Hon'ble Commission should instead direct the MePTCL to submit the audited accounts and C&AG Report in a specified time.

*“The gap, if any arrived in the process of true-up, the State Commission should not to levy carrying cost on the gap and also should not burden the consumers.*

*10.12 The State Commission to issue necessary directions to the Distribution Company MePDCL to submit the audited accounts before determination of ARR and tariff for the year 2015-16.”*

**Response of MePTCL**

The basic principle of truing up is to allow the licensee to recover increase in expenses in various components of ARR after due prudence check.

In absence of audited statement of accounts for the past year, the provisional truing up has been included in the petition based on the principles outlined by Hon'ble Appellate Tribunal as per the order dated 1st December 2015, to allow pass through of uncontrollable cost without much delay for the benefit of the consumers. Also, if the provisional true up is not conducted now, it would increase the liabilities as the recovery

of the legitimate costs shall be delayed. This will in turn put the burden on the consumers.

**Commission's View**

The response of the MePTCL is noted. Commission considers that the Directions of Hon'ble APTEL dated 01.12.2015, shall not be made applicable for FY 2015-16 true-up without audited accounts.

**Objection: Mid-term Review of FY 2015-16 to 2017-18**

MePTCL is erroneously seeking a mid-year review for the present control period under the MYT Regulations. MePTCL may only seek a mid-year review of the business plan. The MePTCL also has to file the mid-year review three months before filing the true-up petition for the second year, i.e. FY 2016-17 and ARR for the third year, i.e. 2017-18. Therefore the mid-year review has to be through a separate petition seeking review of the business plan approved by this Hon'ble Commission. MePTCL's prayer for mid-year review is premature, as it is unable to submit the audited accounts for true-up of either 2015-16 or 2016-17. MePTCL has not even submitted provisional accounts for the second year of the control period, i.e., 2016-17. Without reviewing the audited accounts for the past two years of the MYT period, it is impossible to assess whether there is any requirement for a mid-year review. Therefore, the Commission may be pleased to reject the petition seeking review of targets set for 2015-16, 2016-17 and 2017-18.

**Response of MePTCL**

Mid Term review proposed by MePTCL is based on the past data and a trend of FY 2014-15 as per the audited statement of accounts for FY 2015-16 is based on provisional accounts.

The claims have been proposed based on the explanation and reasons provided for each element, both in case of surplus/gain as well as in case of shortfall/loss. The petitioner has followed the relevant regulations of MSERC and the principle adopted earlier while

setting the tariff and has not proposed to change the basic principles and methodology of determining the expenses or income.

The petitioner has claimed deviations compared to the MYT Projections only where there is expected change in the business conditions or other uncontrollable reasons.

### Commission's View

The response of the MePTCL is endorsed.

### Objection: Return on Equity

MePTCL has claimed Rs. 54.93 Crore as RoE, based on actual. As per the Audited Accounts for FY 2013-14 the actual closing component is Rs. 377.37 Crore, while the opening equity capital is Rs. 407.30 Crore. But MePTCL has not furnished the Annual Accounts of FY 2015-16. From the Annual Accounts of FY 2014-15 it can be observed that the opening subscribed equity capital is only Rs 5 lakh. Also, a total of Rs. 377.31 Crore is pending allotment as on 31.3.2015. From note 3.2 of the Annual Accounts it can be seen that equity shares amounting to Rs.221.25 Crore were issued to MePECL only on 27.05.2015. Thus, the closing the paid up share capital is Rs. 221.25 Crore. MePTCL has wrongly considered the "Equity shares pending for allotment" as its "subscribed/paid up capital" and has claimed RoE on the same. Hon'ble Commission should not undertake any mid-term review of FY 2016-17 without submission of audited accounts and C&AG Reports. However, as a matter of abundant caution, the correct RoE allowable to MePTCL for FY 2015-16, FY 2016-17 and FY 2017-18 as per BIA's assessment is:

Particulars	FY 2015-16 (Actual)	FY 2016-17 (Estimated)	FY 2017-18 (Projected)
Opening Equity	0.05	221.31	221.31
Addition	221.26	0.00	0.00
Closing Equity	221.31	221.31	221.31
Average Equity	110.68	221.31	221.31
RoE (%)	14%	14%	14%
Return on Equity	15.50	30.98	30.98

### **Response of MePTCL**

As provided earlier, MePTCL has claimed return on equity as per the provisions of MSERC Tariff Regulations 2014 and MSERC Tariff Regulations 2011. The MSERC Regulations provide for allowing equity as appearing in the balance sheet/transfer scheme and also on equity in excess of 30% of the capital cost.

The amount as provided in Transfer Scheme was initially not subscribed/paid up but the same was received from State Government for creation of assets and supposed to be treated as equity contribution from State Government. As such, the same was booked under "share application pending allotment" and later on the same was subscribed to State Government and transferred to the head "Paid up Capital". Hence we reaffirm our claim on Return on Equity as claimed in the tariff petition.

### **Commission's View**

The return on equity is considered as per the Regulation 74 and 72 and APTEL Judgments in the related matters.

### **Objection: Administrative and General Expenses (A&G) Expenses**

MePTCL has submitted that out of the total A&G expenses for the FY 2015-16, Rs. 23.9 Crore is a provision for bad debts which was not considered by the Hon'ble Commission. The increase in A&G costs is due to increase in prevailing market rates and inflation rates which are beyond the control of MePTCL.

Variation in O & M Expenses is a controllable factor and Regulation 13.1 has no application to the same. As per Regulation 14.2 of the MYT Regulations, 2014, no losses on account of failure to achieve normative parameters for controllable factors may be passed on to the consumers of the state. Therefore, no increase in A&G costs may be allowed by this Hon'ble Commission.



### **Response of MePTCL**

MePTCL has taken various measures for collection of arrears and also identified the list of collection mechanisms for recovery of dues and tentative associated costs with the same. Hence the petitioner requested the Commission to allow the expense as an uncontrollable.

