MSERC

MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION (MSERC)

Tariff Order

For

Annual Revenue Requirement & Distribution Tariff

For

FY 2016-17

CONTENT

List of Tables

Abbreviations

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

MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION

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

Lower Lachumiere, Shillong – 793001

East Khasi Hills District, Meghalaya

In the matter of

Adjustment of True up of ARR for FY 2011-12, True up of ARR for FY 2012-13, True up for ARR for FY 2013-14, Provisional True up of ARR for FY 2014-15 and revision of Retail Tariff and Open Access Charges for FY 2016-17 for Distribution Business

AND

Meghalaya Power Distribution Corporation Limited Petitioner (herein after referred to as MePDCL)

Coram

Anand Kumar, Chairman

ORDER

(Dated: 31.03.2016)

1. The Meghalaya Power Distribution Corporation Limited (herein after referred to as MePDCL) is a deemed licensee in terms of section 14 of the Electricity Act 2003 (herein after referred to as Act), engaged in the business of distribution of electricity in the state of Meghalaya.
2. As per the directive of the Commission, the MePDCL has filed the Petition for revised true up of expenses and revenues for FY 2011-12 and true up for FY 2012-13 & FY 2013-14 Provisional true up for FY 2014-15 and Aggregate Revenue Requirement (ARR) for FY 2016-17 and Retail Tariff for FY 2016-17.
3. In exercise of the powers vested under section 62(1) read with section 62(3) and section 64 (3)(a) of the Electricity Act 2003 and MSERC MYT Regulations, 2014 (Notified on 09.06.2014) (hereinafter referred to as Tariff Regulations) and other enabling provisions in this behalf the Commission issues this order for truing up of the revised ARR and revenues for FY 2011-12 and true up of FY 2012-13 FY 2013-14 and provisional true up for FY 2014-15 and approval of the ARR for FY 2016-17 determination of retail Tariff for FY 2016-17 for supply of electricity in the state of

Meghalaya.

4. Tariff Regulations specify that the distribution licensee shall file ARR and Tariff Petition in all aspects along with requisite fee as specified in Commission's fee, fines and charges regulations on or before 30th November of the preceding year. Accordingly the MePDCL has filed the petition for ARR and Tariff Petition FY 2016-17 along with the Petitions for revised truing up for FY 2011-12, truing up for FY 2012-13, FY 2013-14 and Provisional truing up of FY 2014-15 .

5. Regulation 11 of the Tariff Regulations, 2014 provides that the Commission shall undertake true up of previous year's expenses and revenues approved by the Commission with audited accounts made available to the Commission subject to prudence check including pass through of impact of un-controllable factors.

6. Regulation 19 of the Tariff Regulations, 2014 provides for giving adequate opportunities to all stake holders and general public for making suggestions/ objections on the Tariff Petition as mandated under section 64(3) of the Electricity Act 2003. Accordingly, the Commission directed MePDCL to publish the ARR and Tariff Petition for FY 2016-17 in an abridged form as public notice in news papers having wide circulation in the state inviting suggestions/objections on the Tariff Petition.

7. Accordingly, MePDCL has published the Tariff Petition in the abridged form as public notice in various news papers and the Tariff petition was also placed on the website of MePDCL. The last date of submission of suggestions/objections was fixed after 30 days of the notice.

8. The Commission, to ensure transparency in the process of Tariff determination and for providing proper opportunity to all stake holders and general public for making suggestions/objections on the Tariff petition and for convenience of the consumers and general public across the state, decided to hold the public hearing at the headquarters of the state accordingly the Commission held public hearing at Shillong on 22.03.2015.

9. The proposal of MePDCL was also placed before the State Advisory Committee in its meeting held on 16.03.2016 and various aspects of the Petition were discussed by the committee. The Commission took the advice of the state advisory committee on

the ARR and Tariff Petition of MePDCL for the FY 2016-17 during the meeting of the committee.

10. The Commission took into consideration the facts presented by the MePDCL in its Petition and subsequent various filings, the suggestions/objections received from stakeholders, consumer organizations, general public and State Advisory Committee and response of the MePDCL to those suggestions/objections.

11. The Commission taking into consideration all the facts which came up during the public hearing and meeting of the State Advisory Committee, has trued up the ARR and revenue for FY 2011-12, 2012-13 and 2013-14 and approved the ARR for FY 2016-17 and distribution tariff for FY 2016-17.

12. The Commission has reviewed the directives issued earlier in the Tariff orders for FY 2010-11 to FY 2015-16 and noted that some of the directives are complied and some are partially attended. The Commission has dropped the directives complied with and the remaining directives are consolidated and fresh directives are added.

13. This order is in Nine chapters as detailed below:

    1. Chapter 1: Introduction
    2. Chapter 2: Summary of ARR for FY 2016-17 and Revenue Gap
    3. Chapter 3: Public hearing process
    4. Chapter 4: True up for FY 2011-12 and FY 2012-13
    5. Chapter 5: True up for FY 2013-14 and Provisional True up for FY 2014-15
    6. Chapter 6: Analysis of ARR for FY 2016-17
    7. Chapter 7: Tariff Principles and Design
    8. Chapter 8: Wheeling charges and cross subsidy surcharges
    9. Chapter 9: Directives

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

This Order shall be effective from 1st April, 2016 and shall remain in force till 31st March, 2017 or till the next Tariff Order of the Commission.

(Anand Kumar)

Chairman-MSERC

1. Introduction

1.1 Background

The Meghalaya Power Distribution Corporation Limited (here after referred to as MePDCL or Petitioner) has filed its Petition on 05.02.2016 under section 62 of the Electricity Act 2003, read with Meghalaya State Electricity Regulatory Commission MYT Regulations, 2014 for determination of Aggregate Revenue Requirement for FY 2016-17 and determination of distribution tariff for FY 2016-17.

The Commission has admitted the Petition on 10.02.2016.

1.2 Meghalaya Power Distribution Corporation Limited

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

1. Generation: Meghalaya Power Generation Corporation Ltd (MePGCL)
2. Transmission: Meghalaya Power Transmission Corporation Ltd (MePTCL)
3. Distribution: Meghalaya Power Distribution Corporation Ltd (MePDCL)
4. Meghalaya Energy Corporation Limited (MeECL) a holding company.

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

As per the said notification issued by the Government of Meghalaya a separate corporation "Meghalaya Power Distribution Corporation Limited" (MePDCL) was incorporated for undertaking Distribution Business.

1.3 Meghalaya State Electricity Regulatory Commission

Meghalaya State Electricity Regulatory Commission (here in after referred to as "MSERC" or the Commission) is an independent statutory body constituted under the provisions of the Electricity Regulatory Commission (ERC) Act, 1998, which was superseded by Electricity Act (EA), 2003. The Commission is vested with the authority of regulating the power sector in the state inter alia including determination of tariff for electricity consumers.

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

MePDCL filed its petition under Multi-year tariff frame work for the FY 2015-16 to FY 2017-18 on 02.01.2015, in accordance with the Meghalaya State Electricity Regulatory Commission (Multiyear Tariff Frame Work) Regulations, 2014, notified by MSERC. The Commission approved the ARR for the MYT period FY 2015-16 to FY 2017-18 in order dated 30.03.2015.

1.5 Admission of the Petition and Public hearing process

The MePDCL has submitted the current Petition for revised true up of expenses and revenues of FY 2011-12 and true up of FY 2012-13, FY 2013-14 and Provisional true up for FY 2014-15 determination of Aggregate Revenue Requirement (ARR) for FY 2016-17 including determination of tariff for FY 2016-17. The Commission undertook the technical validation of the Petition and admitted the Petition on 05.02.2016.

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

Sl. No	Name of Newspaper	Language	Date of Publication
1	The Shillong Times	English	12.02.2016/13.02.2016
2	U Mawphor	Khasi	12.02.2016
3	Salentini Janera	Garo	13.02.2016
4	Chitilli	Jaintia	12.02.2016/18.02.2016

The Petitioner has also placed the public notice and the Petition on the website (www.meecl.nic.in) for inviting objections and suggestions on its Petition. The interested parties/stakeholders were asked to file their objections/suggestions on the Petition within 30 days of notification.

MePDCL/Commission received some objections/suggestions from Consumers/ consumer organisations. The Commission examined the objections/suggestions received and fixed the date for public hearing on MePDCL's petition held on 22.03.2016. Commission also informed the objectors to take part in the public hearing process for presenting their views in person before the Commission. The Public hearing was conducted at Commission's office in Shillong as scheduled. The Commission also held meeting with State Advisory Committee. Proceedings of the meeting are given in **Annexure-I.**

The names of consumers/consumer organisations those filed their objections and the objectors who participated in the public hearing for presenting their objections are given in the **Annexure-II**.

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

1.6 Approach of the Commission for determination of ARR and Tariff FY 2011-12, FY 2012-13, FY 2013-14 & FY 2014-15

The MePDCL (MeECL) has submitted petition on 05.01.2016 seeking adjustment of revenue gap as per the revised expenses claimed towards power purchase cost, prior period charges and penalty computed for non achievement of AT&C losses with reference to the audited financial statement by statutory auditor M/s. Kiron Joshi and Associates.

The MePDCL has also submitted and requested the Commission to pass appropriate Order for true up of the business for the FY 2012-13 in the same petition dated 05.01.2016.

As per the Regulations the licensee shall file the petition for true up of business by 30th September of the following year along with audited financial statements and C&AG certificate.

The Commission in compliance of APTEL judgment in Op. No. 1 of 11.11.2011 had considered the petition of licensee and asked the licensee to submit the audited financial statements. The licensee MeECL on behalf of MePDCL has submitted C &AG audit report for the FY 2011-12 on 08.02.2016 along with the statutory auditor's report of MePGCL, MePTCL and MePDCL for the FY 2013-14. It is mentioned therein that the C&AG report for FY 2012-13 for MeECL (holding company) and three subsidiaries are yet to be received from C&AG.

MeECL vide their letter dated 09.02.2016 have submitted the statutory audit reports for MeECL, MePGCL, MePTCL and MePDCL for FY 2012-13.

The Licensees have filed petitions seeking true up of their business for FY 2013-14 and provisional true up of FY 2014-15 and also for determination of ARR and tariff for the FY 2016-17 on 05.02.2016.

The Commission has admitted the petitions while calling for further information/data gaps admitted the petitions on 10.02.2016 to ensure issue of tariff orders on time. The Commission in pursuance of Hon'ble APTEL's judgment in OP No. 1 of 11.11.2011 vide para 65(ii), admitted the petitions of the licensees to ensure determination of ARR and tariff orders for FY 2016-17 passed before 01.04.2016 as per the Regulations.

The Commission would like to make it clear the implications of the Regulations that the true up exercise without the C&AG audit report shall be interim approval only subject to readjustment of revenue gap/surplus after filing of the petition along with C&AG reports. Similarly, without audited accounts like in FY 2014-15, it should only be treated as Review of the ARR and the same shall be subject to corrections on filing of the audited accounts.

Adjustment of Revenue gap/surplus

In the present petitions, the true up Orders passed by the Commission for the FY 2012-13, FY 2013-14 and FY 2014-15 shall be interim approvals subject to readjustment after filing of audited accounts certified by C&AG.

The Commission had already approved the true up of FY 2011-12 in which a revenue gap of Rs.92.88 Crore was considered and adjusted an amount of Rs.85.53 Crore in the ARR for FY 2015-16 pending disposal of the petition dated 28.05.2015 filed seeking review of the true up for FY 2011-12. The Commission considered no merits for change in the earlier approvals and accordingly review petition (Adj) disposed in this orders.

The Commission considers adjustment of revenue gap/surplus of FY 2011-12, FY 2012-13 in the MePDCL ARR to facilitate the utilities' operations/functions in eased cash flow crunch subject to readjustment in the next filing along with C&AG report. While considering the true up claims of the utilities the Commission has approved the expenses, allowances reasonably to the extent of actuals for which the licensees entitled as per the Regulations.

Bad debts and prior period expenses

The Commission has examined the claim of licensee towards bad debts and prior period expenses in the light of Hon'ble Supreme Court Order dated 28.08.2012 and advised the utilities to ensure detailed scrutiny of bad debts/prior period expenses conducted by an independent agency covering other category of consumers affected due to revision of Tariff Order, as per the Hon'ble Supreme Court Order dated 28.08.2012.

It is also advised through the approvals/true up orders that the licensee shall file separate petition along with scrutiny/audit reports for Commission's consideration within three months.

Losses

The Commission while examining the true up petition observed that the distribution utility had been not performing up to the approved levels in respect of T&D losses, revenue collections and power purchase/sales management by which the utility had been unable to meet the day to day cash flow requirement, payment of power purchase dues of generators as also the expectations of the consumers/stakeholders were not met. During the public hearing held on the current filings, the participants were unhappy and uncomfortable with the claims of petitions filed by the utilities for increase of tariffs.

The Commission endeavours that the distribution utility shall ensure efficient management in the areas of power procurement wherein the demand of consumers in the State of Meghalaya would be met with the power generated in the State from hydel sources at an affordable price.

The loss levels as approved could be achieved by the utility with 100% metering, billing and collections by employing IT tools and concerted efforts. These measures would certainly benefit the under privileged consumers of the State with a provision of 24x7 power supply as contemplated by the Government of Meghalaya and Government of India. This will also help the licensee to achieve 100% electrification of all the households in Meghalaya.

The Commission has been advising the utilities through the directives communicated in the tariff orders to comply with the shortcomings in the efficient management. One such directives with respect to study and reduction of T&D losses, the utility has been asked to conduct feeder wise energy audit every month till the results are achieved. In this connection, the Commission has already done an exhaustive exercise by conducting Energy Audit in Police Bazaar and other part of Shillong including Feeder audits. This has resulted in sufficient savings and extra revenue to the Licensee. The Commission has already advised to go for such exercise in the revenue yielding areas and reduce their losses. The details of this exercise have already been given in the Tariff Order for FY 2015-16. The Commission is getting regular reports of losses from the Licensee.

Power procurement

The Commission observed that the actual performance of power procurement in all the true up petitions, the utility has been drawing bilateral purchase whose price is more than the purchase cost of CGS allocation even more than the average purchase cost approved in the Tariff Order causing high allowance in the true up. As a result the revenue gap increased. The Commission has also disallowed Late Payment Surcharge (LPSC) from the power purchase bills in view of allowing working capital in this regard. The Commission is also of the view that inefficiency on this account should not be passed on to the consumers for no fault of them.

The Commission considers the sale of surplus power outside the State should not be on lesser price than average procurement price after correction of losses. Accordingly, the outside sale price has been recalculated and adopted as deemed revenue in the ARR. This is being done to caution the Licensee to improve their performance which is necessary to protect the interest of the common consumers.

Return on Equity

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

Capital cost

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

Interest and Finance charges

The Commission has considered loans borrowed for capital works and interest charges allowed on average rate of total outstanding loans for arriving at the ARR. The Commission also considered the borrowing of utilities towards discharge of power purchase liabilities and to meet the working capital needs. The working capital has been considered as per the Regulations irrespective of the fact that licensee has borrowed loans for working capital or not. This will facilitate the Licensee to make their payments to CGS and others in timely manner and get applicable rebate on it. This will ensure that the consumers of the state are not over burdened by LPSC and benefitted by getting 24x7 power supply at affordable rates.

Provision for bad and doubtful debts

The Commission considers that the provisions for bad debts in ARR is not an expense. The distribution utility shall ensure audit of receivables where there is no prospects of recovery of sundry debtors beyond three years and legal process does not fetch the recovery of dues, the write off methodology may be considered. The same has been communicated through true up orders.

Prior period expenses

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

Renewable Energy Purchase Obligation (RPO)

The Commission observed that the utility has not complied with the Solar RPO requirement in accordance with the Regulations. However, due to new Tariff Policy, the adjustment of the Hydro Power is required to be set off against its Solar RPO requirement. Accordingly, the Commission has decided to carry forward the requirement and appropriately adjusted in the ARR.

Open Access

The Commission opines that the utilities shall not encourage open access and issue NOC where open access charges have become legitimate receivable from such consumers and are pending against them. The Commission is of the view that Open Access process should be reviewed by the Licensee and appropriate suggestions may be made to the Commission. The Commission shall take into account and make amendment in the Regulations accordance with the law in the present circumstances. The Commission has from time to time directed the Licensee to propose additional surcharge on such consumers in the situation of insufficient recovery of revenue so as to make payment of fixed charges to the generators. The OA Regulations has provided for such additional surcharge. No such proposal has been received so far. The Commission advises the corporation to go for a detailed study and submit its petition for the consideration by the Commission at the earliest.

ARR and Tariff

The Commission keeping in view the interest of consumers/stakeholders after prudence check has considered the ARR for true up for FY 2012-13, FY 2013-14 & FY 2014-15 and determination of tariff for FY 2016-17. The Commission allows admissible claim while ensuring sustainable operations by the utilities as per the Regulations approved the tariff order for FY 2016-17. The sustainability of the utility is important so as to serve its consumers by supplying 24x7at affordable rates.

Conclusion

The Commission is of the view that truing up exercise is a regular process and need to be done every year along with the filing of the Tariff Petition of the next year with audited accounts. The Commission is constrained to do the truing up in the absence of audited financial statements. Since, the Licensee has delayed the filing of audited accounts and thus delayed the process of truing up. The Commission in order to protect the interests of the consumers, by levying entire gaps of last 4 years in one go, considers the impact spread partly in the current FY 2016-17 and balance in the next FY 2017-18 after considering additional revenue from Open Access consumers.

2. Summary of ARR and Tariff Petition for FY 2016-17

2.1 Revision of Tariff for FY 2016-17

The details of the gaps resulting from the truing up of FY 2013-14 and FY 2014-15, which needs to be recovered from the consumers during FY 2016-17. Before this petition, MePDCL had already filed the combined petition for truing up of FY 2012-13 for generation, transmission and distribution Before the Commission vide letter No MePDCL/DD/T-444(Pt-IV)/2015-16/36 dated 5th January 2016.

Besides, the other successor companies of MeECL i.e. the generation company MePGCL, transmission company MePTCL and SLDC have also filed the segregated truing up petitions of FY 2013-14, provisional truing up petitions of FY 2014-15 and the revised tariff petition for FY 2016-17 for generation and transmission respectively. The impact of revised generation and transmission tariff for FY 2016-17 will be entirely borne by the distribution company and would also have to be recovered from the revised distribution and retail supply tariff of FY 2016-17.

As such, the total gap to be passed from the revised tariff of distribution and retail supply tariff of FY 2016-17 is shown below:

Table 2.1: Total Gap to be recovered from revision of tariff of FY 2016-17

(Rs. Crore)

Particulars	Amount
Truing up of FY 2013-14 for MePDCL	373.96
Provisional Truing up of FY 2014-15 for MePDCL	320.09
Truing up of FY 2012-13 for combined generation, transmission and distribution	614.17
Truing up of FY 2013-14 for MePGCL	151.65
Provisional Truing up of FY 2014-15 for MePGCL	180.53
Truing up of FY 2013-14 for MePTCL	54.46
Provisional Truing up of FY 2014-15 for MePTCL	51.15
Total gap to be recovered from revision of tariff of FY 2016-17	**1746.01**

3. Public Hearing Process

3.1 Public Objections

The truing up petition was filed on 05.01.2016 which was admitted by the Commission on 10.02.2016 after getting the Auditor Report on 09.02.16. MePDCL was directed to publish notice in the newspapers inviting objections/suggestions. The notices were published in newspaper inviting objections from public by 15.03.2016. Byrnihat Industries Association submitted their objections on the petition on 15.03.2016 and sent their rejoinder with reference to public hearing held on 18.03.2016. They have raised the following objections:

OBJECTIONS OF BYRNIHAT INDUSTRIES ASSOCATION ON THE ASPECTS OF TRUE UP FOR FY 2011-12

1. Power Purchase Expenditure

BIA submitted that as per the directions of Commission, MePDCL was to file the C&AG certified copy of the annual accounts and also duly segregating the penal amount under any power purchase costs. Without getting the above direction set aside and also without complying with the same, MePDCL has once again prayed for allowing Rs. 431.20 Crore instead of Rs. 389.38 Crore. MePDCL has only produced the statutory auditor certificate and not the C&AG Audited accounts. Instead of complying with the directions of the Hon'ble Commission, MePDCL is wrongly relying on the Judgment dated 30.10.2015 passed by the Hon'ble High Court of Delhi wherein the direction to conduct a C&AG Audit of the Private Distribution Companies in Delhi has been set aside. The observations of the Hon'ble High Court are also in the context of 'setting of tariff' and not truing up. The MePDCL is a government company and is mandated to get the C&AG Audit conducted in a time bound manner. Being in FY 2016-17, it is not understood as to why MePDCL cannot get the C&AG Audit for FY 2011-12 and is going on flouting the directions issued by the Hon'ble Commission.

