



MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION

Aggregate Revenue Requirement for FY 2013-14

For

MEGHALAYA POWER TRANSMISSION CORPORATION LIMITED

28.03.2013

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BEFORE THE MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION

In the matter of:

Approval of Aggregate Revenue Requirement and Tariff of the Meghalaya Power Transmission Corporation Limited (MePTCL) for the FY 2013-14.

And

In the matter of:

The Meghalaya Power Transmission Corporation Limited, Lumjingshai, Shillong, Meghalaya.

CORAM

Shri Anand Kumar, Chairman

Date of Order: 28.03.2013

ORDER

This order relates to the Petition on Annual Revenue Requirement and Tariff for Financial Year 2013-14 filed by Meghalaya Power Transmission Corporation Limited, (hereinafter referred to as the Petitioner) on 14.12.2012. This petition was filed under the MSERC (Terms and Conditions for Determination of Tariff) Regulations 2011 and under section 62 read with section 86 of the Electricity Act, 2003 (hereinafter referred to as 'the Act').

Section 64(1) read with Section 61 and 62 of the Act requires Transmission licensee to file an application for determination of tariff before the Appropriate Commission in such manner and along with such fee as may be specified by the Appropriate Commission through Regulations. In compliance with the Act, the Commission had notified MSERC (Conduct of Business) Regulations, 2007 and MSERC (Terms and Conditions for Determination of Tariff) Regulations, 2011. These regulations cover the procedure for filing the tariff application, methodology for determining the tariff and recovery of charges as approved by the Commission from the beneficiaries.

The Government of Meghalaya vide its Power Sector Reforms Transfer Scheme 2010 transferred the assets, properties, rights, liabilities, obligations and personnel of the erstwhile MeSEB into four corporations namely (i) Meghalaya Energy Corporation Limited (MeECL), which is the holding company, (ii) Meghalaya Power Generation Corporation Limited (MePGCL), which is the generation utility, (iii) Meghalaya Power Distribution Corporation Limited (MePDCL), which is the

distribution license and (iv) Meghalaya Power Transmission Corporation Limited (MePTCL), which is the transmission licensee. This transfer scheme is effective from 01.04.2012 and from that date all companies/licensee had to start independent functioning. However, it is reported that they have not yet commenced commercial operation as independent entities and are in the process of preparing their statement of accounts in accordance with the transfer scheme.

This petition has been filed by MePTCL for determining their tariff as an independent licensee for the first time. The Commission has examined the petition and held a meeting on 20.12.2012 to discuss infirmities in the original petition. Petitioner required time up to 14.01.2013 to submit the essential information. MePTCL submitted some of the information to the Commission on 14.01.2013. Keeping in view the desirability for timely completion of the tariff process for the next year 2013-14, the Commission provisionally admitted the petition for further processing subject to the condition that the petitioner furnished any further information/clarification as deemed necessary by the Commission during the processing of the petition. The Commission further directed the petitioner to publish public notice in accordance with Tariff Regulations detailing the salient features of the ARR petition and proposals filed by it for financial year 2013-14 for comments by all stakeholders and public at large. The petitioner was also directed to place the petition on its website and its headquarters/other offices for inspection or making relevant extracts by the members of the public.

After conducting a number of technical sessions with the utilities, staff, advisory committee meetings and public hearing, the Commission on the basis of records submitted by the licensee passes this order for determining annual fixed charges for FY 2013-14.

For the sake of convenience and clarity, this Order has further been divided into following Chapters:

Chapter 1 – Introduction and brief history

Chapter 2 – Petitioner’s Submissions and Proposals

Chapter 3 – Stakeholders’ Responses & Petitioner’s Comments

Chapter 4 – Commission’s Approach

Chapter 5 – Commission’s Analysis, Scrutiny and Conclusion.

Chapter 6 – Directives

The power supply industry in Meghalaya had been under the control of erstwhile MeSEB w.e.f. 21.01.1975. On 31.03.2010, the Government of Meghalaya issued a Notification for the power sector reform and transferred the assets, liabilities, rights and obligations to four companies namely, Meghalaya Energy Corporation Limited (MeECL) as the holding company to the Meghalaya Power Distribution Corporation Limited (MePDCL), as the Distribution Utility, Meghalaya Power Generation Corporation Limited (MePGCL), as the Generation Utility and Meghalaya Power Transmission Corporation Limited (MePTCL), as the Transmission Utility. The transfer scheme notified on 31.03.2012 is to be effective from the date of transfer i.e. 01.04.2012.

MePTCL has yet to start its operation independently and all the operations are still being looked after by the holding company i.e. the MeECL. The financial statement and the balance sheet for 2012-13 are yet to be prepared and the details of the assets and liabilities are limited to the numbers given in the transfer scheme. However, MeECL has provided the Commission the pre-audited balance sheet for 2011-12.

The MSERC has notified the terms and conditions for determination of tariff regulation on 10.02.2011 which lays down the procedure and requirement of filing of the ARR for ensuing year. Regulation 17 provides that each transmission company shall file a tariff petition on or before 30th November of each year with the Commission which includes statement containing calculation of the expected aggregate revenue from charges under it currently approved tariff and expected cost of providing service. The information for the previous year should be based on audited accounts and in case audited accounts are not available audited accounts of the year immediately preceding the previous year shall be filed along with an unaudited accounts for the previous year. The tariff application shall also contain tariff proposal so as to fully cover the gap if any between the expected revenue and the expected cost of service.

The procedure for determining of the tariff is governed under the sections 61 and 62 of the Act and the regulations made under section 180 of the Act. MePTCL was required to submit the petition by 30.11.2012 for financial year 2013-14. The Commission has sent a letter to the Board of Directors to file the petition in time so that timeliness of the issue of tariff order is maintained by the Commission. The intent of the law is to determine the new tariff before the start of the respective

financial year. Complying with the Commission's directive, MePTCL filed the ARR application and tariff proposal on 14.12.2012. After the preliminary examination the Commission issued deficiency note to the licensee since the petition contains certain information gaps which were discussed in the technical meeting held on 20.12.2012 with officers of MeECL and their subsidiaries. The deficiency note was communicated to their Board of Directors vide Commission's letter dated 20.12.2012. The information required was as follows:

General comments:-

- 1) Audited/pre-audited financial statement of accounts for the year 2011-12.
In accordance with the regulations, the information in the ARR for the previous year should be based on audited accounts and in case audited accounts are not available, audited accounts for the year immediately preceding the previous year i.e. 2010-11 should be filed along with un-audited accounts for the previous year i.e. 2011-12.
- 2) Actual cost and revenue for the period April 2012 onwards for at least 6 months.
- 3) Details of equity share capital issued for all subsidiaries of MeECL in accordance with the provisions of Indian Company Law.
- 4) Details of grants received for capital investment made so far.
- 5) Details for employees' category wise in each subsidiary of MeECL.

ARR for Transmission Tariff:-

- 1) MeECL vide petition filed for the Open Access charges indicated ARR for transmission as Rs.43.26 crores. MePTCL has to explain the variations in the pre-audit for 2011-12 as given in the ARR for 2013-14. For example employee cost is shown as 32.74 crores in 2011-12 while it was 23.24 crores in the earlier proposal.
- 2) Details of actual Operation & Maintenance expenses for transmission for first six months of FY 2012-13 and estimates for the remaining six months (October – March 2013) for FY 2012-13.
- 3) Details of capital expenditure made in 2012-13 and proposal for 2013-14 with complete funding details. MePTCL has to provide details of grants received so far for above capital investment.
- 4) Certificate of electrical inspector for all work completed and energised.
- 5) Details of transmission losses on the basis of actual meter reading at substation.

MePTCL submitted some of the required information vide their letter dated 14.1.2013. Keeping in view the desirability for timely completion of the tariff process for the next year 2013-14, the Commission admitted the petition for further processing subject to the condition that the petitioner furnished any further information/clarification as deemed necessary by the Commission during the processing of the petition. MePTCL shall provide such information and clarification to the satisfaction of the Commission within the time frame as may be stipulated by the Commission failing which the petition would be treated as deemed returned. In the admission order the Commission directed the transmission company to publish a notice in leading newspapers widely circulated in the State and seek comments from general public and other stakeholders. MePTCL has published the Notice in the following newspapers and sought comments by 15.02.2013 from the general public.

TABLE 1- PUBLIC NOTICE		
Name of the Newspapers	Date of Publication	Languages
The Shillong Times	18.01.2013	English
The Shillong Times in Garo	19.01.2013	English
U Mawphor	18.01.2013	Khasi
Salantini Janera	19.01.2013	Garo
Chitylli	18.01.2013	Jaintia

Subsequently, the Commission after examination of the petition in detailed found that there were numbers of issues which were important in nature and affect the tariff significantly. In view of this, the Commission issued a letter to MePTCL to clarify their stand on the following:

- 1) Details of actual O&M costs in last 6 months.
- 2) Actual number of employees in transmission along with cost separately during 2011-12 and estimated for 2012-13 and 2013-14.
- 3) Detailed working sheet for arriving the value of working capital in 2013-14.

Time up to 31.01.2013 was given to MePTCL to file the reply on the above issues so that the Commission may take a balance and reasonable view on the tariff proposal. MePTCL has submitted vide letter dated 22.02.2013 that they were in the process of preparing petition for open access charges which they would give separately. MePTCL also submitted that energy audit was yet to be initiated. However, they have taken initiative for installing boundary meters with ABT features and specified accuracy class of CEA. They have also submitted on oath details of actual O & M cost from April to September 2012 and projected expenditures from October to March 2013.

The Commission has initiated consultation with the Advisory Committee members and those consumers who had given their suggestions on the previous ARR. Record note of proceedings are attached with the order. After getting comments from stakeholders the Commission took the response from the licensee MePTCL. The Commission also held a public hearing on 25.3.2013. This hearing was attended by representatives from different categories of the consumers including BIA (Industries). The proceeding of the hearing is annexed with the order.