Further, clause 12.2 of the regulations specify an indicative list of controllable items and the same should be considered on case to case basis based on the merits of the case . It is not mandatory for the Commission to consider O&M as controllable item completely.

### **Commission's View**

The A&G expenses are considered after prudence check and as per provisions of the regulations.

### **Objection : Gross Fixed Assets**

As per MePTCL the opening balance of GFA as on 01.04.2014 is Rs. 371.04 Crore and the closing GFA for FY 2015-16, 2016-17 and 2017-18 has been worked out considering the actual capitalization during the FY 2014-15 and 2015-16, estimated capitalization for FY 2016-17 and for FY 2017-18 based on its' investment plan.

In its order dated 30.03.2015, this Commission has approved an amount of Rs. 210 crore additional capital expenditure from FY 2014-15 to 2017-18. It is important to note that while in FYs 2014-15 and 2015-16 MePTCL has capitalised an amount of Rs. 4 crore and Rs. 59 Crore, respectively, as against the approved expenditure, for the remaining 2 years MePTCL has projected an additional capital expenditure of Rs. 235 Crore. MePTCL has been unsuccessful in making investments for improvement of transmission infrastructure despite constantly showing an increase in expenses under all heads. Thus, it is prayed that this Hon'ble Commission should not allow the GFA addition for FY 2016-17 and 2017-18.

### Response of MePTCL

The Petitioner has submitted the revised Business plan to the Commission showing the Capital investment in the upcoming years. Keeping in view various long term needs and areas for capital expenditure as highlighted below:

- Strengthening of Aging Network
- Evacuation of Power from upcoming generating stations
- Transmission Corridor development for new load centers.
- Increasing Transmission capacity for increased load
- Increased Quality and Reliability of Power Transmitted
- Appropriate Loading of Transmission Network
- Increased Control and Protection for Grid Stability
- Metering and Loss Assessment
- Loss Reduction
- Outage Reduction

The average transmission availability (%) in FY 2015-16 is as follows:

Intra - State	99.381
Inter - State	93.161
<b>Overall</b>	<b>95.372</b>

The target transmission availability proposed for FY 2016-17 for MePTCL is 98% and transmission loss of 4% for FY 2016-17 and FY 2017-18 against 5.39% in FY 2015-16.

It may be noted that the investments will help in development and maintenance of an efficient transmission system.

### Commission's View

The Gross Fixed Assets are arrived based on the Principles of Tariff Regulations and prudence check of the accounts/estimates/projections.

**Objection : Employee Expenses**

MePTCL has submitted that the erstwhile Meghalaya state Electricity Board (MSEB) used to revise the pay scale of its employees every 5 years and that the same practice has also been adopted by it. Since the last pay revision was done in 2010, MePDCL has estimated such revision in pay during FY 2016-17 with an increase 17% in the overall pay. Regulation 69 of the MSERC MYT Regulations, 2014 provide for O&M expenses.

*“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”.*

It is an established principle that impact of wage revision shall be considered on actual basis during truing up.

The Hon’ble Commission is requested to allow pay revision, if any, based on actual at the time of truing up and not in advance as the same is not contemplated under the Regulations. The employee expenses based on actual for FY 2015-16 and an escalation for 5% for FY 2016-17 and 2017-18 are as under:

<b>Particulars</b>	<b>2015-16 (Actual)</b>	<b>2016-17 (Estimated)</b>	<b>2017-18 (Projected)</b>
Employee Expenses	53.92	56.62	59.45

**Response of MePTCL**

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 agreed 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.

Therefore, from January 2015 onwards Revision of Pay is due. The employee cost for the FY 2015-16 is projected by considering the revised pay of Employees. The following assumptions were taken to arrive for the revised pay of Employees:

- **Basic Pay:** On a yearly basis the permanent employees of MePTCL are given an increment of 3%. However, owing to pay revision, the basic pay existing as on 1st January 2016 is estimated to increase by a factor of 1.73. The existing level of DA as on 1st January' 2016 was 56% and as such the net effect of pay revision is expected to be 17%
- **Dearness Allowance (DA):** The DA is taken around 12% of basic pay for FY 2017-18.
- The other allowances are estimated to remain at the same level as FY 2015-16.
- Terminal benefit provision for FY 2017-18 has been considered at an increment of 3%. However the same will be claimed as per the actual at the time of true-up.
- The yearly recruitment of technical and non-technical staff is also considered for projection of employee cost.

Implementation of pay wage revision only at the time of truing up would lead to dumping of arrears in 1 year only which would cause consumer shock. Implementation of the pay wage revision from the ARR Projections itself would ease the burden on the consumers and prevent consumer shock. Hence, MePTCL humbly prays before the Honorable Commission to kindly consider the assumptions as stated above for the computation of Employee Expenses and adjust the deviations at the time of truing up.

**Commission's View**

The employees expenses will be considered based on the Tariff Regulations and after prudence check of the accounts/estimates/projections.

**Objection: Interest on Loan**

MePTCL has claimed Rs. 6.55 for FY 2015-16, Rs. 10.67 for FY 2016-17 and Rs. 12.24 for FY 2017-18 as interest on loan, purportedly as per Regulation 32 of the MYT Regulations, 2014. MePTCL has claimed the interest by considering the interest obligation for present loans along with future projects with a loan component. However, MePTCL has not provided any details of capital expenditure funded by grants and debt.

While MePTCL has not estimated any repayment in the entire MYT period it has claimed depreciation expenses to the tune of Rs. 20.31 Crore, Rs 24.26 Crore and Rs. 29.51 Crore, for FY 2015-16, FY 2016-17 and FY 2017-18 respectively. It is not understood how the depreciation expenditure will be utilized when loan repayment is shown as nil. The Hon'ble Commission is requested to conduct strict prudence of the capital expenditure plan of MePTCL.