In view of the above, BIA requested the Commission that the excess power purchase costs claimed for FY 2011-12 without complying with the directions of the Commission cannot be permitted.

2. PAST PERIOD EXPENSES

BIA submitted that the direction of the Commission to MePDCL was to furnish the details of the above expenses and the nature of the transactions. Once again, without giving the details and by simply producing the charted accountant's certificate, the MePDCL cannot claim these expenses. BIA further submitted that the CA certificate only states that expenditure has been incurred but does not prove its prudence or whether the same should be allowed as a part of tariff or not. Therefore, there is no justification of allowing an amount of Rs. 2.80 Crore as prior period expenses at this stage.

3. REVENUE COLLECTION FOR FY 2011-12

BIA submitted that MePDCL is treating the present proceeding as a second review petition in disguise is asking for all those reliefs which have been rejected by the Hon'ble Commission in the Order dated 31.03.2015 as well as in the Review Order dated 11.08.2015. Without giving the necessary information, it is not understood as to how MePDCL can ask for an adjustment at this stage. If the C&AG audited accounts have not been filed, there can be no question of making any claims by MePDCL. The consequent change in AT&C losses also cannot be permitted. BIA submitted that MePDCL is treating this petition as a second review petition and seeking the very same relief which was sought for in the earlier review petition and rejected by the Commission in the Order dated 11.08.2015. Worse is that MePDCL is seeking to get this relief without even complying with the directions or submitting the necessary data as were sought by the Hon'ble Commission in the Orders dated 31.03.2015 and 11.08.2015.

In view of the above, the additional deficit of Rs. 63.84 Crore as prayed for by MePDCL cannot be permitted.

MePDCL's response

MePDCL submitted that adjustment in the truing in the FY 2011-12 has been proposed based on the directives given by the Commission dated 11.08.2015. They have submitted the audit of power purchase amount by statutory auditor and C&AG audit report submitted to the Commission.

MePDCL stated that the adjustment is on account of prior period expenses which were not reflected in the account of the respective years and hence need to be considered in the present petition.

MePDCL stated that they have proposed this petition as per the directive of the Commission given in its order dated 31.03.2015 for submission of C&AG report and details of opening and closing balances of trade receivables. Since the true up involved AT & C losses the Petitioner requested the AT&C loss calculation and penalty thereof.

MePDCL further submitted that Petitioner in the true up petition for FY 2012-13 is not seeking for the review of the order. However, a combined tariff application was filed for all entities.

MePDCL stated that the basic principle of truing up is to adjust the difference of actual data with the approved data after prudence check. It would not be justified if the same was not filed on time. It will be against the basic principles of law to allow justice even if it is delayed.

MePDCL further stated that they have already suffered the loss because of delay in filing of true up petition and the carrying cost of this gap has not been proposed to pass through to the consumers.

MePDCL submitted that as per the tariff regulation all the uncontrollable costs need to be allowed and accordingly power purchase amount should be allowed. The copies of the bills were filed with the petition.

OBJECTIONS OF BYRNIHAT INDUSTRIES ASSOCATION ON TRUE UP FOR FY 2012-13

1. BIA submitted that the distribution tariff of MePDCL was decided by the Hon'ble Commission in the Order dated 20.01.2012. The said Order was not challenged by MeECL/MePDCL and has become final and binding. The principles decided in the said Order are also final and cannot be reopened at the stage of truing up.

2. BIA submitted that despite the provision of seeking tariff review with the provisional accounts, MePDCL has chosen not to do so and has approached the Commission after completion of 4 years and with substantial delay seeking truing up. Also, as per the Regulations, when MePDCL seeks tariff determination for the following year, it should be accompanied by an application for truing up of financials of the previous year but this has not been the practice followed by MePDCL.

3. BIA submitted Judgments given by APTEL in various matters and stated the following:

    a) Truing up is not a stage to lay down a new principle or deviate from the principle laid down in the original tariff order.
    b) Truing up is not a mechanical exercise of simply taking the audited accounts and allowing all costs to the Distribution Company.
    c) If an error has been committed in the main tariff order, it need not be perpetuated and can be corrected in truing up.
    d) Once targets and performance parameters have been approved in the main tariff order, the same will prevail and cannot be changed in truing up
    e) In so far as tariff determination is concerned, the Regulatory Commission is not bound by the Transfer Scheme and can ignore the values given in the balance sheet /audited accounts if the same are excessive and fictitious

4. BIA in view of the settled principles above, has dealt with the claims of MePDCL on the truing up of FY 2012-13 as under –

POWER PURCHASE COST FOR FY 2012-13

5. In the Tariff Order dated 20.01.2012, the Commission had after detailed discussions and after noting the specific objections of BIA had approved the power purchase costs of Rs. 353.83 Crore and transmission charges of Rs. 52 Crore. Thus the total power purchase costs for 2136.67 MU were approved at Rs. 405.83 Crore.

6. However, in the present petition, MePDCL has stated that the actual power purchase was only 1761.52 MUs at a cost of Rs. 345.52 MU. This goes to prove the point being made by BIA from time to time, namely that there is no credibility in the claims made by MePDCL in its tariff petitions. While MePDCL projects high costs and takes a

higher tariff, the actuals turn out to be much lower. However, the consumers have already funded the higher tariff based on the assumption of MePDCL even though the actual are much lower.

7. In the instant case, MePDCL based on its projection has enjoyed tariff on the power purchase costs of Rs. 405.83 Crore against the actual amount of Rs. 345.52 Crore for so many years and the actuals are much lower.

8. BIA requested the Commission to impose a penalty on MePDCL for such wrong and inflated projections.

OPERATION AND MAINTENANCE EXPENSES (O&M EXPENSES)

9. There are three components of O&M Expenses. As against the approved Repair and Maintenance Costs of Rs. 29.94 Crore, MePDCL has incurred only Rs.15.01 Crore. As against the approved Employees Expenses of Rs. 191.17 Crore, MePDCL has only incurred Rs. 183.97 Crore. In respect of Administrative and General Expenses, as against the approved figure of Rs.11.67 Crore, MePDCL has incurred Rs. 13.68 Crore.

10. Once again it is seen that MePDCL has enjoyed tariff for so many years on inflated figures and has not taken any steps to get its accounts trued up by the Commission for its own benefit. Further, the C&AG Audit figures are still not available and the actual may come down even further.

11. In view of the above, the Commission ought to impose a penalty on MePDCL for such wrong and inflated projections.

DEPRECIATION FOR FY 2012-13

12. BIA stated that the only reason given by MePDCL for higher depreciation in Note 11 of the Audited Statement of Accounts perusal of which shows that the main difference in depreciation is on account of the changes made in by the State Government in the Transfer Schemes.

13. It has already been held by the Hon'ble Appellate Tribunal in many cases and the figures shown in the Transfer Scheme are not binding for tariff determination. Therefore, the attempt on the part of MePDCL to get the values in the Transfer Scheme modified just to claim higher depreciation needs to be rejected outright.

14. MePDCL should be directed to explain as to what are the details of the assets capitalized in FY 2012-13. Till the time this detail is available, there will be no clarity on the depreciation claimed by MePDCL. The Leshka project is of the generating company and no part of its depreciation can be claimed by MePDCL for the same.
15. Till the entire details of capitalization are available, the Commission cannot pass on the deviation of Rs. 57.72 Crore in the consumer tariff.

INTEREST AND FINANCE CHARGES FOR FY 2012-13

16. As against the approved figure of Rs. 88.69 Crore, MePDCL has claimed an amount of Rs. 98.80 Crore. The main reason stated in the truing up petition is the capitalization of IDC of the ongoing Leshka and New Umtru projects.
17. Firstly, the above projects belong to the generating company and MePDCL cannot make any claim for IDC of the same. Secondly, even the dates of commissioning of the above project have not been given. If the projects are not commissioned at all, how can the IDC be capitalized at this stage.
18. BIA submitted that no claim for IDC can be made in the present petition without following the Regulations.

OTHER DEBTS OF FY 2012-13

19. The claim of Rs. 86.43 Crore made by MePDCL towards other debits is laughable and has come about due to an intentional mistake committed by MePDCL and cannot be passed on to the consumers.
20. The main reason cited by the MePDCL for claiming other debits is the Delayed Payment Surcharge which was being shown by MePDCL in its bills to the BIA Members despite the availability of the Order dated 28.08.2012 of the Hon'ble Supreme Court.
21. MePDCL has woken up in 2016 despite knowing very well that it was wrongly charging the DPC from the members of the BIA.
22. Despite the above observation, MePDCL went on wrongly billing the DPC and is now claiming a premium on its default by asking this Hon'ble Commission to pass on to the consumers the other debits of Rs. 86.43 Crore.

23. It is respectfully submitted that MePDCL cannot claim a premium for its wrong doings and no amounts can be passed on in the truing up as ‘other debts’ to the consumers of the State.

PRIOR PERIOD EXPENSES FOR FY 2012-13

24. Year on year, MePDCL makes a claim towards prior period expenses. These are made to correct the past mistakes of MePDCL in accounting or booking and fall under specific heads such as wheeling charges, Employees Expenses, interest and finance charges etc.

25. With respect, MePDCL has not understood the concept of truing up. This petition is for truing up of the financials of FY 2012-13 only. It is not that whatever amounts have been wrongly reflected in the past or have not been allowed to MePDCL can be claimed as ‘Prior Period Expenses’.

26. Further, the truing up till FY 2011-12 has been completed and certain amounts have been disallowed in the same. Without challenging those relevant orders, MePDCL is once again claiming the very same amounts under ‘prior period expenses’. Then, the orders passed in the earlier years truing up will virtually be set aside if this relief is granted. Therefore, no prior period expenses can be allowed to MePDCL.

RETURN ON EQUITY FOR FY 2012-13

27. In the Order dated 20.01.2012, the RoE had been allowed by this Hon’ble Commission as Rs. 28.28 Crore exactly as per the projection of MePDCL. At this stage, MePDCL is claiming an ROE of Rs. 239.28 Crore based on its revised accounts as per the Transfer Scheme.

28. This is completely unacceptable and had been specifically rejected by the Hon’ble Appellate Tribunal in the Mawana Sugars case. The Hon’ble Tribunal has clearly held that if the utility wishes to have a higher equity in its books of accounts, it can do so but the RoE cannot be passed on to the consumers.

29. The Transfer Scheme issued by the State Government is not binding on the Hon’ble Commission in this regard and the additional RoE cannot be passed on to the consumers.

AT&C LOSSES, OTHER INCOME AND PENALTY FOR NON-ACHIEVEMENT OF AT&C LOSS REDUCTION TARGETS

30. With regard to AT&C loss, the same has been fixed by the Hon'ble Commission in the Order dated 20.01.2012 with detailed reasons. The same cannot be permitted to be changed to the detriment of the consumers.

31. The other income needs to be trued up as per the Tariff Regulations, 2011.

32. There can be no question of not imposing the penalty for not achieving the AT & C loss reduction targets. In the Order dated 30.09.2014, the Hon'ble Commission had clearly stated that only on the availability of C&AG Audited Accounts, a final view would be taken. In the absence of these accounts, no deviation can be permitted at this stage.

33. BIA stated that the major revenue gap for FY 2012-13 is being created by the claims RoE, depreciation and interest and finance charges because of the revised figures in the Transfer Scheme. BIA has already submitted that the figures in the Transfer Scheme are not binding on the Commission as held in the Judgments of the Hon'ble Tribunal.

34. Therefore, the artificial revenue gap sought to be created by MePDCL cannot be permitted to be passed on to the consumers in the State.

MePDCL's response

1) MePDCL stated that the basic principle of truing up is to adjust the difference of actual data with the approved data after prudence check this involves passing through of changes in various uncontrollable cost after due prudence check. As such it is not justified if the same is not allowed simply on the pretext that the same was not done on time. The same shall be against the basic principles of law to allow justice even if it is delayed.

2) They stated that they have already suffered because of the delay in the true up due to which it was not able to recover the increase in various cost elements which are uncontrollable on part of the licensee.

3) MePDCL submitted that ARR is based on past consumption and consumers sale mix which is uncontrollable in nature and therefore needs to be trued up. As per the

actual consumption the Petitioner have sought for adjustment in power purchase cost in the true up application. The power purchase quantum and the extract of power purchase cost along with the copy of bills from all sources during the year were appended along with the petition.

4) The Petitioners submit that due to less expenditure from the approved expenses in R&M cost and Employees cost, benefits have been passed through. They submitted that A&G expenses depends on many factor such inflation, expansion of business, trainings, travels, etc. Therefore, it is submitted that Rs.13.68 Crore is genuine and uncontrollable expenditure and need to be passed through.

5) MePDCL submitted that during filing of ARR for 2012-13, separate statement of accounts were not available and hence depreciation was booked on assets of MeECL. Since the audited statement of accounts is now available for FY 2012-13 the depreciation is booked on assets capitalized and not merely on the basis of the transfer schemes.

6) MePDCL submitted that date of commissioning of Leshka Project is provided in truing up petition of MePGCL for FY 2013-14. It is clarified that for FY 2012-13 the truing up petition has been filed by MePDCL. However, the truing up of generation, transmission is included in it because the Order for 2012-13 was a combined Order for all businesses.

7) MePDCL submitted that increase in interest and finance charges is not on account of IDC since the same is subtracted from the interest charges to arrive at the net interest charges in the truing up.

8) MePDCL further submitted that claims of other debits of Rs.86.43 Crore has been incurred based on the order of Hon'ble Supreme Court dated 28.09.2012 vide which the Petitioner was directed to revise the bill of HT and EHT consumer from a period October 2008 to November 2009. Further the revenue billed has already been considered in the true up of respective year 2008-09 and 2009-10 to cover the allow expenses in the previous year. As such now since the bills had to be revised, the licensee needs to recover the surplus amount considered as income in the respective year of FY 2008-09 & FY 2009-10 which were not actually income after the verdict of Hon'ble Supreme Court. Since the Supreme Court order has now come and has also

been implemented and the audited accounts of FY 2012-13 and FY 2013-14 are available the Petitioner is requesting to consider the impact of the same in the truing up petition.

9) The claim of prior income and expenses in accordance with MSERC Tariff Regulations 2011. They submitted that prior period expenses are expenditures that are not reflected in the account statement of the respective applicable year and hence are not yet considered in the true up petition for that year. Since these expenses are genuine and therefore need to be recovered.

10) MePDCL submitted that the equity amount reflected in the audited accounts for 2013-14 is not resulting from the recasting of balance sheet as per transfer schemes the equity amount is in the accounts under the head share capital pending allotment based on the transfer schemes. The same has now been converted to paid up capital. Moreover the Regulations allow the licensee to claim RoE as per equity shown in the balance sheet.

11) MePDCL submitted that in the true up order dated 30.09.2014 has not considered the impact of revised revenue billed for revision of AT&C losses of FY 2008-09 and mentioned that a final view of revision of AT&C losses shall be taken when 2012-13 audited accounts are made available.

12) MePDCL submitted that the actual data for 2012-13 are audited by independent statutory auditor and hence the BIA claim has no ground. The authenticity of the figures reported in the audited accounts cannot be questioned without any valid reasons.

Consumer Awareness Forum

1. Over the past three years, the Tariff of the consumers have been increased and the ARR as projected on all heads are unreasonable and without any basis.
2. The companies are not able to complete the C&AG audit since FY 2011-12 and hence there is no sanctity of the petition filed.
3. The consumers cannot bear any further increase in the tariff. Gap of Rs. 1700 Crore is illogical and should be rejected.
4. The industrial tariff hike has made industries to close down in Meghalaya State.

5. The supply of electricity should be made in affordable rates.

MePDCL's Response

1. MePDCL has submitted that LT & HT Industrial tariffs in the state of Meghalaya are comparable with other North Eastern states like Assam, Tripura. The tariffs of Meghalaya are very reasonable. It is not true that the operation of Industrial units unviable due to withdrawal of transport subsidy from Jan'2013.
2. MePDCL prays to the Commission to approve the proposed tariffs as the utility is bearing burden of the past years gaps.

Meghalaya Pensioners Association

1. Pensioners have requested that the Licensees proposal to hike the tariff by 25% is exorbitant.
2. Since, the pensioners have limited income, the existing rate should be maintained.

MePDCL's Response

MePDCL has submitted that the Pensioners service comes under Domestic Category whose sales account for at 35% of the total sales of the state. The tariff rate in Meghalaya are comparable with other North Eastern states like Assam, Tripura, Manipur, Meghalaya, Nagaland and Arunachal Pradesh wherein the Domestic tariffs are more than the tariff rates of Meghalaya. MePDCL has further stated that if any special preference to pensioner class is given, then similar demand from rest of the consumers in the same category comes up which would be unjust and lead to financial and operational un-viability of MePDCL. MePDCL requested the Commission to take appropriate step while considering the matter on pensioner's request.

Military Engineer Services (MES), Shillong

1. MES has submitted that they are taking supply from MePDCL in bulk and using their own infrastructure.
2. They have the Licensee status. However, MES is treated as consumer under General Purpose/Bulk Supply like Industries, Shopping Malls etc. They have opposed the proposal for increase in the fixed charges and energy charges in the present filings.

The representative has further submitted a comparison of the fixed charges and energy charges of Gujarat, Andhra Pradesh, Goa which are less than the rates charged in Meghalaya.

3. Claiming the deemed licensee status, requested to create a sub category for MES in the tariff structure and accordingly, charges fixed.

Commission's observation

The Commission has gone through each issues raised by the consumers, members of the SAC and issues raised in the public hearing and have considered them while determining the Tariff for FY 2016-17.

4. TRUE UP FOR FY 2011-12 and FY 2012-13

TRUE UP FOR FY 2011-12

4.1 Background

The petition was filed by MePDCL to consider the Commission's review Order dated 11.08.2015 in which certain components of ARR were not considered in the absence of C&AG report. The licensee has, in compliance with direction of the Commission, filed C&AG report dated 19.06.2015 with the current petition. The C&AG has commented on the accounts of MeECL for the year ending 31st March, 2012 under section 619 (4) of the Company's Act, 1956. They have conducted a supplementary audit of the accounts of FY 2011-12 and commented on certain items.