MePTCL has submitted the ARR petition under section 62 of the Act and Tariff Regulations, 2011 for approval of its ARR and tariff for FY 2013-14. The approach adopted by MePTCL was based on provisional and segregated financial for FY 2011-12 and transfer scheme. MePTCL has submitted that though the notified date of independent functioning is from 01.04.2012, it has not yet finalised the commercial agreement with generating and Distribution Company in the State. MePTCL has further submitted that transmission supply agreement is being finalised and shall be made on cost plus basis. Therefore, MePTCL has requested the Commission to determine the cost on cost plus basis. They have calculated the annual fixed cost after considering the revenue from open access consumer, wheeling charges and other authorised income to them. MePTCL has taken GFA for transmission function as on 01.04.2012 at Rs.74.54 crores. Pursuant to transfer scheme, the assets and liabilities is vested in MePTCL from MeECL w.e.f. 01.04.2012. MePTCL has provided that they have a total network of 226.82 circuit km at 220 KV level and 709.23 circuit km at 132 KV voltage level. It is given in the table below:

TABLE 2- DETAILS OF TRANSMISSION LINES				
Transmission line	Single Circuit		Double Circuit	
	No.	Circuit KM	No.	Circuit KM
220 KV	-	-	1	226.82
132 KV	28	281.97	13	427.26

Further MePTCL has given the details of substation and capacity which is reproducing in the Table Below:

TABLE 3- DETAILS OF SUB-STATIONS		
Sub stations	No.	Capacity (MVA)
220/132 KV	2	420
132/33 KV	13	435
132/33/11 KV	1	10
132/11 KV	1	20

Normative Annual Transmission Availability Factor:

MePTCL has given 98% availability of transmission system in accordance with the Regulation 80 (b) of the Tariff Regulation.

Transmission Losses:

MePTCL has submitted that at the boundary meters installed at MePTCL network are not accurate, hence the loss calculated based on the readings of boundary cannot be used for computing the present level of transmission loss. Hence MePTCL has given the average loss of NER for the period from July 2011 to July 2012 to arrive at provisional loss of 4%. They have further submitted that measures for establishment of new meters, CTPT and replacement of existing meters is being taken up and after this work they will submit the actual level of losses.

Investment Plant:

MePTCL has submitted numbers of schemes which are in the shape of work in progress and detailed in format T 2 (A) of their ARR. It is amounting Rs.97.01 crores and is funded by grant and loan. Similarly, in format T 2 (B) MePTCL has given the details of substations which are being executed amounting Rs.121.28 crores. It is also being funded by grant and loan.

Annual Fixed Charges:

As per the regulations the Annual expenditures of MePTCL transmission network shall comprise of the following:

- (a) Return on equity as may be allowed,
- (b) Interest on loan capital,
- (c) Operation and maintenance expenses which includes employees cost, R&M and A&G.
- (d) Interest on working capital,
- (e) Depreciation as may be allowed,
- (f) Taxes on Income,
- (g) Annual License Fees.

Gross Fixed Assets:

MePTCL has projected Rs.74.54 crores as opening value of gross fix assets as on 31.03.2012.

The details of GFA are given in the following table:

TABLE 4 – GROSS FIXED ASSETS	
Particulars	Rs. (crores)
Opening GFA as on 01.04.2012	74.54
Addition to GFA during 2012-13	154.56
Retirement on 2012-13	NIL
Closing GFA as on 31.03.2013	229.10
Addition to GFA during 2013-14	44.67
Retirement to GFA in 2013-14	NIL
Closing GFA as on 31.03.2014	273.77

Computation of Return on Equity:

MePTCL has submitted that State Government Notification dated 31.03.2010 provided equity of Rs.68.61 crores to them and the same is considered as equity for calculation of ROE. MePTCL has projected that new investments in 2012-13 and 2013-14 are proposed to be funded through 90% grant and 10% loan from State Government, therefore, they have not considered any equity in 2012-13 and 2013-14. The computation of ROE is based on Commission's Regulation which is given at the following table:

TABLE 5 – RETURN ON EQUITY		
Particulars	2012-13	2013-14
Opening equity (Rs. Crores)	68.61	68.61
Addition during the year	-	-
Closing equity (Rs. Crores)	68.61	68.61
Equity considered for ROE	68.61	68.61
ROE (Rs. Crores) @ 14%	9.61	9.61

Interest on loan capital:

As per Regulation 75 of Tariff Regulation 2011, interest and finance charges on outstanding loans are calculated. MeECL has projected in 2013-14 only Government loan or Central Sponsored Scheme is taken for investment. Therefore, no interest on loan capital is proposed to be taken while calculating AFC.

Operation and Maintenance Expenses:

Operation and maintenances is sum of the following:

- (a) Employees cost,
- (b) Repair and Maintenance,
- (c) Administration and General Expenses.

Employees Cost:

MePTCL has projected that a significant component of the employees cost has been the terminal benefits including pensions which is being met from the current revenue earnings on a year to year basis. MePTCL has projected Rs.43.87 crores for FY 2013-14. The employees cost is given in the following table:

(Rs. Crores)

TABLE 6 – EMPLOYEES COST				
Sl. NO.	Particulars	FY 2011-12 (Pre audit)	FY 2012-13 (Estimated)	FY 2013-14 (Projected)
	Salaries			
1	Basic	12.78	26.93	17.33
2	Dearness Allowance	3.50	4.31	4.74
3	House rent allowance	-	-	-
4	Medical allowance	1.93	2.38	2.62
5	Medical reimbursement	0.42	0.52	0.57
6	Overtime payment	0.13	0.16	0.17
7	Generation incentives	0.01	0.01	0.01
8	Other allowances	-	-	-
9	Bonus	-	-	-
10	Dearness Pay	-	-	-
	Subtotal	18.77	34.31	25.4
	Terminal benefits			
11	Leave encashment	0.28	0.35	0.39
12	Staff welfare	0.02	0.02	0.02
13	CPS	0.05	0.06	0.07
14	Ex-gratia	1.41	1.74	1.91

	Subtotal	1.76	2.17	2.39
	Pension Payment			
15	Basic Pension	11.26	16.08	15.27
16	Any other expenses	0.57	0.70	0.77
	Subtotal	11.83	16.78	16.04
	Total	32.36	53.26	43.87
17	Amount capitalised	-	-	-
18	Net amount	32.36	53.26	43.87
19	Add prior period expenses	0.38		
	Grand Total	32.74	53.26	43.87

Repair and Maintenance Expenses:

MePTCL has proposed Rs.5.47 crores as R&M expenses for 2013-14. MePTCL has requested the Commission to allow this amount as there is a genuine need for incurring repair and maintenance expenses in the State comprising of hilly terrain. The details are given in the table below:

TABLE 7 – R & M EXPENSES (Rs. Cr.)				
Sl. No	Particulars	FY 2011-12 (Pre audit)	FY 2012-13 (Estimated)	FY 2013-14 (Projected)
1	Plant and Machinery	0.86	1.12	1.23
2	Building	0.22	0.29	0.32
3	Hydrolic and Civil works	0.41	0.53	0.58
4	Line cable and network	1.98	2.58	2.84
5	Vehicles	0.18	0.23	0.25
6	Furnitures	0.03	0.04	0.05
7	Office equipment	0.07	0.09	0.10
8	Total expenses	3.82	4.97	5.47
9	Less capitalised	-	-	-
10	Net expenses	3.82	4.97	5.47
11	Total expenses as R&M	3.82	4.97	5.47

Administration and General Expenses:

A&G expenses are projected at Rs.3.23 crores for FY 2013-14. The details are given in the table below:

TABLE 8 – A & G EXPENSES (Rs. Cr.)				
Sl. No	Particulars	FY 2011-12 (Pre audit)	FY 2012-13 (Estimated)	FY 2013-14 (Projected)
1	Rent	0.04	0.05	0.06
2	Insurance	0.22	0.25	0.029
3	Telephone	0.09	0.10	0.11
4	Consultancy	0.67	0.77	0.88
5	Technical fees	0.01	0.01	0.01
6	Other profession charges	0.16	0.18	0.21
7	Convenience	0.97	1.11	1.28
8	Others	0.31	0.36	0.41
9	Other material expenses	0.05	0.06	0.07
10	Total expenses	2.52	2.89	3.32
11	Less expenses capitalised	-	-	-
12	Total expenses to be charged as A&G	2.52	2.89	3.32

Operation and maintenance expenses:

MePTCL has proposed Rs. 52.66 crores as O & M expenses for FY 2013-14. The summarized operation and maintenance expense is shown in the table below.

TABLE 9 – SUMMARY OF O & M EXPENSES (Rs. Cr.)				
Sl.No.	Particulars	FY 2011-12 (Pre-audit)	FY 2012-13 (Estimated)	FY 2013-14 (Projected)
1	Employee Cost	32.74	53.26	43.87
2	Repairs & Maintenance	3.82	4.97	5.47
3	Administrative & General Expenses	2.52	2.89	3.32
	Total O & M Expense	39.08	61.12	52.66

Interest on working capital:

MePTCL in accordance with Regulation 77 has projected interest on working capital at Rs.2.86 crores for the year 2013-14. The details of calculation is given below in the table:

TABLE 10 – IWC (Rs. Cr.)	
Particulars	Rs. Cr
O&M Expenses for 12 month - (A)	52.66
O&M expense for a month (A/12) – (B)	4.39
Opening Fixed Assets for FY 13-14 – (C)	229.10
1% Spares budgeted for FY 13-14 (1% of C) – (D)	2.29
Maintenance spares budget post escalation @ 6% - (E)	2.43
Account receivables – 2 months (F)	12.56
Total working capital (B+E+F)	19.38
Short Prime Lending Rate of SBI as on 01.04.2012	14.75%
Interest on Working Capital	2.86

Depreciation:

MePTCL has worked out depreciation for FY 2011-12, 2012-13 and 2013-14. The details of the calculation are given in the table below:

TABLE 11 – DEPRECIATION (Rs. Cr.)				
Sl.No.	Particulars	FY 2011-12 (Pre-audit)	FY 2012-13 (Estimated)	FY 2013-14 (Projected)
1	Land	-	-	-
2	Buildings	0.29	0.28	0.29
3	Hydraulic works	-	-	-
4	Other civil works	0.04	0.18	0.19
5	Plant & Machinery	0.38	3.44	4.73
6	Lines & Cables	1.90	6.63	7.57
7	Vehicles	0.09	0.23	0.23
8	Furniture	0.04	0.06	0.06
9	Office equipment	0.05	0.06	0.06
	Total	2.79	10.88	13.13

Tax on Income:

MePTCL this year has not provided any claim of income tax as this is the first year of operation.

Annual License fees:

MePTCL has provided Rs.0.03 crores as Licenses fees to be paid to MSERC in lieu of their transmission license.

SLDC charges:

MePTCL has provided Rs.2 crores i.e. 50% of the SLDC proposals, as fees paid to SLDC for operation of network.