BIA has assumed the loan repayment as being equal to amount of allowable depreciation during the year and the rate of interest as being equal to the rate of interest chargeable on the existing loan of MePTCL. Accordingly, BIA has worked out the interest on loan allowable to the Petitioner during FY 2015-16 to FY 2017-18, as under:

<b>Particulars</b>	<b>FY 2015-16 (Provisional)</b>	<b>FY 2016-17 (Estimated)</b>	<b>FY 2017-18 (Projected)</b>
Opening Balance	31.17	70.81	60.7
Addition During the Year	59.94	10.19	23.72
Repayment during the year	20.3	20.3	20.3
Closing Balance	70.81	60.7	64.12
Average Interest Rate	9.30%	9.30%	9.30%
Interest Payable	4.74	6.12	5.80

**Response of MePTCL**

MePTCL submitted the Investment plan as in Annexure - F along with the details of the new, ongoing projects. Details of loan, equity and also grants received from government for Capital Investment for every project.

MePTCL is undertaking investment in the transmission system to strengthen the old aging network as well as reducing the loss in the system. The depreciation amount claimed is essential to recover the capital cost infused in the form of loan as well as equity. If depreciation is not claimed, MePTCL would not be able to recover the capital cost and also it would not have funds to replace the assets later on.

As per MSERC Tariff regulations, the depreciation amount is not necessary to be equal to the repayment and there can be gap in these owing to moratorium period in the loan schedule or because of the loan repayment period. Further, the repayment may be considered to be equal to the depreciation only in case of debt-equity ratio of 70:30. However, in case of MePTCL, the old assets transferred at the time of restructuring were entirely funded as equity from the State Government. Moreover, there is no repayment of the new loans as there is a moratorium considered for new loans of 1-2 years. Hence the petitioner requests the Commission to allow the interest on loan as projected.

**Commission's View**

The interest on loans are considered based on the Tariff Regulations and on prudence check of the accounts/estimates/projections

**Objection : Depreciation**

MePTCL has claimed Rs. 20.30 Crore as depreciation expense in FY 2015-16. However, on account of the reduced allowable addition to the GFA, as submitted by Objector, the allowable depreciation should also be reduced. As per BIA's assessment the allowable depreciation shall be:

Particulars	FY2015-16 (Provisional)	FY2016-17 (Estimated)	FY2017-18 (Projected)
Depreciation as per MePTCL's Claim	20.31	24.26	29.51
Depreciation as per BIA's Assessment	20.30	20.30	20.30
Proposed disallowance	-	3.96	9.21

### Response of MePTCL

The amount of asset addition to improve the transmission network is specified which justifies the value of depreciation of assets being claimed by the petitioner. The petitioner would like to submit that the objection lacks any justified ground or reasoning. The addition of assets should be considered based on the progress of ongoing schemes and the plan for new schemes. The actual asset addition of past years cannot be considered as base because major investment done in the past few years is shown under Capital Work in Progress and will be capitalized in the subsequent years.

### Commission's View

The depreciation is worked out based on the guidelines of the Tariff Regulations and on prudence check of the accounts/estimates/projections.

### Objection: Income Tax

In accordance with Regulation 35 of the MYT Regulations, 2014, the Income Tax paid by the Transmission Licensee shall be treated as expense and shall be recoverable from consumers through tariff. It is important to note that by its own submission MePTCL has not paid any amount as taxes in previous years. Despite this it is claiming income tax of Rs. 18.27 for FY 2017-18 on the basis of 21.34% (MAT rate) to be charged on RoE in FY 2017-18.

As per Regulation 35, income tax can be allowed on the basis of actual income tax paid as per the latest Audited Account. MePTCL has not paid any tax and has also not submitted the latest Audited Accounts. Thus Hon'ble Commission must disallow the income tax being sought by MePTCL.

**Response of MePTCL**

Annual Revenue Requirement of the licensee is determined on a projected basis before the start of the year. Projections are made on the basis of past data and trends available. As such, the actual revenue required by the licensee can differ from the projected revenue requirement since it is projected using various assumptions which can differ from the actual data. However the difference is ARR elements are adjusted during Truing Up done every year.

MePTCL would like to submit that in past years, there was no tax provision because of losses being booked or accumulated losses of the past years. But for the future years, MePTCL is expected to book profits if the projected expenditure is allowed and tax shall be required to be paid on the same. Based on the projections, MePTCL is expecting a profit in its business and hence is claiming income tax on the same as per the standard MAT Rates.

**Commission's View**

Income Tax is considered as per the Tariff Regulations and after prudence check of the relevant accounts/estimates/projections. However, it is subject to actual Tax paid in "True up".

**Objection : Interest on Working Capital**

MePTCL has sought Rs 40.26 Crore, Rs. 41.73 Crore and Rs. 49.76 Crore in FY 2015-16, 2016-17 and 2017-18 respectively towards working capital requirements. Regulation 34.2 of the MYT Regulations, 2014 deals with interest on working capital for transmission business.

On account of changes suggested by BIA towards employee expenses the O&M expenses will change thus impacting the working capital requirements of MePTCL. Also, erroneous consideration of GFA as on 01.04.2013 has also impacted the amount of



maintenance spares to be included in the working capital requirements. Thus, as per BIA's assessment the working capital allowable for FY 2015-16 to 2017-18 is as under:

Particulars	FY 2015-16 (Actuals)	FY 2016-17 (Estimated)	FY 2017-18 (Projected)
O&M Expenses for one month	4.82	5.07	5.34
Maintenance Spares	2.50	2.65	2.81
Receivables for two months	16.40	28.45	29.30
Total working capital	23.72	28.45	29.30
Interest Rate	14.75%	14.05%	14.05%
Interest on Working Capital	3.50	4.00	4.12

### Response of MePTCL

In Para 35 of the objections, the closing GFA considered by the objector for calculation of depreciation is INR 423.13 crores as on 31.03.2016, whereas in Para 45, the opening GFA has been considered as INR 250 crores for the purpose of calculating maintenance spares MePTCL has clearly submitted the assets additions and O&M Cost details for the ARR with proper justification. Hence the claims of the objector are unacceptable and devoid of any merit. Working capital has been calculated as per the MSERC Regulations 2014.