The Commission had already passed an order on 31.03.2015 in which True up of FY 2011-12 was decided on the basis of accounts audited by statutory auditor. The Commission had allowed a gap of Rs.85.53 Crore in FY 2011-12, however, the Commission has made a remark that report of C&AG on the accounts of FY 2011-12 shall be considered as and when made available to the Commission. MePDCL sought a review of the True up order in its petition dated 28.05.2015 and requested the Commission to consider the power purchase cost, return on equity and correction of AT&C losses and penalty thereof. At that point of time C&AG report was not made available to the Commission. The Commission examined the petition and ordered that change in power purchase cost cannot be entertained without the independent audit of power purchase amount for FY 2011-12 and certificate of C&AG on the accounts of FY 2011-12. The Commission has also dealt with issue of prior period charges, return on equity in the order and made no changes. However, revenue, distribution losses, AT&C loss penalties and employees cost were considered on account of additional submissions. The Commission allowed Rs.92.88 Crore as a deficit in FY 2011-12 in its review order dated 11.08.2015. The detailed analysis of the present petition is given below:

4.2 Power purchase cost for FY 2011-12

Petitioner's submission

MePDCL has submitted the C&AG report on the accounts of FY 2011-12 along with auditor certificates on power purchase, revenue assessed, revenue realized, balance of receivables and prior period expenses/revenues. MePDCL requested the Commission to consider the adjustment of Truing up in respect of power purchase cost, prior period charges and changes in the revenue collection in FY 2011-12 on account of auditor's certificate. The following issues are raised in the current petition:

MePDCL requested the Commission to allow Rs.431.20 Crore as the power purchase amount as per the auditor's certificate as against the approved amount of Rs.389.38 Crore passed by the Commission in its order dated 11.08.2015. MePDCL submitted a certificate of statutory auditor M/s. Kiran Joshi & Associates dated 30.10.2015. Auditor's certificate has given 419.56 Crore as power purchase with the breakup of amount of power purchase from different sources including PGCIL. The auditor has mentioned that Rs. 11.38 Crore as surcharge and open access charges as Rs. 0.25 Crore. The total power purchase amount was indicated at Rs. 431.19 Crore. This was given after verification of power purchase bills.

Sl No	Source	Amount (Rs. Cr)
1	NHPC	23.87
2	NTPC	103.00
3	NEEPCO	179.93
4	NVVN	2.09
5	UI (INTER)	50.14
6	VAR POOL	0.10
7	VAR ASEB	0.01
8	SCF	6.93
9	UI (INTRA) SCF	0.01
10	UI INTRA GVCIL	0.03
11	UI INTRA ACL	0.42
12	POSOCO	0.76
13	PGCIL	52.24
14	SURCHARGE	11.38
15	OPEN ACCESS CHARGES	0.25
16	**TOTAL POWER PURCHASE AMOUNT**	**431.19**

Commission's analysis

The Commission in its order dated 11.08.2015 required the licensee MePDCL to place the C&AG Certificate, report of independent auditor on power purchase and abstract of station wise power purchase bills showing bill amount and penalty amount separately. In the said order the Commission had allowed Rs.389.89 Crore as a power purchase amount for FY 2011-12. The information as provided by auditor on power purchase only reflects the power purchase amount but does not show the quantity of power purchase. On enquiry, MePDCL supplied the information on power purchase amount in 2011-12 vide its letter dated 04.02.2016. The amount of purchase or available energy is almost matching with the numbers approved by the Commission. MePDCL has shown 1170.52 MU as against allowed value of 1135.51 MU. Major variation of power purchase is from NEEPCO. The Commission has already passed an order on 31.03.2015 and allowed Rs.389.38 Crore for power purchase as against the claims of Rs.431.2 Crore by disallowing about Rs. 41 Crore payable to NEEPCO. This amount is considered as late payment surcharge on account of non-payment of dues of MeECL to NEEPCO. The C&AG report dated 19.06.2015 issued under Section 619 (4) vide B2C, shows that Rs. 41.78 Crore represent surcharge in the power purchase amount for FY 2011-12. In its review order dated 11.08.2015, the Commission has not changed the amount of power purchase as expenditures from NEEPCO amounting Rs.48.27 was not tallying with the information made available to the Commission and allowed Rs.389.38 Crore. Therefore, considering C & AG report also the power purchase cost as claimed for Rs. 431.20 Cr (-) shall be reduced by late payment charges of Rs.41.78 Crore which will be around Rs.389.42 Crore. Therefore, there is no need to change the power purchase amount. **The Commission approved Rs. 389.38 Crore towards Power Purchase in the revised True up.**

4.3 Prior Period Charges

Petitioner's submission

MePDCL submitted the details of prior period charges with chartered accountant certificate and claimed Rs.2.80 Crore as against NIL charges approved by the Commission in its Order dated 11.08.2015.

Commission's analysis

MePDCL have furnished the details of expenses with Auditor's Certificate having verified the documents (Annexure-D). The details include Rs. 2.71 Crore power purchase cost as prior period expense, which are being allowed in every True up order as actual. The period to which the power purchase expense relates to was not stated with reference to Invoice numbers and date. The Commission has not considered the expenditure in the True up for FY 2011-12 under Prior Period Charges as the prior period income is also of the same order. Accordingly, Commission does not allow any change in the prior period expenses and approved as NIL.

4.4 Revenue collection & penalties in FY 2011-12

Petitioner's submission

MePDCL submitted the Chartered Accountant Certificate dated 11.12.2015 for the revenue collection and revenue billed for the year 2011-12 as follows:

Revenue billed

(i) Total revenue billed Rs. 417.60 Crore

(ii) Less electricity duty Rs.2.64 Crore

(iii) Total revenue billed Rs.414.96 Crore

(iv) Less other income Rs.9.86 Crore

(v) Revenue from UI sales Rs.14.59 Crore

(vi) Net revenue billed Rs.390.51 Crore

Revenue collected

(i) Total revenue collected Rs.381.54 Crore

(ii) Less delayed payment surcharge Rs.47.05 Crore

(iii) Others Rs.3.23 Crore

(iv) Net revenue collected Rs.331.26 Crore.

Based on the actual revenue billed and collected MePDCL has modified the collection efficiency at 88.23%, AT&C losses at 35.31% and penalty of Rs.10.42 Crore as against Commission approved value of Rs.29.64 Crore.

Commission's analysis

The Commission has gone into the details given in the certificates dated 11.12.2015 issued by the auditor and C&AG report dated 19.06.2015 and examined them as against the figures allowed to MePDCL in its order dated 11.08.2015. These are:

1) Total revenue billed as Rs.390.51 Crore (no change in the current petition).
2) Revenue realized as Rs.344.55 Crore (as against Rs.318.31 Crore).
3) Collection efficiency as per current petition is 88.23% (as against 81.51%).

However, the collected amount of Rs.344.55 Crore includes RE subsidy of Rs.13.28 Crore which should not part of their efficiency. As per the auditor's certificate the collection from sale of power is Rs.325.54 Crore as against Commission's approved value of Rs.318.31 Crore. The Commission during the public hearing required the licensee to explain the reasons for change in collection efficiency in the current petition. MePDCL informed during the hearing that the changes were made in the delay payment surcharge amounting Rs.47.05 Crore on account of Supreme Court Judgment dated 28.08.2012. They further submitted before the Commission that the revision due to Supreme Court Judgment was actually made in FY 2013-14. However, the correction in the late payment surcharge is made in the balance sheets of FY 2012-13 and FY 2013-14 which were prepared after the date of revision of bills of industries. The Commission noted that C&AG certificate issued on 19.06.2015 was not made available to the Commission before passing the review order on 11.08.2015. The Commission does not accept their request for making correction in the FY 2011-12 after the date of issue of C&AG certificate in the proceedings. The MePDCL in its petition has claimed reduction in penalty only due to change in collection efficiency. Since, the Commission has not accepted the change in collection efficiency at this stage; the Commission considers no change in AT&C loss computation in this Order. Accordingly, the true up as allowed in the Review Order dated 11.08.2015 holds good.

4.5 Adjustment for True up of FY 2011-12

The Commission has considered the licensee's proposal to consider variation in power purchase cost, past expenses and AT&C penalty in FY 2011-12. After examination and reasons given above, the Commission considers no change in the above heads. Similarly other elements of ARR shall remain same as ordered in the review order dated 11.08.2015. Accordingly, the revised ARR as per the findings above is drawn below:

Table 4.1: Aggregate Revenue Requirement approved for true up of FY 2011-12

(Rs. Crore)

Sl. No.	Particulars	FY 2011-12		
		True Up Order 11.08.2015	MePDCL (Proposed in review adjustment Petition)	Now approved by the Commission
1	Power Purchase Cost Including Transmission Charges	389.38	431.20	389.38
2	Repair & Maintenance Expenses	19.89	19.89	19.89
3	Employee Expenses	150.43	150.43	150.43
4	Administration & General Expenses	10.18	10.18	10.18
5	Depreciation	27.10	27.10	27.10
6	Interest & Finance Charges	27.50	27.50	27.50
7	Other Debits (Including Provisions for Bad Debts)	4.11	4.11	4.11
8	Income tax	-	-	-
9	Prior Period Charges/(Credits)	-	2.80	-
10	Others (Losses relating to fixed Assets)	-	0.01	-
11	**Revenue Expenditure**	**628.59**	**673.21**	**628.59**
12	Add: Return on Equity Capital	28.28	127.15	28.28
13	**Aggregate Revenue Requirement**	**656.87**	**800.35**	**656.87**
14	**Less: Non-Tariff Income**	-	-	
15	Other Income	110.74	110.74	110.74
16	R.E Subsidy	13.42	13.42	13.42
17	Financial loss for 3% reduction in AT&C loss	29.64	0.00	29.64
18	Amortization	5.09	5.09	5.09
19	**Net Aggregate Revenue Requirement**	**497.98**	**671.10**	**497.98**
20	Revenue from Sale of Power	405.10	405.10	405.10
21	**Net Surplus/(Deficit)**	**(92.88)**	**(266.00)**	**(92.88)**

As seen from the above Table, there is no change in the net ARR and the consequent gaps for FY 2011-12. The gap as determined under the Commission's dated 11.08.2015 shall remain same at Rs.92.88 Crore. The change in the gap on account of distribution Tariff Order for FY 2015-16 dated 31.03.2015 wherein Rs.

85.53 Crore was already adjusted in FY 2015-16 which needs no revision. The remaining gap of Rs.7.35 Crore shall be adjusted in the ARR of FY 2016-17. With this, the Petition of adjustment of FY 2011-12 is disposed off.

TRUE UP OF FY 2012-13

4.6 Background

MeECL had filed ARR petition for FY 2012-13 on 15.12.2011 for combined business which was disposed of by the Commission on 20.01.2012 by issuing tariff order for FY 2012-13. Now in line with the provisions of tariff Regulations 2011, MePDCL has filed the current petition for true up of FY 2012-13 on the basis of statement of accounts audited by statutory auditors for the combined business. The Licensee intimated to the Commission that C&AG report on supplementary audit is awaited. The licensee requested the Commission to allow the gap as may be determined by the Commission to be passed through in Distribution Tariff in FY 2016-17. The Commission in accordance with Regulations and directions of Hon'ble APTEL Order dated 01.12.2015, considered the true up on provisional basis as an interim approval.

Table 4.2: Aggregate Revenue Requirement and Revenue Gap/Surplus for FY 2012-13

S. No.	Particulars	Approved by MSERC vide order dated 20.01.2012	Actuals as claimed
	Power Purchase Cost	353.83	299.28
	Transmission Charges	52.00	46.24
	Repair & Maintenance Expenses	29.94	15.01
	Employee Expenses	197.80	203.17
	Administration & General Expenses	11.67	14.41
	Depreciation	42.68	100.40
	Interest & Finance Charges	98.46	136.76
	Other Debits (Inc' Provisions for Bad Debts)	5.00	86.43
	Income Tax	-	-
	Prior Period Charges /(Credits)	-	27.61
	Others (Lossed relating to Fixed Assets)	-	-
	Revenue Expenditure	**791.38**	**929.321**
	Less: Expenses Capitalised	-	**-**
	Interest & Finance Charges Capitalised	9.77	37.96
	Employee Expenses Capitalised	6.7	19.20
	Administration & General Expenses	-	0.73

S. No.	Particulars	Approved by MSERC vide order dated 20.01.2012	Actuals as claimed
	Capitalised		
	Net Revenue Expenditure	**774.91**	**871.42**
	Add: Return on Equity Capital	28.28	239.28
	Aggregate Revenue Requirement	**803.19**	**1110.70**
	Less: Non Tariff Income	-	-
	Other Income	127.88	103.57
	R.E. Subsidy	14.00	10.37
	Amortization		7.19
	Add: Reduction of Penalty due to Supreme Court Effect		49.95
	Net Aggregate Revenue Requirement	**661.31**	**1039.52**
	Revenue from Sale of Power	682.45	446.50
	Less: Prior Period adjustment of Revenue Billed for FY 2008-09 and FY 2009-10	-	77.67
	Net Surplus/ (Deficit)	**21.14**	(670.70)

Commission's Analysis

4.7 Energy Sales

The Commission has approved energy sales at 1593 MU for the year FY 2012-13 with the T&D loss of 26.87%. Total power procurement assessed at 2134.47 MU.

The Performance of Me-PDCL as submitted in the Petition is as per the Table shown below:

Table 4.3: Energy Sales

S. No.	Particulars	Approved in Tariff Order	True up Petition
LT Category			
1	Domestic	278.57	364.17
2	Commercial	56.40	74.78
3	Industrial	7.56	-
4	Agricultural	0.52	0.33
5	Public Lighting	1.63	2.36
6	Water Supply	7.13	-
7	General Purpose	16.29	13.87
8	Kutir Jyoti	9.89	-
9	Crematorium	0.22	-
10	MeECL Offices and employees	38.26	-
HT Category			
1	Water Supply	45.50	35.67
2	Industry (LT+HT)	463.36	482.71
3	General and Bulk Supply	87.19	66.56
4	Commercial	23.37	1.00
EHT Category			

S. No.	Particulars	Approved in Tariff Order	True up Petition
1	Industry	456.80	-
2	Assam	18.25	19.08
3	Sales within the State	-	1060.45
4	Bilateral	50.00	144.40
Total		**1560.94**	
Efficiency Improvement		30.02	-
Total		**1592.96**	**1204.93**

The power drawal has been made at 1761.52 MU, as against requirement allowed by the Commission for 2134.47 MU as per the information made available along with Annual Accounts, vide Annexure – G.

4.8 Energy Purchase for FY 2012-13

As per the Petition Energy Purchase for FY 2012-13 is as follows:

Table 4.4: Energy Purchase for FY 2012-13 (MU)

S. No.	Particulars	Approved	As per Audited Accounts
1	**Own Generation**	**864.40**	**704.74**
NEEPCO			
2	**Free Power**	**62.97**	**54.54**
3	Koppili- I	89.80	99.00
4	Koppili- II	8.20	
5	Khandong	19.09	
	Sub total	**117.09**	**99.00**
6	AGTPP	68.46	38.13
7	AGBPP	207.00	130.39
8	Rangandi	152.66	141.16
9	Doyang	25.12	22.67
	Sub total	**453.24**	**332.35**
10	**NHPC Loktak**	**65.28**	**10.09**
NTPC			
11	Farakka STPP	66.51	62.62
12	Kahalgaon HSTPP- I	34.45	36.81
13	Kahalgaon HSTPP- II	136.66	147.22
14	Talcher STPP	41.57	43.29
15	BTPS	113.88	-
16	OTPC Pallatana	156.86	-
17	Others including and UI	23.76	-
18	Bilateral Purchase	-	270.85
	Total Purchase	**1272.27**	**1056.77**

As per Annexure – G (excluding own Generation)

4.9 Energy Balance

Table 4.5: Energy Balance

S. No.	Particulars	MU
1	Energy Sales within State	1060.55
2	T&D Loss (%)	30.16
3	T&D Loss (MU)	458.06
4	Energy Requirement	1518.54
	Energy Availability	
5	Purchase from ER (NTPC)	289.95
6	ER Trans loss (%)	2.82
7	Net Purchase (MU	281.77
8	Purchase from NER (MU)	495.98
9	Total from ER+NER (7+8)	777.75
10	NER Trans loss (%)	3.48%
11	Trans loss (MU)	27.07
12	Net Purchase (NERLDC)	750.68
13	Own Generation (MU)	704.74
14	UI Purchase Bilateral	270.85
15	Total availability for (12+13+14) sale in State	1726.27
16	Intra State Transmission loss (4%)	69.05
17	Net availability	1657.22
18	Sales within State	1060.55
19	T&D Loss (30.16%)	458.06
20	Surplus (17-18+19)	138.61
21	Gross up with (4%)	144.17

As per Annexure - G

4.10 Power Purchase Cost

The Petitioner has claimed the power purchase cost at Rs. 345.52 Crore which includes Rs. 46.24 Crore of Transmission Charges as against the approved cost of Rs. 405.83 Crore in the Tariff Order for the FY 2012-13. As per the note 20 of Me-PDCL Annual Accounts (Combined Account for G,T,D) Power Purchase Cost is shown at Rs. 519.51 Crore (Including ARR of own Generation-MePGCL) which include Rs. 77.20 Crore wheeling charges (including MePTCL-transmission ARR) and Rs. 0.72 Crore represent commitment charges.

4.11 Analysis of the Power Purchase Cost

As per the details of source-wise power purchase bills furnished vide Letter No. ACB/MSERC/Tariff/1339(a)/2014/10, dated 30.11.2015, it is observed that Rs. 6.50 Cr towards surcharge for late payment was included in the details. Me-PDCL has submitted power purchase bills for the FY 2012-13 duly verified by Executive Engineer/ Superintendent Engineer/System management Me-ECL, Shillong. The Commission examined the invoices and found that a sum of Rs. 40.47 Crore of late payment surcharge is included in the invoices of power purchase cost. The Commission does not consider the late payment surcharges due to failure of the Licensee to discharge the power purchase liability within the due date. The Commission had already advised to the management of the Licensee from time to time to adhere with the time schedule of payment to the generators. Accordingly, to protect the interest of the consumers, the Commission does not consider LPSC to pass through in the ARR.

Similarly, the Commission has examined the average rate of power purchase from sources like NTPC, NHPC & NEEPCO and compared it with the audited average rate as submitted by the Licensee in its petition. The average rate of power purchase from NEEPCO and NHPC are quite high as compared to Commission's allowed rate. It clearly shows that the power purchase amount shown in the petition includes of LPSC or the past dues. Since, the Commission has already reduced the Power purchase cost with LPSC, no further reduction is considered at this stage.

The Commission has examined the power purchase as shown in the SLDC data, that power purchased from the Bilateral Sources which are not approved by the Commission. The Commission in its Order dated 20.01.2012 directed the Licensee to follow the Commission's Order and Regulations while making purchase of power. It was also directed that if the power purchase variation is more than 5% then the Licensee shall obtain the prior permission of the Commission. The Commission had considered for the computation of power purchase cost as proposed by the Licensee at Rs.4/kWh as rate of purchase of power from other sources in its Tariff Order for FY 2012-13 dated 20.01.2012. There was no prior approval sought by the Licensee on power purchases from sources other than approved sources. The Commission does not allow this practice to prevail. Accordingly, the Commission had reduced Rs.5.63 Crore for the purchase made from sources other than approved sources for 75 MU at the rate above Rs.4/kWh. The Commission further directs the Licensee to take the permission from the Commission before procurement of power from other than approved sources and advises the Licensee to follow the Regulations for such purchases. This is necessary to protect the interest of the consumers. The Commission directs the Licensee that payable/receivable towards UI are to be scrutinized accurately so that any excess allowed in the power purchase cost due to difference in scheduling and actual drawal by the open access consumer should not be collected from the consumers. The approved power purchase cost for FY 2012-13 is shown below:

Particulars	Approved by the Commission in Tariff Order 20.01.2012	Projected by the Petitioner	Now approved by the Commission
Power purchase	353.83	299.28	253.18
Transmission cost	52.00	46.24	46.24
Total	405.83	345.52	299.42

Accordingly, the Commission approves the power purchase cost at Rs. 299.42 Crore (345.52 - 40.47 - 5.63 = 299.42) after deducting Rs. 40.47 Crore as Late Payment Surcharge and disallowance of power purchase at excess rate than the allowed rate at Rs. 5.63 Crore. This amount includes Transmission Charges of Rs. 46.24 Crore. In the Tariff Order, the average rate of power purchase from the sources other than own Generation was Rs.2.78/kWh which has now been approved at Rs.2.83/kWh.

4.12 O&M Expenses

4.12.1 Employee Cost

The Petitioner has claimed Rs. 183.97 Crore net of capitalisation for True up. As per the Audited Accounts the Employee Cost reported at Rs. 203.17 Crore gross and net after capitalisation of Rs. 19.20 Crore the claim of Rs. 183.97 Crore as per audited accounts found to be admissible. The Employee Expenses includes Terminal Benefit expenses. The Commission directs the Licensee and Generating Company to place the details of transaction of pension, terminal liabilities and status of the Trust made for disbursement of the retired employees in its next ARR so as to make any necessary adjustments, if any, in accordance with the Regulations.