Other income:

In accordance with the regulation income from other sources has been reduced from the ARR. The details of the other Income is given below in the table:

TABLE 12 – OTHER INCOME (Rs. Cr.)	
Particulars	Rs. Cr
Charges Recoverable from OA consumer	0.88
Any Other Income	0.05
Total Other Income	0.93

Aggregate Revenue Requirement:

MePTCL has submitted that while compiling the ARR, the ARR of SLDC has also been included. Therefore, the ARR attributed to SLDC is required to be deducted to arrive at the ARR of transmission business of MePTCL. The ARR proposed by SLDC for FY 2013-14 is Rs.4 crores. Therefore, the same has been deducted from transmission ARR. M MePTCL has given the extract of the ARR in the following table:

TABLE 13 – AGGREGATE REVENUE REQUIREMENT (Rs. Cr.)		
Sl.No.	Particulars	FY 2013-14 (Projected)
1	Return on Equity (RoE)	9.61
2	Interest on Loan capital	-
3	Operation and Maintenance expenses	52.66
4	Interest on Working Capital	2.86
5	Depreciation as may be allowed	13.13
6	Taxes on Income	-
7	Annual License Fee	0.03
8	SLDC charges	2.00
9	Total Annual Expenditure	80.28
10	Less : SLDC ARR	4.00
11	Less : Other Income	0.93
	Net Aggregate Revenue Requirement	75.36

Computation of transmission charges:

MePTCL has submitted that AFC as may be approved by the Commission shall be recovered from the beneficiary in accordance with the following formula:

Transmission charges = $AFC \times (NDM/NDY) \times (TAFM/NATF)$ in Rs. Where

AFC = Annual Fixed Cost

NATF = Normative Annual Transmission Availability Factor in percentage,

NDM = Numbers of Days in the Month,

NDY = Number of Days in the year,

TAFM = Transmission Availability Factor Achieved during the month in percentage,

TAFM shall be computed in accordance with the regulations.

Beneficiaries of the Transmission system shall pay the transmission charges to the transmission company MePTCL on monthly basis depending upon their share.

The Commission received only one objection to the ARR and Tariff proposal of MePTCL for 2013-14. Further the Commission in its Advisory Committee meeting held on 08.02.2013 & 20.02.2013 received some suggestions/objections from respondents. The Commission also held a public hearing on 25.03.2013 where public were invited to get detailed information of the ARR filed by the utilities and to give their objections/suggestions. In the public hearing, detailed deliberations on the ARR took place. The Commission has considered all responses received so far on the ARR and tried to make a balance between the interest of utility and consumers. In this chapter the Commission has given the details of the objections made by consumers and responses given by utility.

Byrnihat Industry Association:

(i) Byrnihat Industry Association filed their submission to the Commission on the tariff proposal of MePTCL and made request to take on record their objections and requested for an opportunity to be heard in the public hearing. The Commission considered their request and invited them as a special invitee in the Advisory Committee meeting held on 20.02.2013. The Commission gave them full opportunity to speak on each and every issue relating to their interest. The Commission has handed over their objections to the MePTCL to file their reply on each of their objection within a week's time. Further, in the public hearing, the Commission invited BIA to attend for the public hearing and share their views in the hearing. The objection of BIA as follows:

(ii) INCONSISTENCIES IN THE PETITION:

BIA has raised an objection that there are several inconsistencies in the petition and the actual cost in FY 2012-13 is not considered while filing the ARR for 2013-14. They have suggested that the Commission should consider actual financial of 2012-13 while allowing the tariff for ensuing year. BIA has submitted that MePTCL has filed highly inflated figures for fixation of tariff for 2013-14. The Commission should allow only the legitimate cost of the licensee while fixing the tariff, BIA pleaded.

(iii) REGULATIONS FOR REVIEW AND TRUING-UP:

BIA has referred to the provisions of regulations for reviewing the actual cost of the licensee for deciding reasonable allowable expenditure for 2013-14. BIA emphasised to allow the revenue requirement on the basis of audited accounts for 2011-12 and actual figures for the period 01.04.2013 to 31.12.2013 duly certified by an auditor so that some reliance can be placed on the cost of the MePTCL. However, BIA has suggested that in the absence of the audited accounts the Commission should take only the actuals for 2010-11 and determine the revenue requirement of MePTCL for the year 2013-14.

(iv) GROSS FIXED ASSETS:

BIA made a serious objection to the figures of gross fixed assets shown in the year 2013-14. It submitted that GFA as on 31.03.2012 was Rs.74.5 crores while in 2012-13 it shot up to Rs.154.56 crores which is doubled. BIA submitted that there were no details of assets which added in 2012-13 and the Commission may examine this. They further submitted that the Commission may approve the GFA after obtaining the actual of 2012-13 and in any case the amount of Rs.154.56 crores should not be allowed.

(v) RETURN ON EQUITY (ROE):

BIA submitted that since the funding of transmission assets is by way of grant therefore there should not be any return on equity. They suggested that regulation says that return on 30% of total GFA should be allowed and the return on equity should not be more than 14%. BIA requested not to allow mechanically Rs.9.61 crore as return on equity and the Commission should decide that RoE of 14% is the maximum return and it can be related with the performance of the licensee.

(vi) OPERATION AND MAINTENANCE EXPENSES:

BIA raised an objection that O & M expenses claimed by MePGCL is based on actual expenses booked in their audited accounts from 2003-2008. They have raised an objection that the expenses which are not made on prudent practice should not be allowed. Inefficiencies in the operation should not be allowed to be passed on to the consumers. Consequently, working capital also needs to be revised taking into account the allowable operation and maintenance expenses, BIA submitted.

(vii) EMPLOYEES EXPENSES:

BIA suggested that O & M expenses should be related to circuit kilometre of transmission lines and transformation capacity etc and should not be on actual expenditures. In the last year is combined ARR MeECL has shown in audited balance sheet for 2009-10 that the employee expenditure was Rs.114.92 crores which is increased to Rs.128.73 crores in 2010-11 and in 2011-12 it has further increased to Rs.184.96 crores. Out of these MePTCL expenditures on employee is shown as Rs.32.74 crores in 2011-12. Now in this ARR MeECL has in previous year shown expenses of Rs.270 crores for 2012-13 for their employees out of which MePTCL is shown as Rs.53.26 crores. BIA has raised objections towards the high cost of the employee and suggested that MePTCL should be directed to report on the number of employees who have retired and what is the corresponding pension liability. BIA has referred to an order of the Hon'ble ATE in the matter of SIEL versus PSERC where they have not allowed any increase in the employees cost in the absence of improvement in the efficiency. The Hon'ble Court has held that the process of reform which has been triggered by the Act will lose its momentum in case salaries are not linked to the performances of the employees.

(viii) REPAIR AND MAINTENANCE EXPENDITURES:

It is suggested that repair and maintenance expenses should be related to the transmission lines, substations of the licensee and should be in accordance with the Regulations. They have suggested that the Commission limit the R & M expenses to the minimum possible and direct MePTCL to file a proper budget and correlate the expenses of R& M with actual transmission lines and substations. They have also raised an objection that R& M expenditure should only be related exclusively to transmission system of the licensee.

(ix) ADMINISTRATIVE AND GENERAL EXPENDITURE:

BIA has raised an objection on the A& G expenses and has suggested that this expenditures should be related with the details of circuit kilometres of transmission lines, number of days and substations capacity.

(x) **INTEREST ON WORKING CAPITAL:**

IWC should be related with the GFA and value of such assets should not be highly excessive and this should be checked for correct amount of interest to be allowed in the ARR.

(xi) **DEPRECIATION:**

BIA has made a strong objection to the depreciation expenses of 2012-13 which is not comparable with what they had given for 2011-12. They have reproduced the regulation related to depreciation and submitted that once regulation have been notified there should not be any practice without exceptions.

Finally BIA has requested the Commission to avoid causing severe tariff shock to the consumer in the State of Meghalaya and they should be burdened with inefficiency of a licensee's for their conduct in past years. They have requested the Commission not to allow any discrepancies in the ARR but to direct MePTCL to come up with realistic and workable projections strictly in terms of Tariff Regulations 2011.

MePTCL Response

General

MePTCL has no objection to the issues raised by BIA with regard to opportunity to be heard.

(xii) **INCONSISTENCIES IN THE PETITION:**

MePTCL has denied the objection and submitted that the petition for ARR and tariff was submitted on 14.12.2012. As the accounts are being compiled and finalised only after the financial year is over it is obvious that current year (2012-13) account figures will be projections only. The petition has been prepared and filed in accordance with MSERC Tariff Regulations, 2011. Further MePTCL has submitted that truing up of the ARR for 2012-13 will only be done after the financial year is over. Therefore the question of truing up of FY 2012-13 does not arise, it submitted.

(xiii) REGULATIONS FOR REVIEW AND TRUING-UP:

It is submitted by MePTCL that they have followed the MSERC (Terms and Conditions for Determination of Tariff) Regulations, 2011 for filing the Tariff petition. It is stated that the basis of the projections along with required details had been submitted in the petition itself. It reiterated that actual figures for current year FY 2012-13 are not finalised till the FY is over. MePTCL reiterated that the filing is done on the basis of regulation and available information.

(xiv) Audited Accounts and Transfer Scheme

At the time of tariff filing, the financial year 2012-13 is not yet over and hence the submission of audited accounts for that year does not arise. MePTCL has submitted that as per the transfer scheme notified on 31.03.2012, the accounts segregation of holding company MeECL is in progress. Therefore, audited data for 2011-12, will only be available after the completion of accounts segregation. Regarding the availability of actual figures for 2012-13 they have submitted that actual data shall only be available after 31.03.2013 and beyond that actual data is neither available nor required for ARR of 2013-14.

(xv) GROSS FIXED ASSETS:

MePTCL has replied that capitalisation of Rs.154.56 crores corresponds to the projects which were under construction before FY 2012-13. These projects have been commissioned by the end of 2011-12 and first two quarters of FY 2012-13. Therefore the capitalisation of this project is done in FY 2012-13 and hence addition in fixed assets. Details of work in progress are given in the format T1 and T2 of the petition by MePTCL.

(xvi) RETURN ON EQUITY (ROE):

MePTCL submitted that computation of return on equity is given in the petition, clause 3.5.3. Further as per Government Notification no. 37 dated 31.03.2010, the equity for MePTCL has been notified at 68.61 crores. Therefore the equity base of 68.61 crores has been considered for MePTCL and ROE has been claimed in accordance with Commission's Regulation. MePTCL replied that a minimum of 15% ROE should be allowed as per regulations and accordingly they have claimed the same.

(xvii) OPERATION AND MAINTENANCE EXPENSES:

MePTCL submitted that since this is the first year of independent functioning of MePTCL, the O & M norms will be proposed later on when the segregated commercial operation MePTCL is established and stabilised.