### Commission's View

The interest on working capital will be allowed as per the Tariff Regulations and after prudence check of the accounts submitted.

### Objection : Allowable Aggregate Revenue Requirement (ARR)

In light of the above submissions, the allowable ARR for the MYT control period, as per BIA's assessment, is as under:

Sl. No.	Particulars	2015-16 (Actuals)	2016-17 (Estimated)	2017-18 (Projected)
1	Return on Equity (RoE)	15.50	30.98	30.98
2	Interest and Finance Charges	4.74	6.12	5.80
3	Operation and Maintenance Expenses			
	Employee Expenses	53.92	56.62	59.45
	R&M Expenses	1.46	1.60	1.74
	A&G Expenses	2.42	2.65	2.87
4.	Interest on Working Capital	3.50	4.00	4.12

Sl. No.	Particulars	2015-16 (Actuals)	2016-17 (Estimated)	2017-18 (Projected)
5.	Depreciation as maybe allowed	20.30	20.30.	20.30
6.	Taxes on Income	-	6.61	6.61
7.	Annual License Fee	-	-	-
8.	SLDC Charges	1.05	1.66	1.87
9.	Prior Period Expenses	0.11		
10.	Total Annual Expenditure	102.99	127.22	130.01
11.	Less: SLDC ARR	2.10	3.31	3.73
12.	Net Annual Expenditure	100.89	127.22	130.01
13.	Less: Other Income	2.47	2.84	3.12
14.	Net Annual Revenue Requirement as per Objector's (BIA) assessment	98.42	124.38	126.89
15.	Net Annual Revenue Requirement as per MePTCL	170.34	181.08	219.51
16.	Disallowance proposed	71.92	56.70	92.62

#### Response of MePTCL

MePTCL would like to submit that the projections made in the tariff petition should be considered for approval and there is no need for revision of the figures submitted in the petition.

#### Commission's View

The Components of ARR are considered for approval as per the Tariff Regulations and on prudence check of the relevant accounts/estimates/projections.

## 4. True Up for FY 2014-15

### 4.1 Introduction

The Commission has earlier disposed the Review petition filed by MePTCL on 01.06.2016 on the true up orders issued on 30.03.2016 for FY 2013-14. Accordingly, the Review order issued on 30.03.2017.

The following ARR (Review) for FY 2013-14 is incorporated in this order and resultant gap included in the ARR of FY 2017-18 while fixing transmission tariff.

**Table 4.1: ARR for FY 2013-14 Review approved by the Commission**

Sl. No	Particulars	Approved in the True up	Claimed for Review	Now approved
1	Return on Equity (RoE)	9.43	46.95	15.17
2	O&M Expenses	49.64	-	49.54
3	Interest on Working Capital	2.15	2.49	2.54
4	Depreciation	13.55	14.34	13.48
5	Licensee fee	0.04	-	0.04
6	SLDC Charges	1.31	-	1.31
<b>7</b>	<b>Gross ARR</b>	<b>76.02</b>	<b>-</b>	<b>82.08</b>
8	Less: SLDC ARR	2.62	-	2.62
9	Less: Other Income	4.45	-	4.45
<b>10</b>	<b>Net ARR</b>	<b>68.95</b>	<b>-</b>	<b>75.01</b>
11	Revenue from Transmission Tariff	62.56	-	62.56
<b>12</b>	<b>Net Gap / (Surplus)</b>	<b>6.39</b>	<b>-</b>	<b>12.45</b>

**This gap shall be accommodated in the ARR for FY 2017-18.**

MePTCL has filed petition for true up of Transmission business, along with statement of accounts for FY 2014-15.

The Commission considering the petition has taken up true up pending filing of C&AG audit report for FY 2014-15. The element wise analysis and admissibility of expenditure is discussed with reference to the Regulations and statement of Accounts for FY 2014-15 in the following paragraphs.

## 4.2 Return on Equity

Licensee has claimed Return on Equity at Rs. 51.45 Crore projecting the Equity capital at Rs. 367.51 Crore as per the transfer scheme provisions notified by the GoM dated 29.04.2015 for the true up of the business for FY 2014-15.

### Commission's Analysis

The Commission observed that Equity Capital projected does not tally with the total Asset base which is Rs. 359.75 Crore as on 31.03.2014.

The Commission referred to the APTEL Judgment dated 17.12.2014 in appeal No. 142 and 168 of 2013 between Mawana Sugar Ltd vs PSERC and others. According to the APTEL findings, the State Commission is not bound by the transfer scheme provision and the statement of accounts.

The Commission in the circumstances considers as per the books of accounts, the equity capital shall be computed on the Gross Fixed Assets and additions during the year to be compliant with the requirement of Regulations, 74 read with Regulations 72.

The equity capital as per the approvals accorded for FY 2013-14 as at 31.03.2014 is Rs. 107.93 Crore, being the 30% GFA + 30% of additions during FY 2014-15.

The GFA as on 31.03.2014 at Rs. 359.75 Crore and 30% considered Equity was Rs. 107.93 Crore.

**Table 4.2: Return on Equity for FY 2014-15 (Rs. Crore)**

Sl. No.	Particulars	Approved for FY 2014-15 Truing up
1	Opening Equity capital for FY 2014-15	107.93
2	30% Addition of assets during 2014-15	1.38
3	Closing Equity for RoE	109.31
4	Average Equity for RoE	108.62
5	RoE at 14%	15.21

The Commission considers RoE at Rs. 15.21 Crore for true up of FY 2014-15.