The Commission approves employee cost at Rs. 183.97 Crore in the True up for the FY 2012 13.

4.12.2 R&M Expenses

As per the Audited Accounts the expense reported at Rs. 15.00 Crore as against Rs. 29.94 Crore approved in the Tariff Order for FY 2012-13.

The Commission approves Rs. 15.00 Crore towards R&M expenses in the True up for the FY 2012-13, at actual. The Commission further directs the Licensee to maintain their network in proper condition so as to provide 24x7 power supply in the state in uniform manner.

4.12.3 Administration and General Expenses

The Petitioner has claimed Rs. 13.68 Crore net of capitalisation for True up for FY 2012-13 as against approved expenses in the Tariff Order for FY 2012-13 at Rs. 11.67 Crore.

Commission's Analysis

As per the Audited Accounts the A&G Expenses reported at Rs. 13.68 Crore which includes Bad Debts shown as written off at Rs. 2.40 Crore in MeECL Rs. 1.82 Crore in Me-PGCL which are not admissible as no written off details are made available by the utility.

The Commission approves the Administration and General Expenses at Rs. 8.73 Crore after capitalisation of Rs. 0.73 Crore for True up for the FY 2012-13, after disallowing Rs. 4.22 Crore of Bad debts written off.

Table 4.6: O&M Expenses approved for True up of FY 2012-13

(Rs. Crore)

Particulars	Tariff Order for FY 2012-13	Claimed by Petitioner	Approved for True up for FY 2012-13
Employee Cost	191.20	183.97	183.97
R&M Expenses	29.94	15.00	15.00
A&G Expenses	11.67	13.68	8.73
Total	**232.81**	**212.65**	**207.70**

The Commission approves O&M Expenses at Rs. 207.70 Crore in the True up for the FY 2012-13.

4.13 Depreciation

The Petitioner claimed Rs. 100.40 Crore as Depreciation for True up for the FY 2012-13 as against Rs. 42.68 Crore approved in the Tariff Order.

Commission's Analysis

As per the Audited Accounts the following is observed.

The claim of Rs. 100.40 Crore towards Depreciation in the Petition is not supported by any records for abnormal addition in the GFA for the FY 2012-13. As per the Annual Accounts addition of GFA has been reported at Rs. 1515.45 Crore.

MeECL had filed Tariff Proposal with opening GFA at Rs.1319.97 Crore and an addition of Rs. 453.97 Crore for the FY 2012-13 have assessed Rs.55.53 Crore as Depreciation. The Capital grants and subsidies as per the Annual Accounts are of the order of Rs. 288.28 Crore.

The Commission had approved in Tariff Order for FY 2012-13 dated 20th January, 2012 a Depreciation of Rs. 42.68 Crore considering the likely delay in Commissioning of ongoing Leshka Project and escalating 5% Depreciation over the FY 2011-12 numbers as provisional which shall be validated at the time of true up after commissioning of Leshka project.

The Government of Meghalaya in their Order No. power-79/209 dated Shillong the 23.12.2013 have declared modified transfer value of the Assets and liabilities to be vested with the Meghalaya Energy Corporation Ltd. as on 01.04.2010.

MeECL, MePDCL, MePTCL and MePGCL shall adopt the revised Assets and liabilities communicated by Government of Meghalaya and were to be incorporated in the respective corporations' books for the year 2013-14.

The Commission had allowed provisionally the Depreciation at Rs. 42.68 Crore for the FY 2012-13. It was held that Leshka Project is yet to be completed, the Depreciation allowed will be validated at the time of True up.

The Petitioner did not provide the project completion report together with the capitalisation details under the approval of CEA for capital cost increase if any. The Generating Company is still to file the final tariff determination of Leshka Project. The Depreciation on addition of assets not considered now. However, the Commission as done in the Provisional Tariff Determination for Leshka Project, considers the capital cost at Rs. 671.29 Crore for its two units. The Commission directs MeECL to file the Tariff Petition for final Determination of Leshka Project at the earliest.

Accordingly the Depreciation on the Assets as per the statement of accounts for 2012-13 is calculated in the statement below:

Table 4.7: Depreciation for FY 2012-13

(Rs. Crore)

Particulars	Opening Balance	Closing Balance	Average Assets	Average Depreciation	Depreciation
MeECL	33.43	33.52	33.47	2.54%	0.85
MePDCL	229.61	321.84	275.73	5.38%	10.24
MePTCL	62.10	221.17	141.64	4.72%	6.54
MePGCL	303.80	975.09*	639.45	4.45%	28.45
Total	**628.94**	**576.53**	**1090.29**	**4.22%**	**46.08**
Less: Grants available			342.22**	4.22%	14.44
Net Depreciation					**31.64**

*As per Petitioners proposal, Unit-I&II of Leshka Project are considered for the purpose of depreciation

**As per Audited Financial statement of Accounts of MeECL, grants available is at Rs. 569.04 Crore. Rs. 342.22 Crore considered after excluding grants for MePGCL at Rs.226.82 Crore to be considered in the final Tariff.

Accordingly, the Commission has considered depreciation excluding grants in accordance with Regulation Rs. 31.64 Crore after deducting Depreciation for assets created with the grants and consumers contribution for True up of FY 2012-13.

4.14 Interest and Finance Charges

The Petitioner has claimed interest and finance charges at Rs. 136.76 Crore as against Rs. 88.69 Crore approved in the Tariff Order for FY 2012-13.

Commission's Analysis

The Petitioner has not furnished any long term loans schedule for the FY 2012-13 and also not provided any details for the interest claimed.

As per the Annual Accounts for FY 2012-13 the loans schedule of MePDCL and MePGCL indicates that a sum of Rs. 940.52 Crore long term loans borrowed for capital works are outstanding as at 31.03.2013.

The long term loan schedule as per the note 5 of all the utilities (Annual Accounts) is drawn and interest has been worked out at Rs. 101.73 Crore on the outstanding term loans of Rs. 940.52 Crore.

Table 4.8: Long Term Loan Schedule

Particulars	Me-PDCL	Interest	Me-PGCL	Interest	Total
PFC (RAPDRP) (9%)	10.19	0.92			0.92
REC (8%)	44.99	3.60			3.60
RGGVY (12.75%)	-				
Federal Bank (13.55%)	-		58.49	7.93	7.93
CBI (12.75%)	-		66.92	8.53	8.53
PFC (13.14%)	-		168.31	16.83	16.83
BSE Power Bonds – I (9.95%)	-		120.00	11.94	11.94
BSE Power Bonds – II (11.40%)	-		50.00	5.70	5.70
REC (11.07%)	-		253.04	28.01	28.01
HUDCO (12.50%)	-		143.53	17.94	17.94
OECF (1.30%)	-		13.77	0.18	0.18
JBIC/CSD (1.30%)	-		11.28	0.15	0.15
Total	**55.18**	**4.52**	**885.34**	**97.21**	**101.73**

The Commission has considered the interest on working capital on the borrowings towards the purchase of power as reflected in the annual accounts is shown below:

a. Borrowing from IOB @ 13.75% for Rs. 50.00 Crore
b. Borrowing from SBI @ 12.75% for Rs. 69.93 Crore

In view of the above borrowings, the Commission allows Rs. 15.78 Crore as Interest on working capital. This is considered to make the Licensee to make their payment towards the power purchase liabilities in time.

The Commission considers the MePGCL debt limited to capital cost of Unit-I&II of Leshka Project as per the Commission's Interim Tariff. Accordingly, the Interest Charges of Rs. 97.21 Crore shall be kept at Rs. 51.59 Crore for capital works. The total interest payable for the integrated utility for capital works shall be Rs. 56.11 Crore. After capitalization of interest proportionately at Rs.21.19 Crore as against Rs.37.96 Crore proposed by the Petitioner. The Commission approves interest and finance charges for capital works at Rs. 34.92 Crore. In addition to above, the Commission allows interest on working capital at Rs. 15.78 Crore.

Therefore, the Commission allows Rs. 50.70 Crore (Rs.34.92 Crore + Rs.15.78 Crore) for True up of FY 2012-13 towards Interest on Term loan and Interest on working capital.

4.15 Other Debts

The Petitioner has claimed allowance of Rs. 86.43 Crore towards other Debts including provision for Bad Debts for True up of FY 2012-13.

The Commission observed that the provision is not an expense as such provision towards Bad and Doubtful debts shall not be eligible for allowance as expenditure in the True up exercise subject to audit verification by independent agency for receivables. The Commission directs the Licensee to go for independent audit for receivables for which the Commission has been allowing provisions towards bad debts from FY 2007-08 onwards in its various Tariff Orders. The study of the same shall be submitted to the Commission at the time of next filing.

Other debts amounting to Rs. 81.43 Crore stated to be withdrawn of excess billed energy charges and DPC as per Hon'ble Supreme Court Order dated 28.08.2012, the Commission is unable to consider at this stage without proper examination of the claims. The Petitioner has proposed that due to revision of bills, the bill amount for energy charges was reduced by Rs. 22.70 Crore in FY 2008-09, Rs. 54.97 Crore in FY 2009-10. The Delay Payment Surcharge from FY 2008-09 to FY 2011-12 as shown in the petition, amounts to Rs. 79.88 Crore. However, during the proceedings of Final True up of FY 2009-10, the MePDCL submitted before the Commission in its Letter

No. 44 dated 24.01.2014 that the revenue from sale of power has been reduced by an amount of Rs. 18.89 Crore as against Rs. 54.57 Crore as submitted in the petition dated 15.05.2013 in FY 2009-10 and Delayed Payment Surcharge has been reduced by Rs. 15.64 Crore as against Rs.15.56 Crore as submitted in the same petition. Now in the current petition for truing up of FY 2012-13, the Petitioner has submitted that the revenue from sale of power has been reduced by Rs. 54.97 Crore in FY 2009-10. Similarly in its letter No. 43 dated 24.01.2014 the Petitioner submitted that the revenue from sale of power has been reduced by Rs. 13.94 Crore as against Rs.22.65 Crore in FY 2008-09 as submitted in the petition dated 15.05.2013. Now in the current petition for truing up for FY 2012-13, the Petitioner has submitted that the revenue from sale of power has been reduced by Rs. 22.70 Crore for FY 2008-09. The Petitioner is presenting the inconsistent data from which the Commission is not able to recognize the actual amount to be allowed in the true up of ARR. This needs thorough examination by an independent auditor. The audited statement of account of FY 2012-13 is incomplete without report of C&AG. MeECL in its letter dated 17.03.2016 has intimated that C&AG final report for FY 2012-13 with respect to Holding Company and its three subsidiaries are yet to be received from C&AG. The Commission has already directed in the true up proceedings of FY 2009-10 dated 30.09.2014 which is being reproduced below:

"The Commission will, therefore, take a final view on the account when audit of FY 2012-13 by the C&AG is done and the report is furnished. As far as the present true up is concerned, based on audited records, the revenue from other income in 2009-10 is being taken as Rs.58.50 crores."

Accordingly, the Commission directs that the Petitioner shall furnish the complete report on the implication of the Hon'ble Supreme Court Orders dated 28.08.2012 along with the report of C&AG on Statement of Accounts of FY 2012-13. It should be filed as a separate petition along with the proposal of benefit to be given to the other category of consumers during the same period as indicated in the Hon'ble Supreme Court order. Thereafter the Commission shall take a final view.

4.16 Prior Period Expenses

The Petitioner has claimed Rs. 27.61 Crore as prior period expenses for the True up of FY 2012-13, as per the Audited Accounts.

The Commission in the Tariff Order dated 20.01.02012 has not allowed any expenses on this account. The cost of power purchase, employee cost and Depreciation is being allowed at actuals for the True up from time to time by the Commission. The details of these expenses with transaction books for prior period expenses against the power purchase, employee cost and Depreciation are not made available.

The Prior period expenses are not considered in the True up Order for FY 2012-13 at this stage.

4.17 Return on Equity

The Petitioner has claimed RoE at Rs. 239.28 Crore projecting opening equity at Rs. 1573.80 Crore for the True up Business for FY 2012-13.

Commission's analysis

The Commission in the Tariff order dated 20.01.2012 has considered equity of MeECL (MeSEB) to be Rs. 202.00 Crore and allowed Return on Equity of Rs. 28.28 Crore at 14% for FY 2012-13. As per the Government of Meghalaya notification dated 29.04.2015, allotment of equity shares are yet to be finalised.

Hence, the Commission approves the same amount of Rs. 28.28 Crore towards Return on Equity for True up for the FY 2012-13.

4.18 Revenue from Sale of Power

The Petitioner has submitted Revenue from sale of power at Rs. 450.37 Crore (Gross) from 1060.55 MU sales projected for the year 2012-13.

Commission Analysis

As per the Audited Accounts the revenue from sale of Power reported at Rs. 446.51 Crore excluding electricity duty (Note 18 Revenue from operations) for Rs. 3.87 Crore. The average realization per unit works out to Rs. 4.21/kWh.

The revenue from sale of surplus power as shown in the audited account is Rs. 25.34 Crore for the sale of 144.17 MU. The average per unit rate works to be Rs.1.75/kWh. However, in the Tariff Order 20.01.2012, the Commission the considered Rs.4/kWh as rate of sale of surplus power/bilateral. The Licensee had not submitted any details about the bilateral sale in FY 2012-13. In order to protect the interest of the consumer, the Commission has already intimated to the Licensee that the sale outside the state should be made in a commercial manner. Accordingly, the Commission is considering deemed revenue out of 144.17 MU sold at the average purchase rate plus losses at Rs.3/kWh of Rs. 18.02 Crore. However, the Commission would like to clarify that the rate of sale considered above is only indicative and the Licensee should ensure that the sale of energy should be made in commercial basis and at attractive rates.

The revenue from sale of power is considered at Rs. 464.53 Crore (Rs. 446.51 Crore + Rs. 18.02 Crore) including deemed revenue of Rs. 18.02 Crore for outside sale for True up of FY 2012-13.

4.19 Non- Tariff Income

The Petitioner has submitted Rs. 103.57 Crore received as Non- Tariff Income during the FY 2012-13.

Commission's analysis

As per the audited accounts, the non-tariff Income reported to be Rs. 103.57 Crore as against Rs.105.55 Crore approved in Tariff Order which includes Meter rent, Theft and Malpractice Charges, wheeling charges, other miscellaneous charges etc.

The Commission approves Rs. 103.57 Crore as Non- Tariff Income for the True up of FY 2012-13.

4.20 AT& C Loss:

Table 4.9: Distribution Loss and AT&C Loss of Licensee

S. No.	Particulars	Calculation	Unit	Approved for True up
1	Generation (own as well as any other connected generate on net after deduction auxiliary consumption) within area of supply of DISCOM	A	MU	676.55
2	Input energy (metered import) received at interface points of DISCOM network	B	MU	980.68
3	Input energy (Metered Export) by the DISCOM at interface point of DISCOM network	C	MU	138.62
4	Total energy available for sale within the licensed area to the consumers of the DISCOM	D=A+B-C	MU	1518.61
5	Energy billed to metered consumers within the licensed area of the DISCOM	E	MU	1060.55
6	Energy billed to unmetered consumers within the licensed area of the DISCOM	F	MU	-
7	Total Energy billed	G=E+F	MU	1060.55
8	Amount billed to consumers within the licensed area of DISCOM excluding UI and Assam including subsidy	H	Rs. Cr	412.89
9	Amount realized by the DISCOM out of the amount billed at H#	I	Rs. Cr	347.30
10	Collection efficiency (%) (Revenue realized/ amount billed)	J=(I/H)x100	%	84.11
11	Energy realised by the DISCOM	K=JxG	MU	892.03
12	Distribution Loss (%)	L=((D-G)/D)x100	%	30.16
13	AT&C Loss (%)	M=(D-K)/Dx100	%	41.26

Table 4.10: Financial loss due to failure to achieve minimum reduction 3% in AT&C loss during FY 2012-13

S. No.	Particulars	
1	Actual AT&C loss for MePDCL during FY 2011-12	40.23%
2	Mandatory minimum reduction in loss as per Regulation	3.00%
3	Maximum permissible AT&C loss for MePDCL during FY 2012-13 (1-2)	37.23%
4	Actual AT&C loss as per the Petition and available data during FY 2012-13	41.26%
5	Shortfall in minimum reduction (4-3)	4.06%

S. No.	Particulars	
6	Energy Sales (MU) in FY 2012-13	1060.55
7	Avg. rate for sale of power in FY 2012-13	3.89
8	Shortfall in MU	43.06
9	Amount to be levied as penalty at average realisation Rs. 3.89/kWh (43.06*3.89) To be adjusted in the ARR of FY 2012-13 as financial penalty for non achievement of AT&C loss target	Rs. 16.75 Crore

The Commission has analysed that the actual losses reported at 30.16% as against 26.87% approved by the Commission. The loss on account of high losses than the target would have been resulted around Rs. 10 to 12 Crore either by reducing the power purchase or by improving the metered sales substantially. Accordingly, the Commission considers the penalty as done in past at Rs. 16.75 Crore.

Table 4.11: Approved Annual Revenue Requirement for the FY 2012-13

(Rs. Crore)

S. No.	Particulars	Tariff Order approved	Actuals claimed as per the Audit	Approved for True up
1	Cost of power purchase	405.83	345.52	299.42
2	R&M Expenses	29.94	15.00	15.00
3	Employee Cost	191.20	183.97	183.97
4	A&G Expenses	11.67	13.68	8.73
5	Depreciation	42.68	100.40	31.64
6	Interest & finance charges	88.69	98.80	50.70
7	Return on Equity	28.28	239.28	28.28
8	Provision for bad and doubtful debts	5.00	86.43	-
9	**Total ARR**	**803.29**	**1083.08**	**617.74**
10	Less: Non Tariff Income	105.55	103.57	103.57
11	Less: Subsidy	14.00	10.37	10.37
12	Amortisation			7.19
13	**Net Revenue Requirement**	**661.41**	**969.14**	**496.61**
14	Revenue incl. Deemed revenue of Rs. 18.02 Crore	585.99	446.50	464.53
15	Penalty for non achievement of AT&C loss			16.75
16	**Net Gap (13-14-15)**			**15.33**

The Revenue Gap of Rs.15.33 Crore so arrived as a result of True up for FY 2012-13 will be appropriated in the ARR for FY 2016-17.

5. True-up for FY 2013-14 and Provisional True-up for FY 2014-15

5.1 Introduction

The Petitioner has submitted petition for true-up of Distribution business carried out during the FY 2013-14. The Petitioner has submitted statement of accounts for FY 2013-14 without C&AG audit report but furnished audited statement of accounts certified by Chartered Accountants Company. In accordance with the Regulations the Commission is provisionally truing up the ARR for FY 2013-14 and FY 2014-15 subject to corrections after receiving the C&AG supplementary report and audit reports for the same.

The ARR for true-up for ARR FY 2013-14 as submitted by Petitioner is as stated below.

Table 5.1: Aggregate Revenue Requirement for FY 2013-14 submitted by the Petitioner

(Rs. Crore)

Sl. No	Particulars	Approved for FY 2013-14	MePDCL actual	Difference
1	Power Purchase	522.02	463.33	-58.69
2	Transmission charges	115.82	106.61	-9.21
3	Employee Cost	95.00	95.94	0.94
4	R&M Expense	13.30	4.78	-8.52
5	A&G Expense	6.38	7.31	0.93
6	Depreciation	14.61	11.76	-2.85
7	Interest and Finance charges	20.74	35.69	14.95
8	Other Debts Incl. Provision for bad debts	5.00	88.07	83.07
9	Prior period charges	0.00	-0.25	-0.25
10	Return on Equity	9.43	109.40	99.97
11	**Aggregate Revenue Requirement**	**802.30**	**922.62**	**120.34**
12	Less: Non tariff Income	40.00	0.00	0.00
13	Less: Cross subsidy surcharge	1.70	62.51	20.81
14	Less: RE Subsidy	16.00	14.57	-1.43
15	**Total**	**744.60**	**845.54**	**100.96**
16	Revenue from sale	744.60	488.53	256.07
17	**Revenue gap**	**0.00**	**357.01**	**357.03**

Commission's Analysis:

The Commission has compared actual performance with reference to statement of accounts for FY 2013-14 as per statutory audit report and arrived at actual admissible expenditure and revenue as per MSERC Regulations 2011.