(xviii) EMPLOYEES EXPENSES:

MePTCL submitted that the pay for 2012-13 is higher on account of arrears being released to employees in current financial year. Also as the current and ensuing year figures are projections based on planning and future expectation and not all cost can be proven until plants are implemented or can be ascertained on the basis of historical trend, MePTCL submitted.

(xix) NORMS OF OPERATION

MePTCL has submitted that since this is the first year of operation of Transmission Company the O & M norms will be prepared and proposed to the Commission when the operation of MePTCL is established.

(xx) REPAIR AND MAINTENANCE EXPENDITURES:

MePTCL has further replied that gross fixed assets have been calculated in accordance with tariff regulations and any information sought by the Commission shall be submitted. It further submitted that the data submitted in the petition pertains to MeECL only and all civil works are entailed during repair and maintenance of transmission towers, sub stations and other civil structures related to transmission activities.

(xxi) ADMINISTRATIVE AND GENERAL EXPENDITURE:

MePTCL has reiterated that all expenses have been filed in accordance along with the tariff regulation and required substantiating documents.

(xxii) DEPRECIATION AND OTHER EXPENSES:

At the end, MePTCL replied that they have submitted all the justification for Aggregate Revenue Requirement including all expenses in accordance with the Commission's regulation and data as sought by the Commission.

The Commission consulted the members of State Advisory Committee on 30th January 2013 & 20th February 2013. The salient features of the transmission ARR were presented before the members and the Commission called upon them to participate in the deliberations. The deliberations are discussed below:

Shri Ramesh Bawri raised the issue of transmission losses in the State and suggested that these losses should be based on the energy accounts. He also put emphasis on the installation of correct metering at all 132 KV feeders and regular readings of such meters should become a practice. He suggested that Licensee should adopt a practice of energy audit immediately so that by next year correct figure of losses in transmission is known. He also raised the validation of the huge amount of investment in the tune of Rs.150 to Rs.200 crores made in the year 2012-13 by transmission licensee. He suggested that there should be some normative of circuit per km so as to validate the claim of the licensee in the ARR. However, he appreciated that separate petitions have been filed by SLDC, MePGCL and MePTCL as required under the Act. This would have led to a much better understanding of the workings of MeECL. Mr. Bawri requested the Commission to review the status of directions given to MeECL 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.

Public Hearing

After getting the responses from the stakeholders, consumers and members of the Advisory Committee, the Commission held a public hearing on the ARR of all utilities on 25.03.2013. The hearing was attended by the officers of the Transmission licensee, Industries, Pensioner's Association, PHE and BIA. During the hearing, BIA counsel raised the following issues relating to transmission ARR for 2013-14.

01. No details of assets which were put in for use are given in the ARR. Therefore, without capitalisation of the assets there should not be any claim on depreciation or return on equity. Similarly return on equity should also be based on size of equity in accordance with the Commission's regulation in 70:30 ratios.
02. O & M expenses should be decided on normative basis in transmission and it should be controlled in accordance with the standard norms. Similarly, for employees cost counsel for BIA gave a reference to the order of the Hon'ble ATE to introduce efficiency in the operation while

sanctioning employees cost. Similarly, they have raised an objection on interest on working capital which should be charged in accordance with correct level of expenses.

Commission's View

The Commission has considered the objections raised by consumers and members of Advisory Committee while deciding the transmission tariff for 2013-14. The Commission has agreed to the objections of the consumers that there is a need to conduct an energy audit of all 132 KV substations and associated lines to know the correct level of losses. Accordingly, the Commission directs MePTCL to initiate the exercise of energy audit in the transmission sector and determine the exact losses in the system by the time next ARR is filed. Similarly, the Commission is also serious to control O & M expenses in the transmission system. In this regard, the Commission directs MePTCL to submit the norms for O & M expenses, etc as per the Commission's regulations at the time of next tariff filing so that the Commission may take a view in the matter. All issues raised by the objectors are deliberated at appropriate places in the tariff order.

This Chapter deals with the approach adopted by the Commission while determining the transmission tariff for the year 2013-14. The Commission has tried to adhere to its Regulations, the National Tariff Policy and provision of the Act. The Commission has tried to make a balance between the interest of the users of transmission system and the transmission utility. Since, power sector in the State of Meghalaya is growing at a very fast rate, it would be reasonable to give fair treatment to the transmission utility so that power is transferred from outside to the State of Meghalaya and vice-versa in a smooth and stable manner. Since the transmission company has started functioning independently w.e.f. 01.04.2012, there is no separate financial statement of accounts for the transmission licensee for 2012-13. Moreover, in the process of reforms and restructuring the statement of accounts for MeECL the holding company is also not final from FY 2010-11 onwards. Accordingly, the Commission has validated the ARR on the basis of actual expenditures for current year 2012-13 for the months April to September 2012 and pre audited records of 2010-11 & 2011-12. However, the Commission shall validate all expenses and revenue records at the time of next ARR for 2014-15 when the audited accounts are submitted to the Commission. In this chapter, the Commission is dealing with the regulations prescribed in MSERC (Terms and Conditions for Determination of Tariff) Regulations, 2011. The Regulations prescribes the following:

(1) Capital Cost

Regulation 70 prescribes the actual capital expenditure as on the date of commercial operation in the case of new investment shall be subject to prudence check by the Commission. However, investment made prior to and up to 31st March immediately preceding the date of the notification of these regulations shall be considered on the basis of audited accounts or approvals already granted by the Commission. Scrutiny of the capital cost estimates by the Commission shall include the reasonableness, financing plan, interest during construction, use of efficient technology, gestation period and such other matters relevant for determination of tariff.

(2) Additional Capitalization

Regulation 71 prescribes the additional expenditures within the original scope of work actually incurred after the date of commercial operation and up to the cut off date may be admitted by the Commission subject to prudence check.

(3) Debt-equity ratio

Regulation 73 prescribes that for the purpose of determination of tariff, debt-equity ratio in the case of existing, ongoing as well as new projects commencing after the date of notification of these regulations shall be 70:30. Where equity employed is more than 30%, of the capital cost the amount of equity for the purpose of tariff shall be limited to 30% and the balance shall be treated as loan. Where actual equity employed is less than 30%, of the capital cost the actual equity employed shall be considered. The Commission may, in appropriate case, consider equity higher than 30% for the purpose of determination of tariff, where the transmission licensee is able to establish to the satisfaction of the Commission that deployment of equity more than 30% is in the interest of general public. The debt and equity amounts arrived at in accordance with regulations shall be used for calculating interest on loan and return on equity. In the absence of audited accounts for separate entity it would not be prudent to accept the size of the equity as claimed. Therefore, the Commission has considered the same return on equity as allowed to MeECL as a single entity in the financial year 2012-13 to be distributed uniformly in three companies, i.e., Generation, Transmission and Distribution. However, after finalisation of the accounts in lieu of transfer scheme the Commission will take a view for determining the legitimate entitlement of return on equity.

(4) Calculation of ARR:

Regulation 73 prescribes that Aggregate Revenue Requirement shall comprise of the following:

- (a) Return on Equity as may be allowed
- (b) Interest on Loan capital
- (c) Operation and Maintenance expenses
- (d) Interest on Working Capital
- (e) Depreciation as may be allowed
- (f) Taxes on Income
- (g) Annual License Fee

The net annual revenue requirement of a transmission licensee shall be worked out by adjusting the following in the annual revenue requirement computed under the regulations:

- (a) Income from surcharge and additional surcharge from open access consumers if any,
- (b) Transmission and / or wheeling charges recovered from open access customers, if any
- (c) Authorized portion of Income / Revenue from other business engaged in by the Licensee for optimum utilization of assets, if any.

(5) Return on Equity:

Regulation prescribes that Return on Equity shall be computed on the equity base determined in accordance with regulation 72 and shall not exceed 14 %. Provided that in case of projects commissioned on or after 1-4-2010, an additional return of 0.5 % shall be allowed if such projects are completed within the time line specified in Appendix --- II of CERC (Terms and Conditions of Tariff) Regulations, 2009 (Refer Annexure-2)

- i. Provided that an additional return of 1.5 % shall be allowed if such projects are completed within the original sanctioned project cost without any cost overrun.
- ii. Provided that equity invested in a foreign currency may be allowed a return up to the prescribed limit in the same currency and the payment on this account shall be made in Indian Rupees based on the exchange rate prevailing on the due date of billing.

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

The Transfer Scheme dated 31.03.2012 provides amendment to the original transfer scheme dated 2010 wherein it is mentioned that all assets and liabilities shall stand transferred from MeECL to MePTCL w.e.f. 01.04.2012. However, the transfer value of assets and liabilities shall be derived from the duly audited accounts of MePTCL and MeECL for the financial year 2011-12. Accordingly, at this stage when there is no separate account for MeECL/MePTCL and in the absence of audited accounts, the Commission is unable to recognise the equity as projected in the petition. Therefore, the Commission is allowing the same return as allowed last year equally to each company segregated out of MeECL subject to correction if any required at the time of audited results.

(6) Interest on loan:

Regulation 75 prescribes that Interest and finance charges on loan capital shall be computed on the outstanding loans, duly taking into account the schedule of loan repayment, terms and conditions of loan agreements, bond or debenture and the prevailing lending rate of bank and

financial institution specified therein. Provided that the outstanding loan capital shall be adjusted to be consistent with the loan amount determined in accordance with regulation 72. The interest and finance charges attributable to Capital Work in Progress shall be excluded. The transmission licensee shall make every effort to swap loans as long as it results in net benefit to the beneficiaries. The costs associated with such swapping shall be borne by the beneficiaries. The changes to the loan terms and conditions shall be reflected from the date of such swapping and benefit shared between the beneficiaries and the licensee in a ratio 50:50. In this petition since there is no claim on interest payable to loans, the Commission is not considering interest on loans.

(7) Operation and Maintenance:

Regulation 77 prescribes a methodology of calculating O & M expenses which shall comprise of the following components:

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

Regulation prescribes that 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. The norms for O&M expenses on the basis of circuit kilometres of transmission lines, transformation capacity and number of bays in substations shall be submitted for approval of the Commission. The Commission shall verify the budget estimates and projections and allow the expenditure depending on its views about the reasonableness of the projections. Increase in O& M expenses due to natural calamities or insurgency or other factors not within its control shall be considered by the Commission. In absence of normative set so far, the Commission is allowing actual cost of O & M of the previous year, pre-audited results of 2011-12 subject to correction with inflation factors. However, the Commission directs MePTCL to propose the normative as required in the Regulations at the time of next filing of ARR.