#### 4.3 O&M Expenses for FY 2014-15

Licensee has projected O&M expenses for true up of FY 2014-15 in the following break up.

**Table 4.3: O&M Expenses projected for True up of FY 2014-15**

Sl. No.	Particulars	Projected for FY 2014-15 in true up
1	Employee Expenses	51.33
2	R&M expenses	2.52
3	A & G expenses	5.42
4	<b>Total</b>	<b>59.27</b>

#### Commission's Analysis

**Table 4.4: O&M Expenses approved for True up of FY 2014-15**

Sl. No.	Particulars	Approved in Tariff Order for FY 2014-15	Approved for Provisional true up	Now approved for True up
1	Employee Expenses	36.26	46.19	51.33
2	R&M expenses	3.85	2.78	2.52
3	A & G expenses	2.50	5.22	5.35
4	<b>Total</b>	<b>42.61</b>	<b>54.19</b>	<b>59.20</b>

The increase in employee expenses has been reported at 41.56%. The Licensee shall submit detailed analysis for increase in view of the fact that no additional recruitment and wage revision had taken place, which is required to be considered in the year 2015.

**The Commission however considers the O&M expenses at Rs. 59.20 Crore including 1/3<sup>rd</sup> expenses of MeECL for true up for FY 2014-15 pending filing of C&AG audit report, and detailed analysis for increase in employee expenses.**

#### 4.4 Interest on loan capital for FY 2014-15

Licensee has filed interest on loans at Rs.2.73 Crore for true up of FY 2014-15 and prayed for allowance of actual interest expenditure incurred on term loans.

**Commission's analysis**

The Commission had not allowed any interest on term loans in the tariff orders for FY 2014-15. As per the Regulation 75, interest on loans borrowed for capital expenditure shall be allowed for tariff. The purpose for which Licensee had borrowed loan from State Government is not mentioned in the books of accounts for FY 2014-15.

**The Commission does not consider interest on loans claimed by MePTCL for FY 2014-15.**

**4.5 Interest on working capital for FY 2014-15**

Licensee has claimed Rs. 4.69 Crore towards interest on working capital for true up of FY 2014-15.

**Commission's analysis**

**Table 4.5: Interest on working capital approved for True up of FY 2014-15**

Sl. No.	Particulars	Approved for FY 2014-15 (Rs. Crore)
1	O&M expenses for 1 month excluding MeECL cost (59.20-6.44=52.76/12)	4.40
2	Maintenance spare at 1% of opening GFA escalated at 5.72%	3.81
3	Receivables equivalent to 2 months of Transmission charges excluding MeECL cost	12.95
4	Working Capital Requirement	21.16
5	Interest at 14.75%	3.12

**The Commission considers Rs. 3.12 Crore towards interest on working capital for true up of FY 2014-15.**

**4.6 Depreciation**

Licensee has claimed Rs. 18.18 Crore towards depreciation for true up of FY 2014-15. Licensee has shown fully depreciated assets at Rs.15.90 Crore, vide Table 10 of the Petition.

**Commission's analysis:**

As per the note 10 of the Statement of Accounts , the depreciation is computed for FY 2014-15 true up is as given in the Table below:

**Table 4.6: Depreciation approved for True up of FY 2014-15**

Sl. No.	Particulars	Depreciation approved for FY 2014-15 (Rs. Crore)
1	Opening GFA as on 31.03.2014	359.75
2	Additions during FY 2014-15	4.60
3	Fully depreciated assets	15.90
4	Closing GFA as on 31.03.2015 (1+2-3)	348.45
5	Average GFA -excluding land cost	353.29
6	Average depreciation (%)	4.84%
7	Average grants for FY 2014-15	2.58
8	Assets cost on the grants	0.12
9	Depreciation for FY 2014-15	16.89
10	Less: Depreciation on grants	0.12
<b>11</b>	<b>Net Depreciation</b>	<b>16.77</b>

The Commission considers depreciation for FY 2014-15 true up at Rs. 16.77 Crore.

**4.7 SLDC Charges for FY 2014-15**

Licensee has claimed Rs. 1.17 Crore towards 50% SLDC charges out of the SLDC ARR for FY 2014-15 true up.

**Commission's analysis**

The Commission considering Rs. 2.34 Crore SLDC ARR for FY 2014-15, approves Rs.1.17 Crore being the 50% charges as expenses of transmission SLDC for true up of FY 2014-15.

**4.8 Income from Transmission Business**

Licensee has submitted that Rs. 81.90 Crore received as Revenue from transmission tariffs for FY 2014-15.

**Commission's analysis**

As per the Statement of Accounts for FY 2014-15 Revenue from operations is reported at Rs. 83.07 Crore which includes Rs. 2.39 Crore other charges and Rs. 1.17 Crore 50% SLDC charges received from MePGCL share.

**The Commission considers Revenue from operations at Rs. 79.51 crore for FY 2014-15 for true up and Rs. 3.56 Crore considered as other income.**

**4.9 Other income for FY 2014-15**

Licensee has submitted that other income received as Rs. 2.36 Crore in the petition for true up of FY 2014-15.

**Commission's analysis**

As per the Statement of Accounts other charges vide note 16 reported at Rs. 2.39 Crore and Rs. 1.17 Crore towards SLDC charges received from MePGCL. As per note 17 other income reported at Rs.0.66 Crore. Other income of MeECL at Rs. 5.085 Crore reported and 1/3<sup>rd</sup> income apportioned for True up for FY 2014-15 at Rs. 1.70 Crore. The details are as stated below:

**Table 4.7: Other income approved for True up of FY 2014-15**

Sl. No	Particulars	Approved other income for FY 2014-15 in true up (Rs. Crore)
1	SLDC charges MePGCL	1.17
2	Other income/charges (2.39+0.66 Crore)	3.05
3	1/3rd of MePGCL other income of Rs. 5.08 Crore	1.70
4	<b>Total other income</b>	<b>5.92</b>

**The Commission considers other income at Rs. 5.92 Crore for true up of FY 2014-15.**



**4.10 ARR for FY 2014-15**

Summing up of the analysis of Expenditure and Revenue, the ARR for the FY 2014-15 true up is shown in below Table.