5.2 Energy Availability:

Table 5.2: Comparison of power purchase in FY 2013-14

(MU)

Sl. No	Source	Approved for FY 2013-14	Actual Purchase
A	**MePGCL**	995	862.03
B	**Out side Purchase**		
1	NTPC	331	312.59
2	NHPC Loktak HEP	51	67.4
3	NEEPCO	528	205.28
4	OTPC Pallatana GPP	428	66.71
5	Free Power	60	57.64
C	**Short Term (Bilateral/ Banking/ UI etc.)**		
1	Mittal Processors Pvt. Ltd. (MPPL) – Banking	0	187.92
2	Meghalaya Power Ltd. (MPL) – Banking	0	11.32
3	NTPC Vidyut Vyapar Nigam Ltd. – Banking	0	15.93
4	IEX- Power Trading Corporation India Ltd (PTCIL)	0	12.64
5	Unscheduled Interchange (UI)	0	91.33
D	**Total**	**2393**	**1890.8**

5.3 Energy Sales for FY 2013-14

Table 5.3: Comparison of Energy Sales in FY 2013-14

(MU)

S. No	Category	Approved in FY 2013-14 Order	Actual's
A	**LT**		
1	Domestic	305.72	336.85
2	Commercial	64.83	70.98
3	Industry	8.71	5.75
4	Agriculture	0.45	0.16
5	Public Lighting	1.1	1.31
6	Water Supply	8.09	8.47
7	General Purpose	16.99	14.8
8	Kutir Jyoti	17.17	19.31
9	Crematorium	0.26	0.21
10	MeECL	40.17	4.89
B	**HT**		
1	Water Supply	35.15	29.03

S. No	Category	Approved in FY 2013-14 Order	Actual's
2	General Purpose including Dom/ Bulk	92.77	94.89
3	Commercial	39.12	18.67
4	Industry	350	286.29
C	**EHT**		
1	Industry	350	160.7
2	Assam	20	20.22
3	Bilateral / outside state sale	315	309.52
4	Additional Sale on account of commercial loss reduction	34.47	
	TOTAL	**1700**	**1382.05**

5.4 Energy Balance and T&D Loss for FY 2013-14

Table 5.4: Computation of T&D Losses for FY 2013-14

Sl. No.	Particulars	Calculation	MU
1	Power purchased from the Eastern Region (ER)	A	312.59
2	Inter-state transmission loss for ER	B	2.12%
3	Net power purchased from the ER	C=A*(1-B)	305.96
4	Power purchased from the North -Eastern Region (NER)	D	397.03
5	Inter-state transmission loss for NER	E	2.99%
6	Net power available at state bus from external sources on long term	F=(C+D)*(1-E)	688.40
7	Power purchased from generating stations within the state	G	862.30
8	Power purchased from other sources	H	319.15
9	Power sold to other states (including swapping/UI/bilateral)	I	309.52
10	Net power available at state bus for sale of power within the state	J=F+G+H-I	1560.06
11	Power sold to consumers within the state	K	1072.59
12	Transmission & Distribution Losses	L=J-K	487.47
13	**Transmission & Distribution Losses (%)**	**M=L/J**	**31.25%**

The T&D losses computed above is 31.25% as against 25% allowed by the Commission in FY 2013-14.

5.5 Power Purchase Cost:

MePDCL has claimed power purchase cost at Rs 569.95 Crore for true-up in FY 2013-14.

Commission's Analysis:

As per the audited statement of accounts note no 20, the cost of power purchase is shown as Rs 463.34 Crore and transmission charges at Rs 106.61 Crore Commission had in the tariff order for FY 2013-14 estimated the power purchase cost at Rs 522.02 Crore for purchase of 2276 MU energy at an average of Rs 2.29/kWh.

As per the petition MePDCL has procured 1870 MU energy and assumed 31.25% T&D losses after selling 309.52 MU surplus power.

The Commission examined the source wise power purchase bills for the period FY 2013-14 and found that it includes Rs. 38.53 Crore as LPSC to generators/suppliers. The Commission feels that LPSC should not be passed on to the consumers due to the failure of the licensee not discharging liability towards the generators. The Commission in its Order dated 30.03.2013 allowed purchase from approved vendors only. However, in the truing up petition, the Licensee has projected purchase from short term sources at 104 MU. The Commission requires the Licensee to furnish the details of source wise purchases during FY 2013-14. The Licensee has furnished the details of source wise power purchase vide its Letter 16 dated 26.03.2016. It is submitted by the Licensee that due to power regulation of NEEPCO, they were forced to buy power from short term sources and had paid fixed charges without buying power from regulated plants. The Commission does not accept this logic and payment of fixed charges without buying electricity. This will add unnecessary burden to the consumers. As per the records made available to the Commission, the power regulation was mainly forced from Ranganadi HEP @ Rs.1.93/kWh for about a year round the clock. The fixed charges of these plants are approximately half of the average rates. The Licensee need to see that by paying fixed charges and purchasing power from Exchange or UI, should not be more than average cost from the same plant. The Commission directs the Licensee that there should be an independent audit of power purchases from FY 2011-12 up to FY 2014-15 wherein the study should be made on current bill for each year, the delayed payment surcharge and supplementary bills because of revision of tariffs separately. This report should be given to the Commission along with the C&AG audit report along with the next true up petition. Till such time, the Commission is disallowing LPSC amount from the total outstanding bills of FY 2013-14 at Rs. 38.53 Crore. The details of the LPSC are annexed in this Order. Similarly from the Transmission outstanding bills, LPSC amount of Rs. 1.37 Crore needs to be deducted on the same principle. After deducting the late payment surcharge net power purchase cost amounts to Rs 424.80 Crore. The interstate transmission charges and intra state transmission charges are allowed as per the petition at Rs.105.24 Crore.

Power purchase cost	Rs 424.80 Crore
Transmission charges	Rs 105.24 Crore
Total	**Rs 530.04 Crore**

The Commission approves power purchase cost at Rs 530.04 Crore for true-up of FY 2013-14 as against Rs. 637.84 Crore. The average rate of power purchase including transmission charges was allowed at Rs.2.80/kWh. The average rate of power purchase in the true up is Rs.2.80/kWh.

5.6 Operation and Maintenance Expenses

Employee Cost

MePDCL has claimed Rs 95.94 Crore towards employee cost for true-up for FY 2013-14.

Commission's Analysis:

As per the audited statement of accounts note 21, the employee expense reported at Rs 93.26 Crore and apportioning of 1/3rd employee cost of MeECL at Rs 2.68 Crore, the expense worked out to Rs 95.94 Crore.

The Commission approves employee cost at Rs 95.94 Crore for true-up of FY 2013-14.

R&M Expenses

The Petitioner has claimed R&M expense at Rs 4.78 Crore for true-up of FY 2013-14.

Commission's Analysis

As per the audited statement of accounts the R&M expenses (vide note 24) reported at Rs 4.72 Crore and 1/3rd of MeECL expense factored and considered at Rs 4.78 Crore.

The Commission approves Rs 4.78 Crore for true-up of FY 2013-14.

A&G Expenses

The Petitioner has claimed Rs 7.31 Crore as against Rs 6.00 Crore approved by the Commission.

Commission's Analysis

As per the audited statement of accounts the expense reported at Rs 6.14 Crore which include Rs. 0.13 Crore ERC fees. The A&G charges of MeECL reported at Rs 3.50 Crore excluding bad debts written off. 1/3rd of expense apportioned for Rs 1.17 Crore.

A&G expense for MePDCL is approved at Rs 7.31 Crore as claimed by the Petitioner for true-up of FY 2013-14.

The Commission therefore allows O&M Expenses at Rs. 108.03 Crore as against Rs.114.30 Crore approved in the Tariff Order dated 30.03.2013.

5.7 Depreciation

The Petitioner has claimed Rs 11.76 Crore depreciation for true-up of FY 2013-14.

Commission's Analysis

As per the audited statement of accounts depreciation as per (profit & loss account) note 23 net of amortization is reported at Rs 11.50 Crore. Adding the 1/3rd share of MeECL for Rs 0.26 Crore MePDCL claimed Rs 11.76 Crore for true-up of FY 2013-14, projecting GFA at Rs 356.82 Crore for which details are not made available.

As per Regulation 78, Commission approves depreciation at Rs 10.00 Crore for true-up of FY 2013-14, after deducting the value of assets created with the Grants and consumer contributions as per the Table below:

Table 5.5: Depreciation for True up of FY 2013-14

(Rs. Crore)

Sl. No.	Asset Group	Opening Assets as on 01.04.2013	Additions during 2013-14	Deductions during the year 2013-14	Closing Assets as on 30.03.2014
1	Land and Land Rights	0.22	0.17	-	0.39
2	Buildings	4.39		-	4.39
3	Hydraulic Works	0		-	
4	Other Civil Works	2.34		-	2.34
5	Plant and Machinery	36.14		-	36.14
6	Lines and Cable Network	276.05	2.3	-	278.35
7	Vehicles	0.34		-	0.34
8	Furniture's and Fixtures	0.88	0.01	-	0.9
9	Office Equipment	1.48	0.05	-	1.53
	Total	**321.62**	**2.53**	**-**	**323.99**

Sl. No.	Particulars	Amount (Rs. Cr.)
a	Average Assets excl land	322.8
b	Average Depreciation	4.73%
c	Depreciation for FY 2013-14	15.26
d	Grants and consumer contributions for creation of Assets	111.1
e	Value of Assets @4.73%	5.26
f	Net Deprecation for FY 2013-14 (c-e)	10.00

The Commission approves Rs. 10.00 Core as Depreciation for FY 2013-14 as against Rs. 14.61 Crore approved in the Tariff Order dated 30.03.2013.

5.8 Return on Equity

The Petitioner has claimed Rs 109.40 Crore as return on equity projecting opening equity at Rs 776.40 Crore for FY 2013-14.

Commission's Analysis

As per the audited statement of accounts government of Meghalaya have yet to allot the equity capital to MePDCL as per the notification dated 29.04.2015. Commission considering Rs 202.00 Crore equity to all the three entities, considered return on equity at Rs 9.43 Crore for the FY 2013-14. **Therefore, return on equity is approved at Rs 9.43 Crore for true-up for FY 2013-14 till the time allocation is done. The Commission will analyze it in its next Tariff Order for FY 2017-18 in view of its**

Regulations and various judgments given by Hon'ble APTEL in respect of considering original amount of equity while allowing RoE.

5.9 Interest and Finance Charges

MePDCL has claimed Rs 35.69 Crore towards interest and finance charges for true-up of FY 2013-14.

Commission's Analysis

The Commission had not considered the loan from government for Rs 75.86 Crore out of the term loan projected by MePDCL for Rs 142.97 Crore for FY 2013-14. As per the audited statement of accounts the outstanding term loans is shown at Rs 54.45 Crore as on 31.03.2014. The loan schedule is drawn below excluding government loans.

Table 5.6: Interest and Finance charges

(Rs. Crore)

Particulars	Amount
Opening Balance as on 01.04.2013	55.18
Addition during the year FY 2013-14	
Repayment during the year 2013-14	0.73
Closing Balance	54.45
Average Loan	54.82
Average Rate of Interest	8.19%
Interest charges for FY 2013-14	4.49

The Commission approves interest and finance charges at Rs 4.49 Crore for true-up of FY 2013-14.

5.10 Interest on Working Capital

The Petitioner has claimed Rs. 35.69 Crore as interest on capital and working capital in FY 2013-14 as against Rs. 20.74 Crore including Rs.11 Crore as the working capital allowed by the Commission.

Commission's Analysis

In order to compensate the Licensee and encourage timely payment of Power purchase dues, the Commission allows the working capital as Rs. 11.95 Crore on the basis of statement of accounts as against Rs. 11 Crore allowed in the Tariff Order.

Sl. No.	Particulars	Amount (Rs. Crore)
1	13.75% Loan from SBI average amounting to Rs. 44.41 Crore	6.11
2	12.75% Loan from IOB average amounting to Rs. 45.84 Crore	5.84
3	**Total**	**11.95**

The Commission approves Interest on working capital at Rs. 11.95 Crore for true up of FY 2013-14.

5.11 Other Debts (Including provision for bad debts)

MePDCL has claimed Rs 88.07 Crore towards provision for bad debts and revision of energy charge as per the Hon'ble Supreme Court order dated 28.08.2012 for true-up of FY 2013-14.

Commission's Analysis:

The Commission had approved provision of bad debts at Rs 5.00 Crore in the Tariff Orders for FY 2013-14.

The provision shall not be an expense for true up as such the claim of the Petitioner for Rs 10.40 Crore towards Bad Debts cannot be considered without making audit of receivables. The Licensee stated in its petition that receivable of Rs. 145 Crore from consumers which are more than 6 months old and MePDCL has written off in FY 2013-14. The Commission requires the Licensee to appraise the action plan for recovering these dues and submit the reports to the Commission with details of written off of Bad debts.

As far as implication of Hon'ble Supreme Court's Order is concerned, the Commission will take final view after doing the complete exercise only after getting the C&AG certificates on the accounts of FY 2012-13 and FY 2013-14.

MeECL has submitted in the petition that due to the Orders dated 28.08.2012 passed by Hon'ble Supreme Court, there has been reduction of LPSC of Rs. 79.88 Crore for the period from FY 2008-09 to FY 2011-12 and Rs. 39.20 Crore for FY 2012-13. The debts being uncontrollable in nature, MeECL has submitted that they have written off as bad debts as per their internal audit statement of accounts, the expenses amounted to Rs. 86.43 Crore. In the said case, Hon'ble Supreme Court (Civil Appeal 1237 & 1238 of 2011- BIA v/s. MSERC and another) had held the following:

"*By order dated 10.9.2009 passed by the Meghalaya State Electricity Regulatory Commission, the unit rates of demand charges/energy charges were revised and fixed in the manner specified in Column (3) of Table VII attached with the aforesaid order. The said orders states that these rates shall be deemed to have come into effect from 1st October, 2008 and shall remain valid till the Tariff (D) is next revised by the Commission. On the basis of the tariff now fixed by the Commission, the amount due from the appellants was Rs.358.31 crores for the fiscal year 2008-09. The appellants had actually paid Rs.371 crores although the original claim by the respondents was Rs.465.73 crores. In our considered opinion, since the final amount due has been fixed at Rs.358.31 crores, the present appeals have been rendered infructuous. The appeals are accordingly dismissed as having become infructuous. However, any surplus amount which may have accrued to the appellants shall be adjusted against the future bills in accordance with law.*"

The scrutiny of the revision of the bills in accordance with the orders has to be done and the cases of other category of consumers have to be looked into. The information available in the statement of audited accounts which requires C&AG certificates, needs proper examination. Due to delay in filing of the present ARR with the audited statement of account (without C&AG certificate), the Commission is not in a position to scrutinize in detail the Licensee's proposal as it has to comply with the Hon'ble APTEL Order O.P. No. 1 dated 11.11.2011 and pass Tariff Order in time. However, a separate petition maybe filed by the Licensee giving the information along with the C&AG audited accounts which may be considered by the Commission after proper deliberation with the concerned stakeholders.

Accordingly, the Commission considers no value under this claim.

5.12 Non Tariff Income:

The Petitioner has furnished Rs.77.08 Crore as non tariff income for the FY 2013-14 as against estimated NTI at Rs.37.18 Crore.

Commission's Analysis:

As per the audited statement of accounts (note-18&19) the NTI is reported at Rs. 58.16 Crore and Rs 5.40 Crore being 1/3rd of other income received for MeECL at Rs. 3.81 Crore and Rs. 1.59 Crore of Revenue Grant is apportioned as Non Tariff Income.

The Commission approves Rs 63.56 Crore as Non Tariff Income for FY 2013-14 in the true-up.

5.13 Other Income:

MePDCL has submitted that RE subsidy received during the FY 2013-14 was at Rs 14.57 Crore.

Commission's Analysis:

As per the audited statement of accounts note-18 RE subsidy received for FY 2013-14 at Rs 14.57 Crore.

The Commission approves the RE subsidy at Rs 14.57 Crore for true-up of FY 2013-14.

5.14 Revenue from operations:

MePDCL has submitted actual revenue from operations including sale of power outside the state at Rs. 488.53 Crore for FY 2013-14 as against Rs 694.52 Crore approved in the Tariff Order.

Commission's Analysis:

The Commission has estimated in its Tariff Order revenue from tariffs as Rs 572.70 Crore for the sales within the state. The revenue from outside state sales estimated at Rs 121.82 Crore (Rs 572.70 Crore + Rs 121.82 Crore= Rs 694.52 Crore).

As per the audited statement of accounts Rs 488.53 Crore revenue excluding ED is reported including the sale of power to Assam and UI and other sales. The revenue from outside sale is reflected as in the audited accounts at Rs. 39.13 Crore for sale of 309.52 MU. The Commission in its Order for FY 2013-14 allowed Rs.3.60/kWh as the minimum rate for sale of power and computed its revenue. However, as per the audited statement of account, the Licensee has earned revenue from outside sale at

Rs. 2.46/kWh (excluding banking) which is even less than the average procurement of power purchase including transmission charges at the rate of Rs.2.80/kWh. The Licensee should have earned not less than Rs. 3.60/kWh as given in the Tariff Order. Accordingly, to caution the Licensee, the Commission considers revenue from sale other than consumer of the state at the rate of Rs. 3.60/kWh for 158.97 MU which gives Rs. 57.22 Crore as against Rs. 39.13 Crore shown in the balance sheet. The additional deemed revenue for the sake of computation of revised ARR shall be Rs. 18.09 Crore. The Commission feels that the Licensee should manage power purchase and outside sale in competitive manner as already instructed in the Tariff Order. The Commission also from time to time advised the Licensee to manage their sale and purchases in a commercial manner. The rates given in the Tariff Order and this Order for the sale of power outside the state are indicative and for the purpose of the computation on prudent basis only. The Commission directs the licensee to adhere with this principle and sell the power at attractive rates either to bilateral or to other source in future. Otherwise the Commission will not pass through these losses to the consumers of the State.

The Commission approves revenue from tariffs at existing rates at Rs 506.62 Crore (488.53+18.09) for the FY 2013-14 in true-up exercise.

5.15 Penalty for AT&C Losses

The Commission has examined the details of AT&C submitted by the Petitioner in its true up petition. The Petitioner has adjusted Rs. 77.67 Crore as adjustment due to Supreme Court Order dated 28.08.2012 and computed AT&C Losses at 36.69%. Since the Commission is not considering the adjustment at this stage without proper audit, the Collection Efficiency without considering the above amount shall become 84.14% as per revenue assessment to metered consumers in the State as per audited accounts. Accordingly the Commission has considered 31.26% as T&D Losses and Collection efficiency 84.14% and computed AT&C losses at 42.16% on provisional basis. At a later date, after C&AG certificate on revenue implication on account of Hon'ble Supreme Court Order, it may be corrected if required so. The Commission has also examined that T&D losses in FY 2013-14 was 31.26% as against approved level at 25%. If the licensee could have reached at 25% loss level, there could be saving of 6.26% which either gives licensee extra revenue on account of additional sale or saving on account of less purchases. With this approach also the penalty on account of less power purchase shall be around 25 Crore. However, the Commission shall follow the regulations 2011 as done in past and assess Rs.16.28 Crore as penalty. The Commission directs the Licensee to adhere with the efficiency improvement target in future in order to make them financially sustainable and the benefit of such savings shall be passed on to the consumer.