(8) Interest on working capital:

Regulation 77 prescribes to calculate Interest on Working Capital in the following manner;

- (a) Operation and maintenance expenses for one month;

- (b) 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
- (c) Receivables equivalent to two months transmission charges calculated on target availability level.

(2) Rate of interest on working capital shall be on normative basis and shall be equal to the short-term Prime Lending Rate of State Bank of India as on 1st April of the financial year for which the licensee files petition for Aggregate Revenue Requirement and tariff proposal. The interest on working capital shall be calculated on normative basis notwithstanding that the licensee has not taken working capital loan from any outside agency.

As per the records of MePTCL there is no separate accounting for interest on loan and interest for working capital arranged from commercial banks. Accordingly, the Commission on the basis of actual records, allows interest on working capital and no interest on loan.

(9) Depreciation

Regulation 78 prescribes that Depreciation expenses for the purpose of tariff determination, depreciation shall be computed in the following manner:

(a) The asset value for the purpose of depreciation shall be the capital cost of the assets as admitted by the Commission where:

The opening asset's value recorded in the Balance Sheet as per the Transfer Scheme Notifications shall be deemed to have been approved, subject to such modifications as may be found necessary upon audit of the accounts, if such a Balance Sheet is not audited. Consumer contribution or capital subsidy/ grant etc shall be excluded from the asset value for the purpose of depreciation.

(b) For new assets, the approved/accepted cost for the asset value shall include foreign currency funding converted to equivalent rupee at the exchange rate prevalent on the date of foreign currency actually availed but not later than the date of commercial operation.

(c) Depreciation shall be calculated annually as per straight-line at the rates specified in Appendix – II of CERC (Terms and Conditions of Tariff) Regulations 2009 (Refer Annexure-II) of these regulations: Provided that land is not a depreciable asset and its cost shall be excluded from the capital cost while computing the capital cost of the asset. The salvage value of the asset shall be 10 % and the depreciation shall be allowed upto a maximum of 90 % of the capital cost of the asset.

The Commission has tried to work out the assets in use on the basis of completion certificates or records and allowed depreciation on the completed assets only.

(9) Income Tax

Regulation 79 prescribes that Income Tax on the Licensed business of the Transmission Licensee shall be treated as expense and shall be recoverable from consumers through tariff. However, tax on any income other than that of its Licensed business shall not be a pass through, and it shall be payable by the Transmission Licensee itself. The income tax actually payable or paid shall be included in the ARR. Any under recovery or over-recovery of tax on income shall be adjusted every year on the basis of income tax assessment under the Income-Tax Act 1961 as certified by the statutory auditor. Since there is no payment of Income Tax in 2012-13, the Commission is not allowing income tax in the ARR for 2013-14.

(10) Norms of Operation:

Regulation 80 prescribes that the norms of operation for the transmission licensee, subject to modifications thereof from time to time shall be as under:

(a) Auxiliary Energy Consumption in the Sub-Station.

The cost of auxiliary consumption in the sub-station for the purpose of air-conditioning, lighting, and consumption in other equipment shall be borne by the transmission licensee and considered as part of Operation and Maintenance expenses under the head General and Administration Overhead.

(b) Target Availability of the Transmission System for recovery of full transmission charges. The Normative Annual Transmission Availability Factor (NATAF) of the Transmission System shall be 98%. The Commission has allowed 98% as availability of transmission line for 2013-14.

(11) Payment of transmission charges by customers

Regulation prescribes that a transmission licensee shall be allowed to recover his net annual revenue requirement for financial year through transmission charges as one or combination of the following charges:

(a) Transmission charges which may consist of a fixed charge, demand charge and an energy charge or a combination of these;

(b) Connectivity charge, which shall be levied to meet the cost of connecting the customer to the licensee's transmission system;

(c) Parallel operation charge shall be levied for Captive Power Plant if the plant is connected with the grid.

(2) Transmission charges shall be calculated on a monthly basis.

(3) Transmission charges shall be recovered from distribution licensees and open access customers.

The Commission has allowed recovery of annual transmission charges from single distribution licensee in the State in 2013-14. The charges to be paid for use of transmission system by open access consumers shall be determined separately for 2013-14. All charges shall be applied from 01.04.2013.

(12) Transmission losses

Regulation says that The Commission shall fix the norm for transmission losses based on the loss reduction plan provided by the licensee. The Commission shall make a periodical review of the reduction in transmission losses with reference to the norms fixed by it. In the case of failure to achieve the target for loss reduction, the Commission will not allow the excess over the norm as a pass through. Only Transmission Losses fixed as provided for in clause (1) above shall be debited to energy account of customers of the transmission system. The Commission find difficulty in allowing transmission losses without energy audit at all interconnecting points in intra-state transmission lines. Accordingly, the Commission is allowing transmission losses as allowed last year subject to verification from SLDC. However, the Commission directs MePTCL to submit the correct level of losses by energy audit and loss reduction trajectory at the time of next filing of ARR.

On the basis of actual records, provision of regulations, practices followed by this Commission in previous year, the Commission has determined the annual fixed charges for transmission licensee for FY 2013-14.

COMMISSION'S ANALYSIS, SCRUTINY AND CONCLUSION

MePTCL has proposed ARR for FY 2013-14 in accordance with provisions of Tariff Regulation 2011. This Aggregate revenue requirement is based on provisional financial accounts for 2011-12 and transfer scheme as notified by Govt. of Meghalaya. MePTCL has submitted that as per Govt. Notification MePTCL has to function as independent corporation w.e.f. 01.04.2012. However, they have not started their business as separate entity and have not finalised a commercial agreement with generating corporation MePGCL and distribution licensee MePDCL. While determining the AFC for FY 2013-14, MePTCL has considered revenue from other sources such as surcharge from open access consumers.

Commission's analysis

As per Regulation 73 (1) of the Tariff Regulation 2011, the annual expenditure of MePTCL has to be computed by allowing following costs:

- (a) Operation and Maintenance Expenditures.
- (b) Interest on Loan Capital.
- (c) Interest on Working capital.
- (d) Depreciation as may be allowed by the Commission.
- (e) Return on Equity as may be allowed by the Commission.
- (f) Taxes on Income.
- (g) Annual License Fees.

In order to compute return on equity, interest and depreciation, the Commission has allowed the gross fixed assets of MePTCL for 2013-14 in the following manner.

Gross Fixed Assets:

MePTCL has projected provisional gross fixed assets as on 31.03.2012 for MePTCL as Rs.74.54 crores. The details are given in the table below:

TABLE 14 – GROSS FIXED ASSETS (Rs. Crores)		
Particulars	MePTCL	MSERC's
	Proposal	Approval
Opening GFA as on 01.04.2012	74.54	74.54
Addition to GFA during FY 2012-13	154.56	56.56
Less retirement of GFA during FY 2012-13	0	0
Closing GFA as on 31.03.2013	229.1	131.1
Opening GFA as on 01.04.2013	229.1	131.1
Addition to GFA during FY 2013-14	44.67	0
Less retirement of GFA during FY 2013-14	0	0
Closing GFA as on 31.03.2014	273.77	131.1

Regulation 70 provides that actual capital expenditure as on the date of commercial operation in the cases of new investment shall be subject to prudence check by the Commission. However, investment made prior to publication of this regulation, the Commission shall take values on the basis of audited accounts. In the present scenario where no final accounts are audited after MePTCL has come into operation w.e.f. 01.04.2012, the Commission has not allowed the values of assets as projected without audited accounts. Therefore, the Commission has tried to establish values of gross fixed assets on the basis of information submitted by the Corporation and opening values of assets as prescribed by the transfer scheme notified by the Government. The Commission has analysed the data given to it by MePTCL on 14.01.2013 wherein the actual cost of transmission network and other details of investments and completion certificate issued by Electrical Inspector were given. In the absence of separate financial accounts, the Commission is allowing Rs.56.56 crores as assets added in 2012-13 on the basis of information submitted by the licensee. Similarly, in 2013-14 Rs.44 crores is projected to be added. In accordance with the Regulation the Commission is allowing the GFA which are in use. The Commission has allowed Rs.131.1 crores as a provisional closing balance for determination of the ARR for 2013-14. However, after the audited results are submitted these figures shall be validated.

Return on Equity:

Regulation 72 specifies that the capital cost should be funded in 70:30 ratio of debt and equity. Regulation 74 prescribes that RoE shall be computed on the equity based as determine in accordance with Regulation 72 and shall not exceed 14%. It is also specified that the equity amount appearing in the balance sheet as per transfer scheme notification will be considered for the purpose of the return for the first year of operation. The transfer scheme dated 31.03.2010 provides Rs.58.20 crore as GFA of MePTCL and the equity capital is provided as Rs.68.60 crore. MePTCL has considered Rs.9.61 crores as RoE @ 14% on the equity base of Rs.68.60 crore. As mentioned in the Commission's approach, without audited accounts the Commission would not recognise the equity projected by MePTCL for ARR purpose. Accordingly, the Commission is allowing same amount of return on equity as allowed last year to be distributed uniformly in all three utilities. The Commission has allowed to MeECL Rs.28.28 crores as return on equity in the year 2012-13. This year the Commission has dividing this RoE amount into three parts and allowed Rs.9.43 crores to MePTCL as return on equity for FY 2013-14. This may be taken as provisional value subject to correction at the time of audited accounts reflecting the equity size.

TABLE 15 –RETURN ON EQUITY (Rs. Crores)			
Particulars	MePTCL Proposal		MSERC Approval
	2012-13	2013-14	2013-14
Opening equity as per transfer scheme	68.61	68.61	68.61
Addition during the year	0	0	0
Closing equity	68.61	68.61	68.61
Equity considered for RoE	68.61	68.61	68.61
ROE %	14	14	14
ROE in Rs. Crores	9.61	9.61	9.43

O & M expenses:

Regulation 76 provides that operation and maintenance shall mean the total of all expenditures under the following head:

- (a) Employees cost,
- (b) Repair and Maintenance.
- (c) Administrative and General Cost.

Under the Regulation MePTCL has to submit O & M expenses under each head showing actual of the last financial year, estimates for the current year and projection for the next financial year. It is also prescribed that transmission licensee shall submit the norms for O & M expenses on the basis of circuit kilometres of transmission lines and transformation capacity to the Commission so that it may approve these norms.