**Table 4.8: Approved ARR for true up of FY 2014-15**

Sl. No	ARR element	Approved in T.O for FY 2014-15	As per MePTCL petition	Approved by MSERC for true up of FY 2014-15
1	Return on Equity	9.43	51.45	15.21
2	Interest on loan capital		2.73	-
3	Employee expenses	36.26	51.33	51.33
4	R&M expenses	3.85	2.52	2.45
5	Adm & Gen expenses	2.5	5.42	5.35
6	Interest on working capital	2.93	4.69	3.12
7	Depreciation	21.62	18.18	16.77
8	Annual License fee	0.03	-	-
9	SLDC charges	1.17	1.17	1.17
10	Prior Period charges		3.05	-
<b>11</b>	<b>Total ARR</b>	<b>77.79</b>		<b>95.40</b>
12	Less: SLDC ARR	2.34		2.34
13	Other Income	2.66		5.92
<b>14</b>	<b>Net ARR</b>	<b>72.79</b>		<b>87.14</b>
15	Revenue from tariffs			79.51
<b>16</b>	<b>Net Gap</b>			<b>7.63</b>

This gap of Rs. 7.63 Crore shall be appropriated in the ARR and Tariff for FY 2017-18.

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## **5. Aggregate Revenue Requirement (ARR) for FY 2017-18**

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### **5.1 Business Plan for the Control Period**

The Commission has considered the petition of the Licensee for approving its Business plan for the control period. In the past, the Commission has not accepted it due to the fact that there was no audited accounts made available to the Commission. The audited accounts upto FY 2013-14 were made available to the Commission only in the month of February, 2017. As per the MYT Regulations, the Business plan is required to be filed three months before the filing for the tariff petition. The accounts of FY 2014-15 are not audited by C&AG so far. Therefore, the Commission does not consider the Business plan and provisional True up for FY 2015-16 in the current Order. The Licensee may file the petition in accordance with the Regulations, well in time, so as to consider the same in the next petition.

### **5.2 Methodology for ARR of FY 2017-18**

#### **Petitioner's Submission**

In accordance with the provisions of the MYT Regulations, 2014, MePTCL submitted the ARR petition for the control period FY 2015-16 to FY 2017-18 based on restructured segregated provisional accounts and the transfer scheme amended from time to time. MePTCL submits that, Transmission Service Agreement (TSA) for transmission of power to MePDCL has been executed on 08th August 2013 and power under TSA is being supplied on cost plus basis. SLDC is a Strategic Business Unit (SBU) of MePTCL and does not maintain separate accounts. Therefore all assets, liabilities, expenditures etc. of SLDC are reflected in the accounts of MePTCL. However, SLDC being an independently functioning entity filed for approval in Transmission ARR and tariff in accordance with the provisions of MSERC regulations and provisions of Electricity Act 2003. MSERC on examination of petition and submission of MePTCL, has approved ARR for three years FY 2015-16 to FY 2017-18 and issued order for the control period in MYT Order dated 31.03.2015. ARR approved for FY 2017-18 is now considered for MePTCL

for FY 2017-18. Various components of expenses approved for FY 2017-18 are discussed below for arriving transmission charges for FY 2017-18.

### **5.3 Analysis of ARR for FY 2017-18**

MePTCL in its Petition has projected Rs. 219.51 Crore as ARR for FY 2017-18. In accordance with the Regulations, the Commission does not accept this, as they have to submit the Review Petition at appropriate time. The Commission accordingly, proceeded as per Regulations and allowed the expenses as per MYT Order dated 30.03.2015 which is as under:

### **5.4 O&M Expenses**

Components of O&M costs are (Employee cost, R&M Expenses and A&G Expenses). Refer Table 5.1.

### **5.5 Employee Cost**

The Commission on examination of actual expenditure for FY 2014-15, escalation at 5.72% for subsequent years has approved Rs. 19.90 Crore towards employee cost in the MYT order. Commission now considers the approved cost of Rs. 19.90 Crore for FY 2017-18.

### **5.6 Repair & Maintenance (R & M) Expenses**

Considering the actual expenditure for FY 2014-15, escalation factor at 5.72% for subsequent years Commission has approved Rs. 4.60 Crore towards R&M Costs in the MYT Order. Commission now considers the approved cost of Rs. 4.60 Crore for FY 2017-18.

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

Considering the actual expenditure for FY 2014-15, escalation for subsequent years, Commission approved A&G expenses for the control period FY 2015-16 to FY 2017-18 in the MYT Order. Proportionate expenses of MeECL Holding Company were also considered under A&G expenses. Commission approved Rs. 25.14 Crore for FY 2017-18

towards A&G Expenses including MeECL expenses in the MYT order for FY 2017-18. Now Commission accepts the same amount of Rs. 25.14 Crore for FY 2017-18.

#### **5.8 Depreciation**

On examination of existing assets, additional assets added, the Commission approved depreciation at 5.13% on average GFA of Rs. 434.60 Crore for Rs. 22.29 Crore for FY 2017-18 in the MYT Order. The Commission accepts the same amount of Rs. 22.29 Crore for FY 2017-18.

#### **5.9 Interest on Loan**

On detailed examination of submissions of MePTCL, the Commission has approved Rs. 8.80 Crore for FY 2017-18 in the MYT Order towards interest on loan. Now, the Commission accepts the same amount of Rs. 8.80 Crore towards interest for FY 2017-18.

#### **5.10 Interest on Working Capital**

In MYT Order for FY 2015-16 to FY 2017-18, the Commission has considered one month O&M cost, 2 months receivables and 1% of GFA towards spares and arrived Rs. 25.50 Crore as working capital considering interest rate of 14.75% on working capital, the Commission approved Rs. 3.76 Crore towards interest on working capital. Now, the Commission accepts the same amount of Rs. 3.76 Crore for FY 2017-18.