Table 5.7: Distribution loss and AT&C loss of licensee

Sl. No	Particulars	Calculation	Unit	Current Year (R.E)	FY 2013-14
1	Generation (own as well as any other connected generation net after deducting auxiliary consumption) within area of supply of DISCOM	A	MU	862.3	862.3
2	Input energy (metered import) received at interface points of DISCOM network	B	MU	1007.55	1007.55
3	Input energy (metered export) by the DISCOM at interface point of DISCOM network	C	MU	309.52	309.52
4	Total energy available for sale within the licensed area to the consumers of the DISCOM	D=A+B-C	MU	1560.33	1560.33
5	Energy billed to metered consumers within the licensed area of the DISCOM	E	MU	1072.59	1072.59
6	Energy billed to un metered consumers within the licensed area of the DISCOM	F	MU	0	0
7	Total energy billed	G=E+F	MU	1072.59	1072.59
8	Amount billed to consumer within the licensed area of DISCOM	H	Rs. Cr.	440.2	481.77*
9	Amount realized by the DISCOM out of the amount billed at H	I	Rs. Cr.	405.36	405.36

Sl. No	Particulars	Calculation	Unit	Current Year (R.E)	FY 2013-14
10	Collection efficiency (%) (Revenue realized/Amount billed)	J=(I/H)X100	%	92.09%	84.14%
11	Energy realized by the DISCOM	K=J X G	MU	987.70	902.47
12	Distribution Loss (%)	L={(D-G)/D}X 100	%	31.26%	31.26%
13	AT&C Loss (%)	M={(D-K)/D}X 100	%	36.70%	42.16%

***including DPS. This adjustment is not considered at this stage as per the proposal of the Licensee**

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Table 5.8: Financial loss due to failure to achieve minimum reduction 3% in AT&C loss during FY 2013-14

S. No.	Particulars	
1	Actual AT&C loss for MePDCL during FY 2012-13	41.26%
2	Mandatory minimum reduction in loss as per Regulation	3.00%
3	Maximum permissible AT&C loss for MePDCL during FY 2013-14 (1-2)	38.26%
4	Actual AT&C loss as per the Petition and available data during FY 2013-14	42.16%
5	Shortfall in minimum reduction (4-3)	3.90%
6	Energy Sales (MU) in FY 2013-14	1072.59
7	Avg. rate for sale of power in FY 2013-14	4.10
7	Shortfall in MU	41.85
4	Amount to be levied as penalty at average realisation Rs. 3.89/kWh (41.85*4.10) To be adjusted in the ARR of FY 2013-14 as financial penalty for non achievement of AT&C loss target	Rs. 17.16 Crore

5.16 Aggregate Revenue Requirement approved by the Commission for FY 2013-14

Considering the above parameters, the Commission has approved the ARR for FY 2013-14 as shown in the table below:

Table 5.9: Aggregate Revenue Requirement approved by the Commission

Sl. No	Particulars	Approved for FY 2013-14	MePDCL Actual	Now approved for true-up
1	Power Purchase	522.02	463.33	424.80
2	Transmission charges	115.82	106.61	105.24
3	Employee Cost	95.00	95.94	95.94
4	R&M Expense	13.30	4.78	4.78

Sl. No	Particulars	Approved for FY 2013-14	MePDCL Actual	Now approved for true-up
5	A&G Expense	6.00	7.31	7.31
6	Depreciation	14.61	11.76	10.00
7	Interest including working capital	20.74	35.69	16.44
8	Return on Equity	9.43	109.40	9.43
9	Provision for bad debts	5.00	88.07	0.00
11	**Aggregate Revenue Requirement**	**801.92**	**922.62**	**673.94**
12	Less: Non tariff Income	40.00	62.51	63.56
13	Less: Cross subsidy surcharge	1.70	0.00	
14	Less: RE Subsidy	16.00	14.57	14.57
15	**Net ARR**	**744.22**	**845.54**	**595.81**
16	Revenue from sale (incl. Outside sale)	694.52	488.53	506.62
17	Efficiency Gain/Penalty due to non achievement of AT&C loss target	8.00	-	17.16
18	**Revenue gap**	**42**	**357.01**	**72.03**

The Gap is mainly attributable due to reduction in Revenue from sale of Energy compared to what was approved. The net gap in FY 2013-14 true up exercise shall be Rs. 72.03 Crore which will be appropriated in ARR and Tariff Orders for FY 2016-17. The true up exercise without C&AG audit report shall be interim approval subject to readjustment of Gap/Surplus after filing the petition with C&AG audit report.

Provisional True-up for FY 2014-15

5.17 Introduction

MePDCL have filed petition for provisional true-up of the business for the FY 2014-15 on the basis of unaudited statement of accounts to avoid delay in determination of revised tariff order for FY 2016-17.

Commission's analysis

During the Public hearing and consultation process, objections were raised to provisional true up of ARR without audited accounts. The Hon'ble APTEL in its Order dated 01.12.2015, directed the Commission to consider the provisional true up of FY 2014-15 on provisional basis before admission of petition for determination of Tariff for FY 2016-17. Accordingly, the Commission has examined the provisional statement of Accounts approved by the board of Directors for FY 2014-15 and taken up the true up process for FY 2014-15 on provisional basis and ordered as follows.

5.18 Power Purchase Cost

MePDCL has claimed Rs 574.38 Crore towards power purchase cost and Rs 137.50 Crore as transmission charges for provisional true-up for FY 2014-15.

Commission's analysis

The Commission had approved Rs 554.50 Crore towards power purchase cost and Rs. 134.61 Crore transmission charges in tariff orders for FY 2014-15 for purchase of 2216.66 MU energy.

As per the unaudited statement of accounts;

Power purchase cost reported	Rs 574.38 Crore
Transmission Charges	Rs 137.50 Crore
Total	**Rs 711.88 Crore**

The power purchase invoices furnished are verified and observed that late payment surcharge has been included for Rs 93.13 Crore to NEEPCO, NTPC, OTPC, NHPC and PGCIL Rs 17.30 Crore towards deferred tax liability claimed by NEEPCO and PGCIL has been considered in the power purchase cost.

The Commission after deducting the surcharge amounted to Rs 93.13 Crore provisionally considers Rs 481.25 Crore towards Power Purchase Cost for provisional true-up as power purchase cost.

Transmission charges as per the statement of accounts are allowed for Rs 137.50 Crore for true-up for FY 2014-15.

The Commission approves Rs 618.75 Crore towards Power Purchase and Transmission Charges for provisional true-up for FY 2014-15 as against Rs. 689.11 Crore allowed in the Tariff Order for FY 2014-15.

5.19 Operation and Maintenance Expenses

Employee Cost

MePDCL has claimed Rs 103.56 Crore for provisional true-up for FY 2014-15.

Commission's analysis

Actuals as per statement of accounts employee cost reported at Rs 100.34 Crore adding 1/3rd employee expenses of MeECL for Rs 3.22 Crore.

The Commission considers Rs 103.56 Crore towards Employee Cost for provisional true-up for FY 2014-15 as against Rs.111 Crore approved in the Tariff Order.

Repairs and Maintenance Expenses

MePDCL has claimed Rs 7.39 Crore for provisional true-up for FY 2014-15.

Commission's Analysis:

As per the unaudited statement of accounts the R&M expenses for MePDCL reported at Rs 7.32 Crore and 1/3rd R&M expense for MeECL at Rs 0.07 Crore.

The Commission considers Rs 7.39 Crore R&M expenses for provisional true-up for FY 2014-15 as against Rs.8.41 Crore approved in the Tariff Order.

Administration and General Expenses

MePDCL claimed Rs 10.39 Crore for provisional true-up for FY 2014-15 as against Rs 7.62 Crore approved in the Tariff Orders.

Commission's Analysis

As per unaudited statement of accounts the A&G expenses for MePDCL reported at Rs 8.41 Crore and 1/3rd of MeECL expenses amounted to Rs 1.98 Crore.

The Commission considers A&G expenses at Rs 10.39 Crore for provisional true-up of FY 2014-15 as against Rs.7.61 Crore approved in the Tariff Order. The Commission has allowed the excess A&G Expenses in view of the fact that the Company is undergoing the reform and restructuring including capacity building of staff, training etc.

5.20 Depreciation

MePDCL has claimed Rs 11.23 Crore towards depreciation for provisional true-up for FY 2014-15 as against Rs 4.37 Crore approved by Commission.

Commission's Analysis

The Commission had considered that 90% of assets were created with government grants, and hence depreciation to be allowed on 10% of assets for determination of tariff and accordingly depreciation allowed in the tariff orders for Rs 4.37 Crore.

As per the unaudited statement of accounts, MePDCL has submitted opening GFA on 01.04.2014 as Rs 324.37 Crore (vide Note 11 Fixed assets) with an addition of Rs 4.60 Crore during the FY 2014-15. The Depreciation with the above data is worked out in the table below:

Table 5.11: Depreciation for FY 2014-15

(Rs. Crore)

Particulars	Amount
Opening GFA on 01.04.2014	324.37
Addition during the year FY 2014-15	4.6
Deletion from the asset base	0.1
Closing GFA on 31.03.2015	328.87
Average GFA	**326.62**
Rate of Depreciation	5.28%
Total Depreciation	**17.25**
10% of the depreciation	**1.73**

The Commission, therefore, considers depreciation at Rs 1.73 Crore for provisional true-up of FY 2014-15.

5.21 Interest on Loan Capital

MePDCL has claimed interest and finance charges at Rs 31.84 Crore for provisional true-up of FY 2014-15.

Commission's Analysis

As per the unaudited statement of accounts the schedule of loans drawn for capital works is as below:

Table 5.12: Interest on Loan Capital for FY 2014-15

Particulars	Opening Balance	Addition	Repayment	Closing Balance	Interest
9% PFC R-APRDRP-A	10.19	-	-	10.19	0.92
8% REC (Re structured)	44.26	-	0.79	43.47	3.51
9% PFC R-APRDRP-B	-	47.92	-	47.92	2.16
Total	**54.45**	**47.92**	**0.79**	**101.58**	**6.59**

The date of actual drawal of R-APDRP-B loan is not made available, 50% of interest charges are considered.

The Commission considers Rs 6.59 Crore as interest and finance charges for provisional true-up of FY 2014-15.

5.22 Interest on Working Capital

The Petitioner has not claimed interest on working capital for provisional true-up of FY 2014-15.

Commission's analysis

Though the Commission had allowed interest on working capital at Rs 23.03 Crore, MePDCL has not claimed interest on working capital. However in order to encourage the utility to make timely payments of dues, the Commission has considered the secured and unsecured loans in the unaudited accounts and allowed interest on working capital at Rs. 13.70 Crore. This is subject to final true up after the licensee files the audited accounts with C&AG certificate.

5.23 Provision for Bad and Doubtful Debts:

MePDCL has claimed Rs.(-)1.05 Crore as other debts including bad debts.

Commission's analysis

Provision of bad debts is not an expense for true-up. Only actual debts withdrawn from the sundry debtors for sale of power out of the accumulated provision not exceeding 3% of total sundry debtors receivable for sale of power at a stretch shall be admissible.

No value is considered towards Bad Debts for provisional true-up for FY 2014-15.

5.24 Return on Equity

MePDCL has claimed Rs 111.13 Crore return on equity for provisional true-up for FY 2014-15.

Commission's analysis

As per the unaudited statement of accounts equity subscribed is only Rs 5.00 Lakh vide note2. The Commission had considered total equity for all the 3 corporations at Rs 202 Crore before unbundling and return on equity allowed equally at Rs 9.43 Crore pending equity allotment by the GOM.

The Commission approves Rs 9.43 Crore for provisional true-up for FY 2014-15.

5.25 Non-Tariff Income

MePDCL has submitted that non tariff income and cross subsidy surcharge received at Rs 69.56 Crore as against Rs 40.00 Crore and Rs 5.77 Crore approved in the tariff order respectively for the year FY 2014-15.

Commission's Analysis

As per the unaudited statement of accounts Rs 61.16 Crore as non tariff income reported during the FY 2014-15 (Note 18) no cross subsidy surcharge is received in FY 2014-15.

The Commission approves Rs. 61.16 Crore as non tariff income for the FY 2014-15.

5.26 Other Income

MePDCL has received Rs 0.17 Crore as discount and miscellaneous receipts during the FY 2014-15. The other income received in MeECL for Rs 24.68 Crore includes Rs 2.84 Crore towards revenue grant during the FY 2014-15 (Note 21). The subsidy received against loss on account of flood, fire, cyclone etc, is amounted to Rs 0.73 Crore. 1/3rd of other Income received for MeECL apportioned at Rs. 7. 28 Crore (out of Rs. 21.84 Crore).

The Commission approves Rs 7.45 Crore as other income for provisional true-up for FY 2014-15.

5.27 Revenue Subsidy

MePDCL has submitted that revenue subsidy received during the FY 2014-15 at Rs 107.95 Crore as against estimated sum of Rs 20 Crore.

Commission's Analysis

As per the unaudited statement of accounts RE subsidy received at Rs 107.95 Crore for MePDCL (vide note 21) and for MeECL Revenue Grants of Rs 2.84 Crore, reported (note 21) in the books.

The Commission approves Rs 110.79 Crore as revenue subsidy/grant for provisional true-up of FY 2014-15.

5.28 Revenue from operations:

MePDCL has submitted that revenue assessed from sale of power during the FY 2014-15 amounted at Rs 550.85 Crore.

Commission's Analysis:

As per the unaudited statement of accounts the revenue billed on account of sale of power vide (Note 18) is reported at Rs 550.85 Crore as against the estimated revenue at Rs 619.63 Crore for 1149.89 MU sales by the Commission. The performance of the licensee is not achieved as projected for the FY 2014-15.

The Commission approves revenue from operations at Rs 550.85 Crore for provisional true-up of FY 2014-15.

This true-up exercise undertaken provisionally with reference to unaudited statement of accounts. MePDCL shall submit the audited accounts and supporting data of actual power drawal and revenue realized during the FY 2014-15 for final approval of ARR and gap/surplus thereon.

Table 5.13: ARR for provisional True-up for FY 2014-15

(Rs. Crore)

Sl. No	Particulars	Approved for FY 2014-15	MePDCL actual as per Petition	Approved for Provisional true-up
1	Power Purchase Cost	554.50	574.38	481.25
2	Inter State Transmission charges	61.82	137.50	137.50
3	MePGCL Transmission charges	72.79		
4	Employee Cost	111.00	103.56	103.56
5	R&M Expense	8.41	7.39	7.39
6	A&G Expense	7.62	10.39	10.39
7	Depreciation	4.37	11.23	1.73
8	Interest and Loan Capital	12.40	31.84	6.59
9	Interest on working capital	23.03	-	13.70

Sl. No	Particulars	Approved for FY 2014-15	MePDCL actual as per Petition	Approved for Provisional true-up
10	Return on Equity	9.43	-	9.43
11	Income Tax	-	-	-
12	Provision for bad and doubtful debts	-	-1.05	-
13	Cost to meet RPO as per regulation	3.86	-	-
14	**Aggregate Revenue Requirement**	**869.38**	**986.37**	**771.54**
15	Less: Revenue from Non tariff sources	40.00	69.56	61.16
16	Other income	-	-	7.45
17	Less: Cross subsidy surcharge	5.77	-	-
18	Less: RE Subsidy + Grant MeECL	20.00	107.95	110.79
19	**Net ARR**	**803.61**	**808.86**	**592.14**
20	Revenue from operations	618.87	550.85	550.85
21	**Sales revenue of surplus power**	**184.74**		
22	**Gap/(Surplus)**	**0.00**	**320.00**	**41.29**

The Commission noticed that the Petitioner has not furnished the details such as sales, revenue billed, revenue collected, AT&C loss during FY 2014-15. Further, the Commission directed the Petitioner to furnish these details vide its Lr. No. MSERC/MeECL/COR/2015/55 dated 23.03.2016. But the Petitioner has not submitted these details for FY 2014-15. Without these information, the computation of AT&C loss penalty and revenue from sale of power was not possible. However, the Commission keeping in view the past practices as arrived in the true ups of FY 2011-12 to FY 2013-14, has provisionally considered an amount of Rs. 25 Crore as AT&C loss penalty and deemed revenue from the sale of surplus power and reduce the gap by this amount, as a result of which, the gap at the end of provisional true up of FY 2014-15 is at Rs. 16.29 Crore. The Commission considers the gap so arrived and adjusts it in the ARR of FY 2016-17. However, the Commission would like to mention that the gap may change after the final true up of FY 2014-15 and this would be considered after the Petitioner submits the audited accounts along with the next ARR petition.

6. Determination of Tariff for FY 2016-17

6.1 Introduction

This chapter deals with the determination of Revenue Gap/Surplus as well as consumer Tariff for FY 2016-17. As per MYT Regulations, the Licensee need to give a mid-term Review to the Commission for making adjustment in the second year of the Control Period if required so. However, the Licensee in its petition proposed the ARR for FY 2016-17 as already approved by the Commission in its Order dated 31.03.2015. Accordingly, the Commission has considered the ARR approved in MYT order for FY 2016-17 and adjustment on account of True up for FY 2011-12, FY 2012-13, FY 2013-14 and FY 2014-15 while determining the Revenue Gap/Surplus for the FY 2016-17. The Commission has considered the petition of the Licensee for approving its Business plan for the control period. In the past, the Commission has not accepted it due to the fact that there was no audited account made available to the Commission. The audited accounts upto FY 2013-14 are made available to the Commission only in the month of February, 2016. As per the MYT Regulations, the Business plan is required to be filed three months before the filing for the tariff petition. The accounts of FY 2014-15 are not audited so far. Therefore, the Commission does not consider the Business plan in the current petition. The Licensee may file the petition in accordance with the Regulations, well in time, so as to consider the same in the next petition.

As approved in MYT Order for the period FY 2015-16 to FY 2017-18 the following is the category-wise sales approved by the Commission for FY 2016-17.

Table 6.1: Category-wise sales approved for FY 2016-17

(MU)

Particulars	Projected by MePDCL FY 2016-17	Approved for FY 2016-17
LT		
Domestic (including MeECL employees)	400.28	401
Commercial	66.03	87
Industrial	5.54	7
Agriculture	0.11	0.11
Public lighting	1.52	1.52

Particulars	Projected by MePDCL FY 2016-17	Approved for FY 2016-17
Water supply	12.04	12.00
General Purpose	32.00	32
Kutir Jyoti	26.04	26
Crematorium	0.19	0.19
Subtotal	543.75	566.82
HT		
Domestic	23.46	25
Water supply	30.84	31
Bulk Supply	53.63	56
Commercial	19.16	29
Industrial	226.46	230
Assam	18.93	20
Subtotal	372.48	391
EHT		
Industrial	149.14	160
Subtotal	149.14	160
Total	1065.37	1118

6.2 RPO Compliance for FY 2016-17

The Commission has determined the RPO requirement for FY 2016-17 as follows in MYT Order for FY 2016-17.

Table 6.2: RPO Compliance for FY 2016-17

Year	Solar (MU)	Solar (%)	Non-Solar (MU)	Non-Solar (%)	Total (MU)	Total (%)
FY 2016-17	4.70	0.42%	17.66	1.58%	22.36	2.00%

As per the information made available to the Commission, the Licensee has not made any purchase from solar sources. However, from the Non solar sources, the target has been met. In the MYT Order, the Commission has already worked out the RPO compliance of the previous years backlog and for the MYT period. The Commission has already sanctioned the budget for meeting the solar RPO. The Commission has already instructed the Electricity Inspector to enforce the RPO compliance from captive generation. In light of new Tariff Policy, the Solar Purchases need to be corrected on account of Hydro Generation in the state. Accordingly, the Commission directs the Licensee to fulfill the RPO requirement as set out in the Tariff Order dated 31.03.2015 in chapter 7 and submit a report to the Commission by 30.09.2016. The Commission is reviewing its RPO Regulations so as to meet the requirements as set out in the new Tariff Policy and Guidelines of Govt. of India.

6.3 Losses

In the Tariff Order for MYT Period the following distribution loss and regional transmission losses are considered.