In absence of final audited accounts separately for Transmission Corporation, the Commission finds difficulty in allowing the proposed expenses of O & M in the ARR for 2013-14. As per the information dated 14.01.2013 given to the Commission on actual O& M costs for transmission during April to September 2012 on the basis of the accounts, the O & M costs is coming around Rs.18.64 crores in six months. The details of actual costs are given below:

TABLE 16 – ACTUAL O & M EXPENSES APRIL-SEPT - 2012 (Rs. Crores)					
O & M expenses	MeECL		Transmission		
	Total	1/3 MeECL	Own	1/3 MeECL	Total
R & M expenses	0.09	0.03	1.26	0.03	1.29
Employees	28.62	9.54	6.82	9.54	16.36
A & G	1.66	0.55	0.57	0.55	1.12
Total	30.37	10.12	8.65	10.12	18.77

TABLE 17 – PROJECTED O & M EXPENSES OCTOBER – MARCH 2013 (Rs. Cr.)					
O & M expenses	MeECL		Transmission		
	Total	1/3 MeECL	Own	1/3 MeECL	Total
R & M expenses	9.82	3.28	2.16	3.28	5.44
Employees	39.81	13.27	9.28	13.27	22.55
A & G	1.78	0.59	0.63	0.59	1.22
Total	51.41	17.14	12.07	17.14	29.21

This cost includes O & M cost of MeECL as a holding company. Accordingly, the actual cost made in six months in 2012-13 comes around Rs.18.64 crores. MePTCL has proposed that the common costs pertaining to MeECL the holding company has to be distributed equally in to its three subsidiaries namely MePGCL, MePTCL and MePDCL.

Employees Costs:

On the basis of the actual employee cost of Rs.16.36 crores made in six months, Rs.32.72 crores may be considered as employee cost for full year in 2012-13 on proportionate basis. In order

to have an idea of actual costs in last three months in October, November and December 2012, the Commission has called a technical session on 11.02.2013. MePTCL has submitted that they want to review the present manpower arrangement in the new corporation and has a plan to put some additional money for better management of transmission lines in 2013-14. As per their proposal MePTCL has projected 52 crores as O & M expenses as against 37.28 crores projected to be spent in actual. The Commission has given them time to furnish the proposal for additional cost in 2013-14 with full justification. No proper justification has been received by the Commission. Accordingly, the Commission is allowing O & M cost in 2013-14 as per Commission's Regulation after applying escalation on the cost of 2012-13. Against their proposed amount as employee cost the Commission is allowing Rs.36.17 crores in 2013-14 after applying escalation on the cost of 2011-12 (pre-audit). The allowed cost is almost matching with the actual employees cost made in current year and accordingly the Commission is allowing Rs.36.17 crores. The details of employees cost is given in the table below:

TABLE 18 – EMPLOYEES COST (Rs. Cr.)				
	MePTCL			MSERC
Sl. NO.	Particulars	FY 2011-12	FY 2013-14 (Projected)	FY 2013-14 (Approved)
		(Pre audit)		
	Salaries			
1	Basic	12.78	17.33	14.28
2	Dearness Allowance	3.5	4.74	3.91
3	House rent allowance	-	-	
4	Medical allowance	1.93	2.62	2.16
5	Medical reimbursement	0.42	0.57	0.47
6	Overtime payment	0.13	0.17	0.15
7	Generation incentives	0.01	0.01	0.01
	Subtotal	18.77	25.4	20.98
8	Terminal benefits			
9	Leave encashment	0.28	0.39	0.31
10	Staff welfare	0.02	0.02	0.02
11	CPS	0.05	0.07	0.06
12	Ex-gratia	1.41	1.91	1.58
	Subtotal	1.76	2.39	1.97
13	Pension Payment			
14	Basic Pension	11.26	15.27	12.58
15	Any other expenses	0.57	0.77	0.64
	Subtotal	11.83	16.04	13.22

	Total	32.36	43.87	36.17
	Amount capitalised	-	-	
	Net amount	32.36	43.87	36.17
	Add prior period expenses	0.38		
	Grand Total	32.74	43.87	36.17

Repair & Maintenance Expenses:

The R & M expenditures as proposed by the MePTCL on the basis of 2011-12 pre audited account and 2012-13 (estimated account) has projected at Rs.5.47 crores. After examining the actual costs on the basis of accounting records of April to September 2012, the total costs in six months are coming around 1.3 crores in 2012-13. If it is made for full year it may be Rs. 2.6 crores on proportionate basis. However, MePTCL has requested the Commission that to up keep transmission lines better they need more funds. The Commission is accordingly allowing Rs.4.29 crores to MePTCL which is marginally higher than what they have incurred in last six months. The Commission has considered the pre-audited results of 2011-12 and applied escalation on it. The Commission has allowed sufficient R & M fund to MePTCL so as to keep the lines healthy at all times. However, this expenditure shall be validated after the audited records are made available to the Commission in the next tariff filing.

The details are given in the table below:

TABLE 19 – REPAIR & MAINTENANCE EXPENSES (Rs. Cr.)					
MePTCL					MSERC
Sl. No	Particulars	FY 2011-12	FY 2012-13	FY 2013-14	2013-14 (Approved)
		(Pre audit)	(Estimated)	(Projected)	
1	Plant and Machinery	0.86	1.12	1.23	0.98
2	Building	0.22	0.29	0.32	0.25
3	Hydrolic and Civil works	0.41	0.53	0.58	0.47
4	Line cable and network	1.98	2.58	2.84	2.27
5	Vehicles	0.18	0.23	0.25	0.21
6	Furnitures	0.03	0.04	0.05	0.03
7	Office equipment	0.07	0.09	0.1	0.08
8	Total expenses	3.82	4.97	5.47	4.29
9	Less capitalised	-	-	-	
10	Net expenses	3.82	4.97	5.47	4.29
11	Total expenses as R&M	3.82	4.97	5.47	4.29

A & G Expenses:

After examining the expenses of actual which is around Rs.1.12 crores in six months and should be Rs.2.24 crores in full year, the Commission is allowing Rs.2.81 crores in FY 2013-14 after applying normative escalation on the pre-audited results of 2011-12.

The details of the A & G expenses are given in the table below:

TABLE 20 –A & G EXPENSES (Rs. Cr.)					
	MePTCL				MSERC
Sl. No	Particulars	FY 2011-12	FY 2012-13 (Estimated)	FY 2013-14 (Projected)	2013-14 (Approved)
1	Rent	0.04	0.05	0.06	0.05
2	Insurance	0.22	0.25	0.029	0.25
3	Telephone	0.09	0.1	0.11	0.10
4	Consultancy	0.67	0.77	0.88	0.77
5	Technical fees	0.01	0.01	0.01	0.01
6	Other profession charges	0.16	0.18	0.21	0.18
7	conveyance	0.97	1.11	1.28	1.11
8	Others	0.31	0.36	0.41	0.35
9	Other material expenses	0.05	0.06	0.07	0.06
10	Total expenses	2.52	2.89	3.32	2.80
11	Less expenses capitalised	-	-	-	
12	Total expenses to be charged as A&G	2.52	2.89	3.32	2.81

Summary of O & M expenses:

As approved above the O & M expenditures are being allowed for FY 2013-14 to MePTCL as follows:

TABLE 21 –O & M EXPENSES (Rs. Cr.)					
	MePTCL				MSERC
Sl	Particulars	FY 2011-12 (Pre-audit)	FY 2012-13 (Estimated)	FY 2013-14 (Projected)	2013-14 (Approved)
1	Employee Cost	32.74	53.26	43.87	36.17
2	Repairs & Maintenance	3.82	4.97	5.47	4.29
3	A & G Expenses	2.52	2.89	3.32	2.81
	Total O & M Expense	39.08	61.12	52.66	43.27

The O & M costs as allowed in 2013-14 are matching with the pre-audited results of 2011-12 after applying escalation factor. It also matches with the actual expenditure made in 2012-13 in the period April to September 2012 and estimations in next six months after applying escalation.

Interest on Working Capital:

Regulation prescribes that working capital shall cover the following expenditures:

- (a) Operation and maintenance expenses for one month.
- (b) Maintenance spare @ 1% of the historical cost.
- (c) Receivable equivalent to two months transmission charges.

MePTCL has projected Rs.2.86 crores as working capital requirement in accordance with the regulations. The Commission has calculated working capital in accordance with the regulation correcting with approved O & M cost and thus allowed Rs.2.06 crores in 2013-14.

TABLE 22 – INTEREST ON WORKING CAPITAL (Rs. Cr.)		
	MePTCL Proposal 2013-14	MSERC's Approval 2013-14
Particulars	Rs. Cr	Rs. Cr
O&M Expenses for 12 month - (A)	52.66	43.27
O&M expense for a month (A/12) – (B)	4.39	3.6
Opening Fixed Assets for FY 13-14 – (C)	229.1	131.1
1% Spares budgeted for FY 13-14 (1% of C) – (D)	2.29	1.31
Maintenance spares budget post escalation @ 6% - (E)	2.43	1.40
Account receivables – 2 months (F)	12.56	9
Total working capital (B+E+F)	19.38	14
Short Prime Lending Rate of SBI as on 01.04.2012	14.75%	14.75%
Interest on Working Capital	2.86	2.06

Depreciation:

For the purpose of tariff determination, the regulation provides depreciation to be computed on the assets value as admitted by the Commission. This value should be based on opening values on the basis of transfer scheme. The depreciation shall be calculated annually as per straight line at the rates specified by CERC. The depreciation is allowed from the first year of operation i.e. after COD. Against the projection of Rs.13.13 crores the Commission has allowed

depreciation on the allowed GFA in the beginning of FY 2013-14. Depreciation of Rs.5.77 crores is allowed by the Commission for FY 2013-14 as given below in the Table.

TABLE 23 – DEPRECIATION (Rs. Cr.)					
Sl.No.	Particulars	MePTCL Proposals			MSERC'S
		FY 2011-12 (Pre-audit)	FY 2012-13 (Estimated)	FY 2013-14 (Projected)	2013-14 (Approved)
1	Land	-	-	-	
2	Buildings	0.29	0.28	0.29	0.29
3	Hydraulic works	-	-	-	
4	Other civil works	0.04	0.18	0.19	0.05
5	Plant & Machinery	0.38	3.44	4.73	0.43
6	Lines & Cables	1.9	6.63	7.57	4.80
7	Vehicles	0.09	0.23	0.23	0.10
8	Furniture	0.04	0.06	0.06	0.05
9	Office equipment	0.05	0.06	0.06	0.06
	Total	2.79	10.88	13.13	5.77

Income Tax:

The Licensee has claimed no income tax in the present petition for 2013-14. The Regulation prescribes that income tax actually paid shall be included in the ARR and therefore the Commission at this point of time is not allowing any amount towards this head. However, actual amount if paid shall be considered next year.