#### **5.11 Return on Equity**

The Commission approved Rs. 9.43 Crore towards return on equity in MYT order for FY 2015-16 to FY 2017-18. The Commission accepts the same figure of Rs. 9.43 Crore towards Return on Equity for FY 2017-18.

#### **5.12 Other Income**

In MYT order Commission approved Rs. 5.24 Crore towards income from Open Access consumers and other sources for FY 2017-18. The Commission accepts the same figure of Rs. 5.24 Crore towards other income for FY 2017-18.

**5.13 Annual License Fee**

The Commission approved Rs. 0.03 Crore towards Licensee fee to be paid to the Commission for FY 2017-18 as approved in the MYT Tariff Order. Now the Commission approved the same amount of Rs. 0.03 Crore for FY 2017-18.

**5.14 Aggregate Revenue Requirement for FY 2017-18**

Based on the approval of various components of charges indicated above the ARR of MePTCL for FY 2017-18 is as follows.

**Table 5.1: Aggregate Revenue Requirement approved for FY 2017-18 (Rs. Crore)**

Sl. No	Particulars	ARR approved for FY 2017-18
1	O&M Expenses	49.64
a	Employee cost	19.90
b	R&M expenses	4.60
c	A&G Expenses	25.14
2	Depreciation	22.29
3	Interest on Loans	8.80
4	Interest on Working Capital	3.76
5	Return on Equity	9.43
6	Charges of SLDC	1.15
7	Annual licensee fees	0.03
	<b>Total</b>	<b>95.10</b>
8	Less: Other income	5.24
9	Less: SLDC ARR	2.30
	<b>Net ARR</b>	<b>87.56</b>

**5.15 Transmission ARR for FY 2017-18****Table 5.2: Transmission ARR for FY 2017-18**

Sl. No.	Particulars	Approved for FY 2017-18
1	Approved ARR for FY 2017-18, as per the MYT Order	87.56
2	Add: Revenue Gap of FY 2013-14 Review	12.45
3	Add: Revenue Gap of FY 2014-15 true up	7.63
4	<b>ARR for FY 2017-18, including adjustments for earlier True ups</b>	<b>107.64</b>

The ARR shall be accommodated in the MePDCL tariffs as Intra state transmission Charges for FY 2017-18.

## 6. Open Access Charges

### 6.1 Computation of the Open Access charges

MePTCL has computed the open access charges for FY 2017-18 in compliance to Commission's MYT Order and taken 2324.82 MU as energy to be handled by MePTCL in FY 2017-18.

Accordingly, MePTCL has computed open access charges at Rs. 14095/MW/Day.

#### Commission's analysis

As per energy balance approved by the Commission in the Order, the Commission approves the total energy to be handled at the state transmission periphery at 1582.50 MU as approved for MePDCL.

### 6.2 Open access/transmission charges for FY 2017-18

The open access charges projected by MePTCL and the Commission's approval are given in the Table below:

**Table 6.1 Open Access/Transmission Charges approved by the Commission for FY 2017-18**

Sl. No	Particulars	Projected by MePTCL for FY 2017-18	Approved by the Commission for FY 2017-18
1	MePTCL ARR (Rs. Cr)	356.84	107.64
2	Average load (MW)	693.57	693.57
3	Units to be handled(MU)	2324.82	1716.66
4	<b>Open access charges (Rs./MW/Day)</b>	<b>14095.00</b>	<b>4252</b>
5	<b>Transmission Tariff (Rs./Unit)</b>	<b>1.53</b>	<b>0.63</b>

The Commission has considered the at ARR at Rs. 107.64 Crore and approves open access charges at Rs.4252/MW/Day for FY 2017-18 effective from 01.04.2017. This rate shall be applicable for all open access consumers. In order to meet the requirement of Regulation, the transmission charges for all consumers including open access consumers is fixed at Rs.0.63/unit. However, the recovery of charges from open

access consumers shall be done strictly as per Regulation 21 of MSERC (Terms and Conditions of Open Access) Regulations, 2012. The transmission charges shall be payable on the basis of contracted Capacity/Scheduled Load or actual power flow whichever is higher, at the rate determined above. All other charges shall be as per the Regulations and the Commission's Order issued from time to time. The Commission also directs MePTCL to recover the charges of previous period in the same manner as per the Orders and Regulations and show it in the final true up of the previous years.

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## 7. Directives

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### 7.1 Directives

1. As discussed in this Order, MePTCL shall submit its investment plan proposed to be implemented in the control period to the Commission for its approval well in time and along with the audited accounts with statutory auditor reports for FY 2017-18. Regulation 8 of MYT requires the licensee to file the business plan latest by 3 months prior to date of filing of the petition for truing up. Accordingly the Commission directs the licensee to file the business plan by 30th August, 2017.
2. The Commission directs the transmission company to study the open access procedure, evaluate the spare capacity, demand of the state while allowing NOC to Open Access consumers. They are further being directed to adhere to the Commission's Regulations and orders while recovering their charges from such Open Access consumers strictly.
3. While allowing open access, the STU shall ensure that the availability /capacity of the line on which open access shall take place is sufficient. In no case it should hinder the power flow to the distribution licensee. It is further directed that STU, while computing the spare capacity in the transmission lines, shall include the evacuation of power from new central generating stations that are being allocated to Meghalaya in the ensuing tariff period. Any failure of the grid on account of over utilization of the present capacity by Open Access consumers shall be investigated and suitable action to be taken to plug the Revenue loss.
4. Employee Expenses: MePTCL has claimed employee expenses for FY 2014-15 at 41.56% excess over the approved level. The licensee shall submit detailed analysis of employee expenses, component wise, like Basic pay, DA, HRA and other allowances. The Licensee shall submit up to date of Circuit Kilo Meters of transmission lines, transmission capacity



and number of Bays in the Sub-stations in order to fix the O&M expenses as per the CERC Regulations by 30.06.2017.