Eastern Region Transmission losses during FY 2016-17 are considered at 2.12% being the average weekly loss as per the latest data of 52 weeks. Similarly, for North Eastern Region Transmission losses during FY 2016-17 are considered as 2.99% being the average weekly loss as per the latest data for 52 weeks.

Intra State Transmission loss is considered at 4.0% for FY 2016-17. The Distribution loss considered for FY 2016-17 is at 22%

6.4 Energy Requirement

Energy Requirement for FY 2016-17 was approved in MYT Order as shown below:

Sl. No	Particulars	2016-17
1	Estimated Energy Sales (including ASEB) (MU)	1118
2	Distribution losses %	22%
3	Distribution losses (MU)	315
4	Energy input required at the distribution periphery (MU)	1433

6.5 Energy Availability

As approved in MYT Order, Energy Availability for FY 2016-17 is as follow:

Stations	(MU)
NTPC	202.63
OTPC	346.00
NEEPCO	614.00
MePGCL	1112.00
NHPC	50.00
Total	**2319.63**

6.6 Energy Balance

Energy Balance approved by the Commission for FY 2016-17 in Review Order dated 11.08.2015 is as given below:

Sl. No.	Particulars	2016-17
A	**Energy Requirement**	
1	Energy Sales within state	1098
2	Energy Sales to Assam	20
3	Total Energy Sales (1+2)	1118
4	Distribution loss%	22.00%
5	Distribution loss (MU)	315

Sl. No.	Particulars	2016-17
6	Energy Requirement (3+5)	1433
B	**Energy Availability**	
7	Energy Purchase from ER	136
8	Less TR Loss %	2.12%
9	Less TR Loss (MU)	2.90
10	Energy Purchase from ER (7-9)	133.10
11	Energy Purchase from NER	1096
12	Total Power (10+11)	1229.1
13	Less: NER Tr Loss%	2.99%
14	Less: NER Tr Loss (MU)	36.75
15	Net Energy available at NERLDC	1192.35
16	Net Energy Purchase from MePGCL	1107
17	Other sources	0
18	Total energy available at NERLDC	2299.35
19	**Less: Intra state Transmission loss @ 4%**	**91.97**
20	Net energy available for MePDCL	2207.38
21	Surplus/Deficit	774.38
22	Grossed up by 4%	806.64
23	UI sales	-
24	Swapping	-
25	**Total Surplus power**	**806.64**

6.7 Power Purchase Cost

- The power purchase rates as furnished by MePDCL are adopted for NTPC, NEEPCO, NHPC and OPTCL as per the latest FPPPA.
- The rates for CGS are adopted as per CERC Regulations, 2015.
- The PPA of NHPC would be expired on 01.04.2016. However, the Commission considers the procurement of energy from NHPC-Loktak beyond Agreement period.
- MePGCL rates as approved for MYT are considered.
- In the absence of Petition for MLHEP Commission has provisionally allowed existing rates.
- UI purchases not considered since there is a surplus of 806.64 MU energy.

Power Purchase Cost as approved in MYT Order for FY 2016-17 is as shown below:

Station	Energy (MU)	Energy Charge Rate (Rs./Unit)	Variable Cost (Rs. Cr)	Fixed Cost (Rs. Cr)	Total Cost (Rs. Cr)	Average Rate
NTPC						
Farakka	28	2.99	8.38	3.03	11.41	4.07

Station	Energy (MU)	Energy Charge Rate (Rs./Unit)	Variable Cost (Rs. Cr)	Fixed Cost (Rs. Cr)	Total Cost (Rs. Cr)	Average Rate
Kahalgaon I	15	2.814	4.22	1.85	6.07	4.05
Kahalgaon II	75	2.6145	19.61	9.50	29.11	3.88
Talcher	18	1.512	2.72	1.76	4.48	2.49
Bongaigoan	86	2.65	22.79	12.5	35.29	4.10
OTPC						
OTPC Pallatana	346	1.2495	43.23	42.66	85.89	2.48
NEEPCO						
Kopili Stage-I	85	0.45	3.83	4.83	8.66	1.02
Kopili Stage-II	8	0.94	0.75	0.66	1.41	1.77
Khandong HEP	17	1.11	1.89	3.56	5.45	3.20
Rangandai HEP	131	1.22	15.98	24.42	40.40	3.08
Doyang HEP	23	2.08	4.78	5.49	10.27	4.47
AGBPP	187	1.932	36.13	29.49	65.62	3.51
AGTPP	69	2.478	17.10	9.23	26.33	3.82
AGTPP C-Cycle	36	2.12	7.63	7	14.63	4.06
Free Power	58		0.00		0.00	0.00
NHPC						
NHPC Loktak	50	1.41	7.05	8.28	15.33	3.07
MePGCL						
Sonapani	5	0.94	0.47	0.47	0.94	1.88
Umiam Stage-I HEP	116	0.70	8.07	8.07	16.14	1.39
Umiam Stage-II HEP	46	0.98	4.49	4.49	8.97	1.95
Umiam Stage-III HEP	139	0.97	13.46	13.46	26.91	1.94
Umiam Stage-IV HEP	207	0.65	13.46	13.46	26.91	1.30
Umtru HEP	39	0.64	2.51	2.51	5.02	1.29
Myntdu Leshka HEP	480	1.41	67.77	67.77	135.54	2.82
Umtru New	75	2.58			19.35	2.58
R.P.O					6.35	
Total	**2339**	**1.31**	**306.31**	**274.48**	**606.48**	**2.59**

6.8 Transmission Costs

As per MYT Order the following Transmission cost is approved for FY 2016-17.

Sl. No.	Particulars	2016-17
1	Transmission Charges of PGCIL	58
2	Transmission charges of MePTCL	83.30
3	**Total**	**143.30**

6.9 FPPPA

As regards FPPPA, the Commission has earlier approved the formula for determination of FPPPA on quarterly basis. However, the Licensee has filed a petition to Hon'ble APTEL in this regard. The Commission has already intimated the licensee to file appropriate petition to the Commission for amendment in the FPPPA formula. During the exercise of the truing up of past 4 years, the Commission found that the power purchase cost has gone down significantly than the approved levels due to reduction in demand and sales. The Commission has already trued up the power purchase cost in previous years in this Order. In the present circumstances, the fuel market scenario, the potential of hydro projects in Meghalaya, the Commission feels that levying of Fuel Surcharge may not require in the current year. However, the Commission is of the view that the Licensee is free to file FPPPA adjustments, if it is required, to the Commission for its approval with its suggestion for change in the present formula. The Commission shall dispose off the petition expeditiously.

6.10 Operation and Maintenance expenses

Employee Cost

The Commission allows the Employee Expenses at Rs. 90 Crore for FY 2016-17 in the same line as approved in the MYT Order.

R&M Expenses

The Commission has already approved R&M Expenses in the MYT Order and approves the same at Rs. 6.29 Crore for FY 2016-17 also.

A&G Expenses

The Commission has considered Rs. 59.00 Crore which includes MeECL expenses as against Rs. 79.58 Crore projected by MePDCL. The Commission would like to clarify that as per the submission of the Licensee, the Commission in its MYT Order 31.03.2015 has considered the apportionment of the MeECL Expenses towards Employees Terminal benefits in A&G Expenses. The same shall continue. However, after the audited accounts are made available, the Commission shall review the matter and take necessary actions.

6.11 Depreciation

The Commission allows the Depreciation as allowed in MYT Order at Rs. 8.36 Crore for FY 2016-17.

6.12 Interest on Capital Loans

Most of the works are executed under RGGVY, RAPDRP with 90% grants and 10% loan. The Interest Charges are allowed as per the schedule of loans borrowed for capital works. The Commission has already done the exercise in MYT Order and the same is allowed at Rs. 15.81 Crore.

6.13 Interest on working Capital

Interest on working capital loan has been considered as per Regulations at 14.75% SBI PLR as on 01.04.2015. The Commission has allowed Rs. 17.90 Crore for FY 2016-17 and the same is considered.

6.14 Return on Equity

Segregation of Equity among the utilities is not done. Audit of Accounts are yet to be undertaken Commission considered return on equity as per the previous year approvals. The Commission would like to clarify that MYT Regulations provides that while calculating the capital cost, any grants received from central or state govt. from any source which doesn't carry any liability of repayment shall be excluded from the capital cost for the purpose of computation of RoE. The Commission would also like to clarify that as per Hon'ble APTEL's various judgments in the matter of computation of RoE, the original equity of the erstwhile Electricity Boards shall become the basis for computation of RoE of the restructured utilities. In light of the above, the Commission allows Rs. 9.43 Crore as RoE in FY 2016-17.

6.15 Bad and doubtful debts

As per MYT Order, the Commission allows Rs.3 Crore as provision for bad debts. The Commission would also like to highlight here that the Licensee shall need to submit the report of receivable audit and action plan for recovery of long outstanding dues before writing it off from the accounts.

6.16 Non-Tariff Income

The Commission as per MYT Order, considers Rs. 58 Crore as Non Tariff Income for FY 2016-17. The Commission would also like to direct the Licensee to get the C&AG certificate for change in Non Tariff Income due to Hon'ble Supreme Court Order and place it before the Commission by 30.09.2016 so as to take necessary action as per the law in the next Tariff Order for FY 2017-18.

6.17 Cross Subsidy Surcharge

The Commission approves Rs. 9.86 Crore as cross subsidy surcharge for FY 2016-17. However, the Commission directs the licensee to give a report on realization of dues as per the Commission's Order for the past period from such consumers by 30.09.2016. The Commission would like to clarify that NOC for open access shall only be given to those who have no pending dues against them as per the Regulations.

6.18 RE subsidy

The Commission has approved Rs. 17.50 Crore as RE subsidy for FY 2016-17.

6.19 Revenue from sale of surplus power

As per the approved energy balance vide the Commission's Review Order dated 11.08.2015, the surplus power reassessed at 806.64 MU. As done in the past, the Commission allows the same at the minimum rate of Rs.3.25/kWh and computed the revenue at Rs. 262.07 Crore as against Rs.247.70 Crore approved in MYT Order dated 31.03.2015. The Commission would like to clarify that the additional revenue from sale is just indicative figure and directs the Licensee to ensure efficient management of sale and drawal so that the revenue should not be less than the approved rate.

6.20 Approved ARR for the FY 2016-17

Based on the above, the following table summarizes the Annual Revenue Requirement as approved by the Commission for FY 2016-17.

Table 6.3: Approved ARR for FY 2016-17

S. No.	Particulars	Approved for FY 2016-17
1	Cost of Power Purchase	606.48
2	Inter State Transmission charges	58.00
3	MePTCL	83.30
4	Employee Costs	90.00
5	R&M Expenses	6.29
6	A&G Expenses	59.00
7	Depreciation	8.36
8	Interest on loan capital	15.81
9	Interest on working capital	17.90
10	Return on equity	9.43
11	Income Tax	0.00
12	Provision for Bad and Doubtful Debts	3.00
13	**Total Revenue Requirement**	**957.57**
14	Less: Non Tariff Income	58.00
15	Less: Cross Subsidy Surcharge	9.86
16	Less: RE Subsidy	17.50
17	Less: Sale of surplus power	262.07
18	**Net Revenue Requirement**	**610.14**

6.21 Revenue from Existing Tariffs

The revenue considered by the Commission from sale of 1118 MU at the existing tariff is shown as below:

Sl. No	Category	Sale (MU)	Revenue (Rs. Cr)	Avg. Rate (Rs/kWh)
1	Kutir Jyoti	26.04	8.04	3.09
2	Domestic	401.00	178.86	4.46
3	Commercial	87.00	60.90	7.00
4	Industrial LT	7.00	4.79	6.85
5	Public Lighting	1.52	0.94	6.16
6	Water Supply	12.00	7.80	6.50
7	General Purpose	32.00	20.24	6.33
8	Agriculture	0.11	0.04	3.62
9	Crematorium	0.19	0.08	3.98
	HT Category			
10	Domestic (HT)	25.00	17.20	6.88
11	Commercial (HT)	29.00	21.80	7.52
12	Industrial (HT)	230.00	157.77	6.86
13	Public Water Supply	31.00	20.38	6.57
14	General Purpose/Bulk Supply	56.00	38.92	6.95
	EHT Category			
15	Industrial EHT	160.00	101.76	6.36
16	Assam	20.00	11.81	5.90
		1117.86	**651.34**	**5.83**

6.22 Net ARR and Revenue Gap

S. No.	Particulars	Amount (Rs. Cr)
1	Net ARR for FY 2016-17	610.14
2	Add: Balance of True up Gap for FY 2011-12	7.35
3	Add: True up Gap for FY 2012-13	15.33
4	Add: True up Gap for FY 2013-14	72.03
5	Add: True up Gap for FY 2014-15	16.29
6	**Total ARR for FY 2016-17**	**721.14**
7	Less: Revenue from Existing Tariff and Revenue from sale of surplus power	651.34
8	**Net Gap**	**69.80**

6.23 Revenue from Revised Tariff

As seen from the above table, there is a gap of Rs. 69.80 Crore between Aggregate Revenue Requirement including past gaps up to FY 2014-15 and revenue from sale of power at existing tariff which requires around 10.50% increase in tariff. To meet the gap, the Commission has considered revision of Tariff for different categories of consumer in the manner given in details in chapter 7 of this Order in accordance with the approach given in chapter 1. Revenue from revised tariff is shown below:

Sl. No	Category	Energy (MU)	Total Revenue (Rs. Cr.)	Avg. Rate (Rs/kWh)
	LT Category			
1	Kutir Jyoti	26.04	8.54	3.28
2	Domestic	401.00	201.37	5.02
3	Commercial	87.00	64.38	7.40
4	Industrial LT	7.00	5.10	7.28
5	Public Lighting	1.52	0.98	6.44
6	Water Supply	12.00	8.18	6.82
7	General Purpose	32.00	21.19	6.62
8	Agriculture	0.11	0.05	4.15
9	Crematorium	0.19	0.08	4.14
	HT Category			
10	Domestic (HT)	25.00	18.15	7.26
11	Commercial (HT)	29.00	21.77	7.51
12	Industrial (HT)	230.00	165.39	7.19
13	Public Water Supply	31.00	21.39	6.90
14	General Purpose/Bulk Supply	56.00	41.06	7.33
	EHT Category			
15	Industrial EHT	160.00	106.90	6.68
16	Assam	20.00	11.87	5.94
		1117.86	**696.41**	**6.23**

The Commission accordingly approves the revenue from revised tariffs at Rs. 696.41 Crore from the sale of 1117.86 MU. There is an increase of Rs. 45.07 Crore with the revision of Tariff leaving a gap of Rs. 24.73 Crore left unadjusted. The Commission shall take a final view of adjustment of surplus/deficit of FY 2016-17 at the time of truing up after prudence check, efficiency improvement and revenue from cross subsidy surcharge.

7. Tariff Principles and Design

7.1 Background

The Commission while determining the Revenue Requirement and retail tariff of MePDCL for FY 2016-17, has been guided by the provisions of the Electricity Act, 2003, Revised National Tariff Policy, Regulations on Terms and Conditions of Tariff issued by Central Electricity Regulatory Commission (CERC) and Regulations on Terms and Conditions on Tariff notified by MSERC. These act mandates that the tariff determination shall be guided by the factors which encourage competition, efficiency, economical use of resources, good performance and optimum investment.

The National Tariff Policy (NTP) notified by Govt. of India provides comprehensive guidelines for determination of tariff and also in working out the revenue requirement of power utilities. The Commission has endeavored to follow these guidelines as far as possible.

The mandate of NTP is that tariff should be within ±20% of the average cost of supply for the year. It is not possible for the Commission to lay down the road map for reduction of cross subsidy, mainly because of lack of data regarding Cost of Supply (CoS) at various voltage levels. In view of the prevailing situation, the Commission has gone on the basis of average cost of supply for working out consume category wise cost of supply. The better performance in reduction in loss level will result in substantial reduction in average cost of supply.

7.2 Tariffs proposed by MePDCL and approval of the Commission

MePDCL in its tariff petition for FY 2016-17 has proposed increase of 25% over existing tariff for various categories of consumers to earn additional revenue to meet the gap to some extent. The balance gap has been proposed to be kept as regulatory asset which is to be liquidated in the future years. The category wise Tariffs proposed by MePDCL are shown in the Table below:

Table 7.1: Category-wise Tariff- existing and proposed by MePDCL for FY 2016-17

Sl. No.	Category	Existing		Proposed	
		Fixed Charges (Rs./Conn/kW)	Energy Charges (Rs./kWh)	Fixed Charges (Rs./Conn/kW)	Energy Charges (Rs./kWh)
1	**Kutir Jyoti**				
	Unmetered	100/conn		125/conn	
	Metered		2.50		3.10
2	**Domestic**	45		55	
	First 100 Units		3.05		3.80
	Next 100 Units		3.60		4.50
	Above 200 Units		4.75		5.90
3	**Commercial**	90		110	
	First 100 Units		5.20		6.50
	Above 100 Units		6.40		8.00
4	**Industrial LT**	90	5.20	110	6.50
5	**Public Lighting (M)**	90	5.90	110	7.40
6	**Public Lighting (Un)**				
A	**Incandescent Lamp**				
i)	40 W	110		140	
ii)	60 W	170		215	
iii)	100 W	270		340	
B	**Fluorescent Lamp**				
i)	Up to 40 W	170		215	
C	**Mercury Vapor Lamp**				
i)	80 W	250		315	
ii)	125 W	350		435	
iii)	250 W	740		925	
iv)	500 W	1370		1710	
D	**Sodium Vapor Lamp**				
i)	150 W	540		675	
ii)	250 W	830		1035	
iii)	400 W	1380		1725	
E	**CFL Fittings**				
i)	Up to 45 W	165		205	
ii)	>45 W up to 85 W	265		330	
F	**LED Fittings**	515		645	
G	**Metal Halide**	625		780	
7	Public Water Supply	90	5.90	115	7.40
8	General Purpose	90	5.90	115	7.40
9	Agriculture	50	2.25	60	2.80
10	Crematorium	6000	3.60	7500	4.50
	High Tension	Rs./kVA/month	Rs./kVAh	Rs./kVA/month	Rs./kVAh
11	Domestic	175	5.40	219	6.75
12	General Purpose/ Bulk Supply	175	5.40	219	6.75
13	Commercial	175	5.80	219	7.25
14	Industrial	175	5.64	219	7.05
15	Public Water Supply	175	5.40	219	6.75
	Extra High Tension				
16	Industrial	175	5.40	219	6.75

Commission's analysis

The Commission has not agreed with the proposal of the Licensee to increase 25% tariff over the existing tariff. The approved Tariffs for supply of energy with respect of different categories of consumers for FY 2016-17 is given in the Table below:

Sl. No.	Category	Approved	
		Fixed Charges (Rs./Conn/kW)	Energy Charges (Rs./kWh)
	Low Tension		
1	**Kutir Jyoti**		
	Unmetered	110/conn	
	Metered		2.65
2	**Domestic**	50	
	First 100 Units		3.15
	Next 100 Units		3.75
	Above 200 Units		5.00
3	**Commercial**	100	
	First 100 Units		5.30
	Above 100 Units		6.75
4	**Industrial LT**	100	5.45
5	**Public Lighting (Metered)**	100	6.15
6	**Public Lighting (Unmetered)**		
a	**Incandescent Lamp**		
i)	40 W	110	120
ii)	60 W	170	180
iii)	100 W	270	290
b	**Fluorescent Lamp**		
i)	Up to 40 W	170	180
c	**Mercury Vapor Lamp**		
i)	80 W	250	265
ii)	125 W	350	370
iii)	250 W	740	785
iv)	500 W	1370	1450
d	**Sodium Vapor Lamp**		
i)	150 W	540	570
ii)	250 W	830	880
iii)	400 W	1380	1460
e	**CFL Fittings**		
i)	Up to 45 W	165	170
ii)	>45 W up to 85 W	265	280
f	**LED Fittings**	515	540
g	**Metal Halide**	625	660
7	Public Water Supply	100	6.15
8	General Purpose	100	6.15
9	Agriculture	60	2.50
10	Crematorium	6200	3.75
	High Tension	**Rs./kVA/month**	**Rs./kVAh**
11	Domestic	190	5.65
12	General Purpose/ Bulk Supply	190	5.65
13	Commercial	190	6.05

Sl. No.	Category	Approved	
		Fixed Charges (Rs./Conn/kW)	Energy Charges (Rs./kWh)
14	Industrial	190	5.89
15	Public Water Supply	190	5.65
	Extra High Tension		
16	Industrial	190	5.65

Tariffs for various categories of consumers are given in the Tariff Schedule annexed.