Target availability of the transmission for recovery of full transmission charges:

Regulation prescribes that the normative annual transmission availability factor of the transmission network shall be 98%. This factor shall be determined by the SLDC every month at the time of claiming the monthly transmission charges. In case of less availability then NATAF the monthly transmission charges shall be reduced proportionately.

Annual Transmission Charges:

As calculated above for each head of ARR as prescribed in the Regulation the Commission is allowing Rs.57.91 crores as annual fixed charges to MePTCL for FY 2013-14. The details of the ARR is given in the table below:

TABLE 24 – ANNUAL TRANSMISSION CHARGES FOR 2013-14 (Rs. Crores)			
	MePTCL		MSERC
Sl.No.	Particulars	FY 2013-14 (Projected)	FY 2013-14 (Approved)
1	Return on Equity (RoE)	9.61	9.43
2	Interest on Loan capital	0	0.00
3	Operation and Maintenance expenses	52.66	43.27
4	Interest on Working Capital	2.86	2.06
5	Depreciation as may be allowed	13.13	5.77
6	Taxes on Income	-	-
7	Annual License Fee	0.03	0.03
8	SLDC charges	2	1.31
9	Total Annual Expenditure	80.28	61.87
10	Less : SLDC ARR	4	2.62
11	Less : Other Income	0.93	0.93
	Net Annual Revenue Requirement	75.36	58.32

Recovery of Annual Transmission Charge

Having considered the submissions made by MePTCL, the response of the stakeholders in context of Petitioner's proposals for ARR and under the relevant provisions of the Electricity Act, 2003 and Regulations of the Commission, the Commission hereby approves that:

- MePTCL, the transmission licensee in the State will be entitled to recover Annual Transmission Charges of Rs. 58.32 crores in the year 2013-14 from its beneficiaries in accordance with the provisions of the Regulations.
- MePDCL being the main beneficiary at present this, amount shall be paid by MePDCL to MePTCL in twelve monthly instalments of Rs.4.86 crores per month subject to availability

factor certified by SLDC. The payments, however, shall be subject to adjustment at the time of truing up in case of any other income from open access.

- The Annual Transmission Charges approved for FY 2013-14 will be applicable with effect from April 01, 2013 up to 31st March 2014 or orders.
- Open access charges shall be determined for 2013-14 in a separate order after consultation with beneficiaries/open access consumers. These charges shall also be applied w.e.f. 01.04.2013 up to 31.03.2014.

The Commission in its previous orders for open access and retail tariff had issued a number of specific directions to the transmission utility with an objective of attaining operational efficiency and stream lining the data collection which would be beneficial for the state, consumers and the utility. The Commission has directed that transmission licensee shall comply with the provisions of the State Grid Code, CEA - Metering, Commission's Regulations. In this order the Commission issues new directions to the transmission licensee MePTCL which are as follows:

- (1) The licensee shall adhere with the provisions of State Grid Code with respect to interface meters, monitoring of drawal, record of keeping, scheduling and operation.
- (2) The licensee shall make expeditious efforts for finalising their statement of accounts including separate fixed assets register for transmission business from the date of their start of business onwards.
- (3) MePTCL is required to get clearances of the Electrical Inspector before charging the HT/EHT works project for capitalising the same in the ARR. From the next year ARR the Commission shall consider capitalisation of only those capital works which has certificate from the Electrical Inspector.
- (4) The licensee is directed to complete the process of ring fencing as per the guideline of GOI and start independent operation of SLDC in accordance with the tariff order issued for SLDC from 2013-14.
- (5) MePTCL is directed to device and develop in consultation with the beneficiaries a suitable infrastructure including metering and mechanism for recording and collection of information required for calculation of voltage wise losses at transmission level within a period of six months from the issue of this order.
- (6) MePTCL should initiate the exercise of energy audit in the transmission sector and determine the exact losses in the system by the time next ARR is filed.
- (7) MePTCL is required to submit the norms for O & M expenses, etc as per the Commission's regulation at the time of next tariff filing so that the Commission may take a view in the matter.
- (8) The transmission licensee shall comply with directives issued by despatch centres/appropriate authorities in order to maintain grid discipline immediately and report any major incident with the report to the Commission within 15 days of such incidents.

The main focus in this order is to allow all the efficient and prudent cost to be incurred by the licensee in 2013-14 for improving their capacity to serve the consumers of the State in a reasonable and efficient manner. The Commission expects the licensee to complete their ongoing projects in time and within the approved budgets, in accordance with Commission's Orders & Regulations.

Finally the Commission would like to appreciate the response from MePTCL for submitting all required information to the Commission as and when required.

(ANAND KUMAR)
CHAIRMAN, MSERC
28.03.2013

RECORD OF TECHNICAL MEETING HELD ON 11.02.2013

Presents:

Mr. Anand Kumar, Chairman, MSERC

Mr. W.S. Kynjing, Director Transmission.

Mr. J. B. Poon, Secretary, MSERC

Mr. K.N. War, ACE (Comm).

Mr. M.K. Chettri, SE (T).

Mr. A. Kharpan, SE (SLDC).

Mr. M. Marbaniang, SE (T&T)

Mr. M.S.S. Rawat , DY (CAO)

Mr. S. Nongrum, Sr. A.O.

- (1) A technical session was held on 11th February, 2013 in the Office of the Commission to discuss important issues relating to the ARR filed by MePTCL in determining the tariff for Transmission system and SLDC for FY 2013-14.
- (2) Chairman, MSERC deliberated on each component of the ARR and its significance in determination of the tariff. He has also highlighted the annual fixed charges admitted by the Commission for FY 2012-13 while determining the open access charges for using transmission lines. He has clarified to the licensee that all proposed charges should be in line with the present regulation of the Commission and it should match with the current cost, future plan and reasonability of the same.
- (3) Chairman, MSERC deliberated on the actual costs incurred in last six months on the basis of accounting records for transmission network. However, Director Transmission has suggested that MePTCL is in the process of redefining its man power requirement as well as improvement in R & M work in the transmission system. He requested the Commission to consider the additional cost of its future plan with the actual cost of O & M as proposed by their letter dated 30th January, 2013. MePTCL has agreed to give the actual record of past six months from April to September 2012 with additional burden by 18th February, 2013.
- (4) Chairman, MSERC has instructed the licensee to submit the supplementary Affidavit giving the proposed open access charges including transmission losses for 2013-14. The licensee

was required to publish the open access charges for transmission in the public notice. MePTCL has agreed to submit the same by 18th February, 2013 to the Commission and thereafter they will publish in the Newspapers for comments.

(5) The Commission has instructed in-charge of SLDC to submit the current billing details being charged from open access consumers to the Commission by 18th February, 2013. MePTCL is also required to give their observations and suggestions on the implication of open access regulation, application of charges, metering, billing, feedback from existing open access consumers, their suggestions and operational constraint if any. This information should be submitted to the Commission by 18th February, 2013.

(6) Chairman MSERC thanked everyone for attending the meeting and giving their suggestions.

(Anand Kumar)
Chairman, MSERC

**RECORD NOTE OF THE 10TH MEETING OF THE STATE ADVISORY COMMITTEE
HELD AT 2.00 PM ON 30TH JANUARY, 2013 AT THE MSERC CONFERENCE HALL AT SHILLONG.**

Present:-

- 1) Shri Anand Kumar, Chairman, Meghalaya State Electricity Regulatory Commission, Shillong.
- 2) Shri. S.K. Lato, Jowai.
- 3) Shri. Ramesh Bawri, President, Confederation of Industries, Meghalaya.
- 4) Shri. Abhinandan Goswami, representing IEX.
- 5) Shri. J.B. Poon, Secretary MSERC.
- 6) Shri. L. Jyrwa, Consultant (Law), MSERC.
- 7) Shri. W. Rynjah, Ombudsman, MSERC.
- 8) Shri. D.S. Nongbri, Consultant (F & A), MSERC.

Calling the 10th Meeting of the State Advisory Committee (SAC) to order, the Chairman welcomed the members present. He gave a brief presentation highlighting the salient features of transmission and generation ARR for FY 2013-14. He also briefed the members on the present MSERC (Terms and Conditions of Tariff Determination) Regulation 2011 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 transmission, generation and SLDC on 14.01.2013 and MeECL has published the salient features of this petition inviting comments of each stakeholders including public. The Commission has explained about the provisions of Tariff Regulations and two part tariff for generating station. Chairman, MSERC has explained that to balance the interest of beneficiary and developer, the regulation prescribes 50% of the annual fixed charges of each project is paid through capacity charges and 50% of annual fixed charges is paid on the generation on per unit basis. On the ARR & Tariff Petition for the year 2013-14, the Chairman called upon the Hon'ble Members to participate in the deliberations on Generation, Transmission and SLDC 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 he will also give comments in writing too. He has given following suggestions to the Commission on Generation Tariff.

- (1) He has appreciated that separate petitions have been filed by SLDC, MePGCL and MePTCL as required under the Electricity Act, 2003 ('the Act'). This would have led 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 has requested the Commission to review the status of directions given to MeECL 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 of MeECL be advised to submit their proposals in accordance with the Regulations in future.
- (4) It is requested that, if possible, another **Meeting** of the Advisory Committee be convened for ARR of Transmission and SLDC before finalization of the Tariff proposal.
- (5) Mr. Bawri has shown his 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 maximum during water availability.

- (6) He has pointed out that designed energy projected by MePGCL is far below the actual generation made by such stations in last five years. Therefore, he has requested the Commission to review the designed energy and make it as par with the actual generation of each generating station.
- (7) 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 Goswami

Shri Goswami from IEX has agreed to all suggestions given by Mr. Bawri and suggested that MePGCL should go for better utilization of their machines through out the year by proper man management and preventive maintenance of their machines.

3. 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 2013-14. He wanted that the performance of MePGCL needs to be improved in terms of better operation and improvement in their current efficiency to work to 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 2013-14. Next date of meeting for Transmission and SLDC is fixed on 20.02.2013.