5. In no case the transmission losses shall be allowed in excess of 4%. The Licensee shall ensure the network availability without any interruptions for the contracted capacity with the distribution Licensee.
6. STU shall also ensure the compliance of principles of Grid Code, CERC Regulations while allowing Open Access and shall recover the charges as allowed by the Commission and its regulations.
7. The Commission directs the licensee to get C&AG certificate of statement of accounts for FY 2014-15 onwards before filing of the next ARR Petition.

**RECORD NOTE OF THE 20<sup>th</sup> MEETING OF THE STATE ADVISORY COMMITTEE HELD AT  
ON 06<sup>th</sup> FEBRUARY 2017 AT THE MSERC CONFERENCE HALL, SHILLONG.**

Present:-

**Members of the State Advisory Committee and Commission**

- 1) Shri. WMS Pariat, Chairman, MSERC.
- 2) Shri. J.B. Poon, Secretary, MSERC
- 3) Shri. Ramesh Bawri, President Meghalaya Confederation of Industries.
- 4) Shri. S. K. Lato, Jowai.
- 5) Shri S Narzari, GM (Comm.), NEEPCO

**Calling the 20<sup>th</sup> Meeting** of the State Advisory Committee (SAC) to order, the Chairman welcomed the members present. He briefly informed the members about the purpose of the meeting as envisaged in the Electricity Act 2003 highlighting the salient features of distribution ARR for FY 2017-18. He also briefed the members on the present MSERC, MYT Regulation 2014 and implications of each of the component of ARR in the Tariff. Members of the Advisory Committee were briefed that the Commission has admitted ARR petition for Distribution, Transmission, Generation on 17.01.2017. they published the salient features of this petition inviting comments of each stakeholders including public. On the ARR & Tariff Petition for the year 2017-18, the Chairman called upon the Hon'ble Members to participate in the deliberations on T&D, tariff as for Generation it was discussed on 27<sup>th</sup> January, 2017 and invited their suggestions. Members of the SAC raised the following issues:

**1. Shri Ramesh Bawri**

Shri Ramesh Bawri brought about many pertinent issues relating to the petition and submitted that books of account are not proper as timely submission of ARR and audited statements of account are not updated. He has given following suggestions to the Commission on Tariff issues.

- (1) He has appreciated that separate petitions have been filed by MePGCL, MePDCL and MePTCL as required under the Electricity Act, 2003 This would lead to a much better understanding of the workings of MeECL. However, he has suggested that to consolidate all expenditures record in one single table so that it would be more transparent for the Commission to determine the cost of individual companies in comparison to what approved last year for a single entity.
- (2) Mr. Bawri requested the Commission to review the status of directions given to MePGCL, MePDCL and MePTCL last year while finalizing the Tariff Order so that the road map given by the Commission is properly implemented in the interest of the Public.
- (3) It appears that some of the calculation sheets are not matching with the other related calculations and therefore it would be difficult to understand the exact numbers in the ARR petition. This leads to an unnecessary exercise of correction on the part of the Commission, besides the Advisory Board and the General Public who may not be aware of the intricacies of law. It is therefore suggested that each subsidiary Company of MeECL be advised to submit their proposals in accordance with the Regulations in future.
- (4) Mr. Bawri was concerned about the high capital cost of the project incurred in MLHEP (Myntdu-Leshka). He has pointed out that the Commission should review the matter and allow only the reasonable cost of the project inconsonance with national standards. He has also pointed out that there should be some mechanism which forces the management of power stations to optimize the best utilization of their project and give maximum generation to the State. He has agreed to the Commission's proposal that tariff should be related with the generation so that there is an incentive for the generator to generate more than the designed energy. He has also submitted that the machine should be kept in order in monsoon period so that the generation is highest during peak availability.
- (5) In the absence of the accounts for earlier years, it is not possible to comment on the eligibility of **Return on Equity**. It is however suggested that the Hon'ble Commission

may kindly verify the eligible amount in accordance with Regulations 51 and 53, keeping the Debt-Equity Ratio norms also in mind.

**2. Shri. S.K Lato**

Shri S.K.Lato stated that he also fully supported all the views expressed by Mr. Ramesh Bawri and requested the Commission to take these into consideration while deciding the Tariff for the year 2017-18. He wanted that the performance of MePDCL needs to be improved in terms of better operation, quality supply and improvement in their current efficiency to work & optimize their resources.

Summing-up the discussions, the Chairman placed on record his profound gratitude to the Hon'ble Members present, for their valuable suggestions and submissions and assured that these would be kept in view, while finalizing the Tariff for the year 2017-18.

(J.B. Poon)

**Secretary, MSERC**

**Annexure-II**

**LIST OF PARTICIPANTS PARTICIPATED IN THE PUBLIC HEARING ON 08<sup>th</sup> MARCH, 2017.**

**On behalf of MePTCL/MeECL**

1. Shri L.M.F. Sohtun, Chief Engineer (T)
2. Shri R. Syiem, ACE
3. Shri P. Sahkhar, SE, (RA)
4. Shri F.E. Kharshiing, SE, SLDC
5. Shri J. Hynniewta, SE-II
6. Shri B. Wankhar, EE, SLDC
7. Shri K.A. Sohtun, SO
8. Ms L. Kharpan, SO

**On behalf of Byrnihat Industries Association**

1. Ms. Mandakini Ghosh, Advocate,
2. Shri Shyam Syndar Agarwal,

**On behalf of Shyam Century**

- 1 Shri Sumanta Chandra,

**On behalf of RNB Cements**

1. Shri Deepak Surana, RNB Cements, Umiam Industrial Area.

**On behalf of consumer/PHE representatives**

1. Shri C. Marngar, PHED