(J.B. Poon)
Secretary

**RECORD NOTE OF THE 11TH MEETING OF THE STATE ADVISORY COMMITTEE
HELD AT 2.00 PM ON 20TH FEBRUARY 2013 AT THE MSERC CONFERENCE HALL AT SHILLONG.**

Present:-

- 1) Shri Anand Kumar, Chairman, Meghalaya State Electricity Regulatory Commission, Shillong.
- 2) Shri. Ramesh Bawri, President, Confederation of Industries, Meghalaya.
- 3) Shri. S. S. Agarwal, BIA (Invitee).
- 4) Shri. Rahul Bajaj, BIA (Invitee).
- 5) Shri. E. Lyngdoh, Director Generation, MePGCL(Invitee).
- 6) Shri. G.S. Mukherjee, Company Secretary, MeECL (Invitee).
- 7) Shri. MSS Rawat, Dy. CAO, MeECL (Invitee).
- 8) Shri. A. Kharpan,SE, SLDC, MePTCL (Invitee).
- 9) Shri. M. Marbaniang, SE (T&T), MePTCL (Invitee).
- 10) Shri. A. Lyngdoh, SE (G), MePTCL (Invitee).
- 11) Shri. F.E. Kharshiing, EE, SLDC, MePTCL (Invitee).
- 12) Shri. J.B. Poon, Secretary MSERC.
- 13) Shri. L. Jyrwa, Consultant (Law), MSERC.
- 14) Shri. W. Rynjah, Ombudsman, MSERC.
- 15) Shri. D.S. Nongbri, Consultant (F & A), MSERC.

Calling the 11th Meeting of the State Advisory Committee (SAC) to order, the Chairman welcomed the members and invitees present. He gave a brief idea of the important issues relating with the ARR for FY 2013-14. Chairman MSERC informed all the participants about the Hon'ble ATE Order dated 15.02.2013 regarding completion of ARR proceedings by 31.03.2013 for FY 2013-14. He also briefed the members on the present MSERC (Terms and Conditions of Tariff Determination) Regulation 2011 and implications of each of the component of ARR in the Tariff. Members of the Advisory Committee were briefed that the Commission has already admitted ARR petition for transmission, generation and SLDC on 14.01.2013 & distribution petition is under examination and may be shortly admitted. The Commission has briefed the members that the new tariff for FY 2013-

14 should be applied from 1st April 2013. Comments on the ARR of transmission and generation received so far have been handed over to licensees for their replies within a week's time. The Commission has explained about the provisions of Tariff Regulations and two part tariff for generating station. On the ARR & Tariff Petition for the year 2013-14, the Chairman called upon the Hon'ble Members and invitees to participate in the deliberations on Generation, Transmission and SLDC and invited their suggestions. Members of the SAC raised the following issues:

1. Shri Ramesh Bawri

Shri Ramesh Bawri has given his suggestions on the ARR for transmission for FY 2013-14. He has raised the issue of transmission losses in the State and has suggested that these losses should be based on the energy accounts. He has also put emphasis on the installation of correct metering at all 132 KV feeders and regular reading of such meters should become a practice. He has suggested that Licensee should adopt a practice of energy audit immediately so that by next year correct figure of losses in transmission is known. He has also raised the validation of the huge amount of investment in the tune of Rs.150 to Rs.200 crores made in the year 2012-13 by transmission licensee. He has suggested to the Commission that there should be some normative of circuit per km so as to validate the claim of the licensee in the ARR. He has suggested that the tariff of the MLHEP project may be considered by the Commission by looking at the standard norms and for the convenience of the consumer the return on equity should not be high.

2. Shri. S.S. Agarwal

Shri. S. S. Agarwal has raised concerned over the high capital cost of Leshka Hydro Project and suggested that it is better to take power from the open market if such high cost has to be incurred. He has suggested that return on investment should not be made a pass through in the tariff otherwise generation cost will be very high.

Shri. Agarwal has also raised the issue of high transmission losses to be paid by the consumers in the tariff. He has suggested that transmission licensee should convince the Commission by showing the actual losses in the transmission line.

Shri. Agarwal has inquired from the Company the designed energy of the MLHEP and the estimation of probable generation in 2013-14. MLHEP replied that they estimate 400 to 450 MU in FY 2013-14.

The Commission has suggested that a presentation shall be made by the Director, Generation on MLHEP/ARR and Director (Transmission) on salient features of the ARR for FY

2013-14 in the open public hearing to be held in the 1st week of March. MePTCL and MePGCL agreed to Commission's proposal.

Summing-up the discussions, the Chairman placed on record his profound gratitude to the Hon'ble Members and invitees present, for their valuable suggestions and submissions and assured that these would be kept in view, while finalizing the Tariff for the year 2013-14.

(J.B. Poon)
Secretary
MSERC

RECORD NOTE OF PUBLIC HEARING ON ARR AND TARIFF PETITION FILED BY MEPDCL, MEPTCL, MEPGCL & SLDC FOR THE YEAR 2013-14 HELD BY MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION AT 12:00 NOON ON 25TH MARCH 2013 IN THE MSERC CONFERENCE HALL, LOWER LACHUMIERE, SHILLONG.

Record Note of Public Hearing

03. Chairman, MSERC welcomed all the participants who had come to attend the Public Hearing on the ARR & Tariff Petition filed by MePDCL (Distribution), MePTCL (Transmission), MePGCL (Generation) & SLDC for the FY 2013-14. The Chairman has explained the salient features of the ARR and provisions of the regulation in determining the tariff for ensuing year 2013-14. The Commission has also held meetings with members of State Advisory Committee on 30th January & 20th February wherein deliberations were made on all important issues relating to the ARR. This meeting was also attended by representatives from Industries, Pensioner's Association, and Domestic consumers as special invitees. The Commission invited suggestions from the participants on the ARRs of Generation, Transmission, Distribution and SLDC for FY 2013-14.
04. Following participants, presented their suggestions which are discussed below:
05. The Byrnihat Industries Association represented by Ms. Swapna Sheshadri, Advocate strongly objected on the proposed increase in the Industrial Tariff for FY 2013-14. She insisted that tariff proposal should be based on actual records of expenses. She has raised objection on the tariff proposal filed by MePGCL for Leshka Myntdu Hydro Electric Project without audited data. She insisted on that no final tariff should be given to Leshka Project on the basis of records without any statutory audit and without inviting objections. She has submitted that in accordance with the Commission's Regulation, MePGCL should have filed an application for provisional tariff when the unit was commercially started. She submitted that final tariff for Leshka Project should be determined at the time of filing of tariff petition with audited records and when all units are commercially operated. Similarly, she has raised objection on the projections made by MePGCL with regard to NAPAF for all the machines including Leshka in their petition. She submitted that without any study on availability, the Commission should not agree to their proposal.
06. On the transmission tariff, she raised that there is no details of assets which were put in for use. She objected that without capitalisation of the assets there should not be any claim on depreciation or equity. Similarly return on equity should also be based on size of equity in accordance with Commission's regulation in 70:30 ratios.

07. BIA has made an objection that O & M expenses should be decided on normative basis in transmission and it should be controlled in accordance with standard norms. Similarly, for employees cost also she has given a reference of the order made by Hon'ble ATE to introduce efficiency in the operation while sanctioning employees cost. Similarly, they have raised an objection on interest on working capital which should be charged in accordance with correct level of expenses.
08. On the distribution tariff, the BIA has demanded that the expenses given in the ARR petition for 2013-14 should be checked with the actual level of expenses made by MePDCL in previous years. For checking the expenses, she has suggested the Commission to do the truing up exercise. In response to BIA objection, Director (MePDCL), has informed the Commission that due to compliance of Hon'ble Supreme Court Order, MePDCL requires time up to 30.04.2013 to file the updated true up application for FY 2008-09 onwards. BIA did not comment on this.
09. Industries demanded that there should not be any hike for 2013-14 otherwise their business will suffer. They have also requested to provide uninterrupted and quality power supply to run their business smoothly. The Commission has invited suggestions/complaints from industries with regard to improvement in the present supply system and interruption in the power supply so that corrective action may be taken by the Commission at his level.
10. Meghalaya Pensioner's Association requested the Commission that since they have limited source of earning, their tariff should not be increased to the level as proposed by the Distribution Company. They have also suggested that Tariff up to consumption of 240 Units in Domestic category should not be raised and keep it at the same level. MePDCL responded to the objection of Pensioners and informed them that differentiation among the consumers on the basis of paying capacity is difficult as it is not in accordance with the act.
11. PHE has made a request to the Commission that their tariff should not be higher than industry and commercial and should be based on purpose of use. MePDCL has no objection to it and left the matter to the Commission for decision.
12. No representative from Shillong Municipality and Tourist attended the hearing as done last year.

The Hearing ended with a vote of thanks from the Chairman MSERC.

(J.B. Poon)
Secretary
Meghalaya State Electricity Regulatory Commission.

LIST OF PARTICIPANTS IN THE PUBLIC HEARING ON 25.03.2013

1. Representing the Petitioner (MePDCL/MePTCL/MePGCL/SLDC).

1. Shri. E. Lyngdoh, Director (D)
2. Shri. P. Lyngdoh, Director (D)
3. Shri. C. Kharkrang, CE (D)
4. Shri. E. Slong, CE (T & T)
5. Shri. K. N. War, ACE (Com)
6. Shri. A. Lyngdoh, SE.
7. Shri. S.B. Umdor, SE (RO)
8. Shri. L. Shilla, SE (Gen)
9. Shri. A. Kharpran, SE, (SLDC)
10. Shri. M. K. Chetri, SE (T)
11. Shri. R. Syiem, SE (T&T)
12. Shri. P. Sahkhar, SE (RA&FD).
13. Shri. F.E. Kharshiing, EE, (SLDC)
14. Shri. W.R. Basaiawmoit, CAO
15. Shri. M.S.S. Rawat, Dy CAO
16. Shri. S. Nongrum, SR. AO

2. Inspectorate of Electricity

- Shri. P. K. Shullet, Senior Electrical Inspector

3. Byrnihat Industries Association/Other industries.

1. Ms. Swapna Seshadri, Advocate.
2. Shri. S S Agarwal
3. Shri. R Bajaj
4. Shri. U. Agarwal
5. Shri. R. Choudhury
6. Shri V.Kr. Agarwala
7. Shri. S. Gupta.
8. Shri. A. Suleka
9. Shri. J. Kumar
10. Shri. A. Rai, Star Cement
11. Shri. S. Agarwal, Meghalaya Steels
12. Shri. M.K. Rai, Star Cement
13. Shri. P.K. Mour, NFAPL

4. Meghalaya Pensioner Association.

1. Shri. B E Wahlang
2. Shri. J.B. Kar

5. Public Health Engineering (PHE) Department.

1. Shri. S. R. Chanda, Addl. CE (PHE)
2. Shri. H.S. Nongkynrih, SE (MSE) Electrical Circle, Shillong.
3. Shri. Y. K. B. Singh, EE

6. Greater Shillong Crematorium and Mortuary Society

- Shri. J. Malakar