7.3 Cross Subsidy

The Commission would like to discuss about the provisions of MSERC (Terms and conditions for Determination of Tariff) Regulations, 2011 about the cross subsidy. The Regulation presribes that cross subsidy for the consumer means the difference between the average realisation per unit from the category and the combined average cost of supply per unit. It has also mentioned that in the first phase, the Commission shall determine the tariff so that it progressively reflects combined average unit cost of supply in accordance with the National Tariff Policy. The Commission has also tried to adhere with the Regulations of the Commission while determining the Tariff. The tariff has been set in accordance with the Act and Regulations keeping in view the ground realities of the state.

Table 7.2: Cross subsidy (%) in FY 2016-17

Sl. No.	Category	Approved Cross subsidy
1	Domestic	(-)22%
2	Non Domestic (Commercial)	15%
3	Industrial LT	13%
4	Water Supply	6%
5	Domestic HT	12%
6	Water Supply HT	7%
7	General Purpose HT	14%
8	Industrial HT	15%
9	Industrial EHT	5%

8. Wheeling Charges and Cross Subsidy surcharge for FY 2016-17

8.1 MePDCL Submission

The Petitioner has proposed to increase the distribution wheeling charges and cross subsidy surcharge by 25% in FY 2016-17 as shown in the table below:

Sl. No.	Particulars	Existing (Rs./kWh)	Proposed (Rs./kWh)
1	Distribution Wheeling Charges	1.24	1.55
2	Cross subsidy surcharge for HT consumers	1.41	1.75
3	Cross subsidy surcharge for EHT consumers	1.51	1.90

The Petitioner has also submitted that the levy of open access charges shall be as per MSERC Open Access Regulations, 2012 and its subsequent amendments.

Commission's analysis

The Commission has noticed the submission of the Petitioner and taken a view in this Order. The Commission has fixed the ARR of MePDCL for FY 2016-17 as per the Regulations and taken as the based for determining the wheeling charges in accordance with MSERC (Terms and Conditions of Open Access) Regulations, 2012. The average demand for FY 2016-17 is assessed as 168.65 MW. The Wheeling Charges for all consumers for FY 2016-17 is shown in the table below:

Particulars	(Rs. Crore)
ARR of MePDCL for FY 2016-17	899.57
Total Power Purchase cost of MePDCL	606.48
Total Transmission Charges	141.30
ARR- PPC- Tx. Charges	151.79
	MU
Total Sale including outside sale	1117.86
Average load	107.07 MW
Wheeling Charges	Rs.38840.29/MW/Day

The Wheeling charges will be Rs. 38840.29/MW/Day. **The wheeling charges per unit rate works out to Rs. 1.36**. The Commission directs to recover these charges as per Regulations, payable on the basis of contracted Capacity/Scheduled Load or actual power flow whichever is higher.

Cross subsidy surcharge

The open access consumers are liable to pay cross subsidy surcharge to compensate the distribution utility for any loss of revenue due to shifting of its consumer to the open access system. The Commission has examined the sale to EHT category which have opted for Open Access in FY 2012-13 to FY 2014-15. The trend of the consumption has been declining year after year and are 224 MU, 203 MU and 161 MU respectively. In the Tariff exercise, this category gives the cross subsidy to the subsidized consumers. If these consumers goes out of the grid, then the utility may financially suffer as well as Domestic/BPL/Agriculture consumers will be effected as the cross subsidy which they were getting in earlier years, has come down in FY 2016-17. The Commission has also exercised that the amount of cross subsidy required by subsidized category has now become around Rs. 24 Crore which was earlier around Rs. 10 Crore. This happened because the consumption in Industrial consumers have gone down. It is therefore necessary that the Commission should allow cross subsidy surcharge at such a level which will compensate the common consumers, utility as well as it should not become so onerous to the Open Access consumers. It is also important in the present scenario in the State where the surplus power has been allowed right from the ARR of FY 2013-14 up to date to the Licensee by allowing him to purchase power more than their demand. In situation of surplus, it is experienced that the Licensee is selling the power to the exchange at a cheaper rate than the average power purchase cost. If these open access consumers opt to buy from the Licensee, which they are not in present, shall add additional revenue to the State. In accordance with the Law, if the consumer opt for Open Access, he needs to pay at least the amount of Cross subsidy surcharge to compensate the subsidized category of consumer. It is studied that the Open Access consumers are still in comfortable position even after paying present cross subsidy surcharge, wheeling charges to the Licensee and purchase of power from power exchange/trader. The Commission endeavors that with the current cross subsidy surcharges, interest of both the consumer including Open Access consumers and the Licensees are balance and are at win-win situation where every one is availing 24x7 power supply.

The cross subsidy surcharge for open access consumers for the year 2016-17 is calculated in accordance with the Regulations. The Regulation prescribes that the amount of surcharge shall be so calculated as to meet the current level of cross subsidy from that category of consumers and shall be paid to the distribution licensee of area of supply where the consumer is located. In order to meet this objective, the Commission has tried to find out the cross subsidy surcharge in the following manner:

Cross Subsidy Surcharge (S) = Tariff payable by the relevant category (T) – Cost of Supply (C)

Weighted Average Cost of Power Purchase = Rs. 2.84/kWh
Loss in EHT level = 4%
Weighted Average Cost of Power Purchase including losses = Rs. 2.95/kWh
Wheeling charges at EHT level =Rs.0.75/kWh
Cost of service to EHT category (C) = Rs.3.70/kWh
Average Tariff of EHT category (T)= Rs. 6.68/kWh
S= 6.68-3.70 = Rs. 2.98/kWh

Similarly, for HT Level,
Weighted Average Cost of Power Purchase = Rs. 2.84/kWh
Loss in HT level = 6%
Weighted Average Cost of Power Purchase including losses = Rs. 3.02/kWh
Wheeling charges at HT level =Rs.1.36/kWh
Cost of service to HT category (C) = Rs.4.38/kWh
Average Tariff of HT category (T)= Rs. 7.20/kWh
S= 7.20-4.38 = Rs. 2.82/kWh

In the above calculations, the commercial losses are not factored in because the voltage wise losses are yet to be filed, which will increase the cost of service at least by 10%. In spite of Hon'ble APTEL Order dated 01.12.2015, the Licensee could not submit the information. The Commission is therefore constrained to work out the loss estimation and voltage wise cost of supply to each category in the absence of required data. The Commission accordingly directs the Licensee that the calculation of cross subsidy at each voltage should be filed to the Commission within 6 months time for FY 2015-16. The Commission shall thereafter analyse the data and work out the Cost of Supply at each voltage level and re-evaluate the cross subsidy surcharge, if neccessiated.

The Licensee in its petition has proposed the Cross subsidy surcharge as under

a. For EHT level = Rs. 1.90/kWh
b. For HT level = Rs. 1.75/kWh

Accordingly, as stated above, the Commission in order to balance the interest of consumers, Open Access Consumers and Licensee, allows the proposal of the Licensee for FY 2016-17. The Cross Subsidy Surcharge shall suffice to the requirement of the cross subsidy amount of the Domestic, BPL and Agriculture sectors. The Commission shall review the matter with the actual transactions of the Open Access in the State in the next quarter. The Licensee is directed to furnish the details in the first week of July'2016. The following rates shall be recovered from the Open Access Consumers along with the other charges from 01.04.2016 along with the same terms and conditions as per the Regulations.

- **For EHT level = Rs. 1.90/kWh @ 4% loss**
- **For HT level = Rs. 1.75/kWh @ 6% loss**

9. Directives

9.1 Compliance of Last Order's Directives

Direction

1) Reduction in AT&C losses

(i) Reduction in T & D losses

(ii) Reduction in commercial losses

(iii) Improvement in metering, billing and collection

Status of report

MeECL submitted that targets and action plans for the reduction of the commercial losses in all the circles have been fixed for AT &C loss reduction.

MeECL further submitted that checking of pilferages/thefts is being conducted by the MTI & Vigilance Sub Division of the respective circles.

MeECL submitted that the replacement of defective meters is being carried out continuously.

They further submitted that online collection system has already been implemented in Shillong, Jowai, Nongpoh, Sohra, Mairang and Nongstoin. Collection is also being made through CSC-SPV's in different areas throughout the State. The total number of collection centres (through CSC-SPV's) as on 15.06.2015 is 53 (fifty three). Separate counters for women and senior citizens have been introduced in Shillong and facilities provided.

MeECL stated that 132/33 KV & 33/11 KV substations including incoming and outgoing feeders in Shillong have been metered and monitored.

Energy audit of 11 KV feeders and commercial complex distribution transformers in Shillong is being done regularly and the report of the same is being submitted monthly.

2) Energy procurement

MeECL submitted that the major procurement of power is from the State generation sources and Central Generating Stations as per allocation. Adequate provision for availability has been made for three years.

3) Investment plan

MeECL submitted that the Rural electrification and BPL connections are being carried out through RGGVY and will continue under DDUGJY.

4) Financial Planning

The MePDCL Management has taken steps to segregate the Accounting system for working capital and capital financing. Recently the Corporation has improved the credit rating to "B" as per the grading of Ministry of Power and the same has reduced our eligible rate interest rate from Financial Institution like REC, PFC. We have availed Working Capital Loan (3 years MTL) for REC with a discount of 50 basis point on their card rate applicable for "B" rated entity. Another restructured REC loan exists with an interest of 8% per annum. The other project loans availed by the Corporation (e.g. R-APDRP, RGGVY) from PFC and REC are at competitive rate decided by MOP.

Now, to avail more competitive interest rate, the financials of the Corporation are required to be improved, which will enable to improve the credit rating.

In respect of payment of dues, the Corporation is facing challenge to repay the outstanding power purchase liability of NEEPCO. The management has taken steps to avail assistance from financial institution to clear the above dues. In the Review tariff petition, the Corporation has again requested for approving the said proposal which will enable to comply the directives of the Commission in this regard.

The cheaper loan is available for tariff gap against the "Regulatory Assets" and/or State Government Guarantee, which are also not currently available with the Corporation.

It may be mentioned here that the present interest rate for all existing borrowings are equal or below the rate of interest/card rate of the Power Finance Institutions (PFC & REC), which is an accepted benchmark for borrowing rate.

For creation of security, in spite of the difficulties due to the local land laws, the Management has taken steps to provide Hypothecation / Mortgage of Assets rather than waiting for the State Government Guarantee.

It may be mentioned that the Management of other utilities under MeECL have successfully swap loan for NUHEP project and also exploring the possibilities for some of the loans availed for MLHEP, the same will be possible only after the approval of final project cost of MLHEP.

5) Demand Side Management

MeECL submitted that the energy consumption by HT consumers having KVAH billing system as compared to the total consumption within the State (including ASEB) is as follows

Consumption	2012-13	2013-14	2014-15
Consumption of KVAH billed consumers, MU	504.44	476.02	456.08
Total consumption within the State (including ASEB), MU	1061.07	1072.53	1040.93
% Consumption	47.54	44.38	43.81

MeECL submitted that while studying the impact from a group of consumers it was found that the peak and off peak demand difference for industries is too low to be controlled through implementation of ToD tariff. A more detailed study is being made regarding the benefits of implementing the ToD billing and the same shall be submitted to the Commission.

They further submitted that the rebate for using solar water heating system has been allowed in the tariff order dated 20.01.2012 for the period from 1st February 2012 to 31st March, 2013. However, there was no claim from the consumer for the rebate.

6) Performance review of each circle

MeECL submitted that the performance of all the six circles is being monitored to help reducing the AT&C losses. The targets for each circle have been fixed and the performance will be reviewed in September 2015.

All EHT consumers are being billed at the injection point only. Energy audit for Byrnihat circle is being carried out.

7) Time of Day Tariff

MeECL submitted that while studying the impact from a group of consumers it was found that the Peak and off peak demand difference for industries is too low to be controlled through implementation of ToD tariff. A more detailed study is being made regarding the benefits of implementing the ToD billing and the same shall be submitted to the Commission.

8) Computerized billing

MeECL submitted that the consumers in Shillong, Jowai, Nongpoh, Sohra, Mairang and Nongstoin can deposit at any collection centre where SAP billing system is being implemented. Also with the opening of the collection centres through CSC-SPV the consumers can make payment from any of these counters throughout the State.

9) Energy audit of high revenue yielding centres

MeECL submitted that the energy audit in Byrnihat Industrial Area through third party is being done.

10) Revenue audit by Independent auditor

MeECL submitted that the revenue audit is being done internally by Accounts Wing and externally by CAG.

11) Improvement in supply

MeECL submitted that the same is being done.

12) Submission of audited record

It is submitted that the accounts for FY 2012-13 have already been finalized and placed before the statutory auditors for auditing. The accounts for FY 2013-14 are yet to be finalized.

13) Settlement of past dues

MeECL submitted that action has been taken to see that there is no power regulation to the consumers. Efforts are being made to clear the outstanding power purchase dues. Accordingly, in light of the power purchase dues of NEEPCO, MePDCL has approached Power Finance Corporation Limited (PFC) for sanction of medium term loan to pay off its outstanding dues of power purchase and has sought approval of MSERC.

14) Energy conservation and DSM

MeECL submitted that in fact the Government has observed that CFL is to be phased out and consumers are encouraged to use LED bulbs for lighting purpose. It may be mentioned that the M/s Energy Efficiency Services Limited is being engaged as consultant to assist MePDCL to implement energy conservation and DMS.

15) Approval of Business Plan

MeECL submitted that the investment plans will be submitted before the Commission on or before the 30.08.2015.

16) Creation of Energy Management Cell

MeECL submitted that a dedicated Energy Management office for power sale, etc is already in existence.

17) Open access

MeECL submitted that the proposal for additional surcharge is carried out by the MePDCL and the report shall be submitted before the Commission accordingly.

18) Man power utilization study

MeECL submitted that the Manpower mapping is being done by Corporate Affairs.

9.2 New Directives

1. The Commission directs the Licensee to take prior permission from the Commission before procurement of power from other than approved sources and advises the Licensee to follow the Regulations for such purchases. This is necessary to protect the interest of the consumers. The Commission further directs the Licensee that payable/receivable towards UI are to be scrutinized accurately so that any excess

allowed in the power purchase cost due to difference in scheduling and actual drawal by the open access consumer should not be collected from the consumers.

2. The Commission directs the Licensee to place the details of transaction of pension, terminal liabilities and status of the Trust made for disbursement of the retired employees in its next ARR so as to make any necessary adjustments, if any, in accordance with the Regulations.
3. The Commission directs the Licensee to go for independent audit for receivables for which the Commission has been allowing provisions towards bad debts from FY 2007-08 onwards in its various Tariff Orders. The study of the same shall be submitted to the Commission at the time of next filing.
4. The Commission directs that the Petitioner shall furnish the complete report on the implication of the Hon'ble Supreme Court Orders dated 28.08.2012 along with the report of C&AG on Statement of Accounts of FY 2012-13. It should be filed as a separate petition along with the proposal of benefit to be given to the other category of consumers during the same period as indicated in the Hon'ble Supreme Court order. Thereafter the Commission shall take a final view.
5. The Commission directs the Licensee that there should be an independent audit of power purchases from FY 2011-12 up to FY 2014-15 wherein the study should be made on current bill for each year, the delayed payment surcharge and supplementary bills because of revision of tariffs separately. This report should be given to the Commission along with the C&AG audit report along with the next true up petition.
6. The Commission directs the Licensee to fulfill the RPO requirement as set out in the Tariff Order dated 31.03.2015 in chapter 7 and submit a report to the Commission by 30.09.2016. The Commission is reviewing its RPO Regulations so as to meet the requirements as set out in the new Tariff Policy and Guidelines of Govt. of India.
7. The Commission directs the licensee to give a report on realization of dues as per the Commission's Order for the past period from OA consumers by 30.09.2016. The Commission would like to clarify that NOC for open access shall only be given to those who have no pending dues against them as per the Regulations.

8. The Commission directs the Licensee to ensure efficient management of sale and drawal so that the revenue should not be less than the approved rate.

9. In accordance with the Hon'ble APTEL's Order, the Licensee is directed to utilize the R-APDRP fund for improvement of the system including network and sub-stations so as to reduce the losses. Similarly, the commercial losses should be reduced in at least HT category of the consumers immediately. The report of energy audit of Byrnihat Area should be submitted to the Commission within 3 months.

10. The Commission instructs the Licensee to segregate the Technical & Commercial losses and submit the report to the Commission from the revenue yielding area. This report should be submitted latest by 30.09.2016. The Commission advises the management to go for third party verification in Industrial areas and in Shillong Urban.

11. The Commission directs the Licensee to initiate a study for simple formulation taking into account the major cost elements and work out the voltage wise cost of supply as directed by Hon'ble APTEL and the Commission's Order dated 11.12.2015. The report should also cover the extent of cross subsidy among all the category. This report should be submitted by 30.09.2016.

12. As directed by the Commission in its letter dated 21.12.2015, the Licensee need to submit petition for additional surcharge for FY 2016-17 in accordance with the Regulations and National Tariff Policy, 2016.

13. The complete details of the commercial losses in 33 kV feeders, losses of top 10 feeders in Shillong should be submitted to the Commission by 30.09.2016.

10. Concluding Remark of the Commission

During the last period of a little less than five years this Commission has passed Tariff orders regularly in time and also truing orders, for the financial years 2010-11, 2011-12, 2013-14 and also 2014-15. In its functioning it has been able to appreciate the scenario of the power sector in the State, the working of licensee MeECL and its four subsidiaries and the scope for improvement of the entity as a whole.

The Electricity Regulatory Commission has by law, been tasked to assess and determine Annual Revenue Requirement to meet the financial needs of the utilities for generating, transmitting and distributing power in the State and to fix the tariff to be borne by the stakeholders. In doing so, it has assiduously made efforts to appreciate the requirement of the MeECL the need to maintain the financial health and, at the same time, fix reasonable tariff which stakeholders are to bear, the majority of whom are domestic consumers and others who form vulnerable sections in rural areas of the State.

Power generation in Meghalaya is 100% hydro based. In monsoon periods, power is in abundance and the excess is sold to outside the State by the licensee. It has been noticed that the sale has not been commercially orientated. It could have been sold at attractive price so that the revenue is augmented and the health of the utility improves as well as the consumers tariff may also go down.

Power purchase is an area which MeECL needs to give adequate focus. While the purchase is inevitable during lean seasons, commercial principles of selective buying in the Merit Order Principle available in the market have to be adopted. Serious efforts should also be made to pay the bills and other dues of the generators in time and thus avoid paying penalty charges. Government can also explore and take the advantage of assistance plans which Central Government used to offer for meeting financial restructuring plans and taking over of past liabilities.

Losses create a drawback on the health of the entities. It is noted that about 30% losses occur every year in spite of the reduction roadmap laid down by the State

Commission from time to time. Conduct of energy audit as introduced by this Commission in busy commercial areas like Police Bazar in Shillong has yielded some positive results in that the loss which used to be about 27% has come down to 12%. Such an effort has to be sustained and introduced in other parts of the State and more particularly in the commercial and urban areas of Shillong including Industrial areas of the State. Similarly, collection efficiency need to be improved for which the Commission has already laid down the target. By improving AT&C losses, the improvement in cash flow will help the Licensee to make them financially independent.

The intention of the Electricity Act, 2003 is to make the utilities in the power sector viable and not be dependent on the Government grants and subsidies but, to contribute and help the economy and development of the State. The management has a vital role in bringing about desired and improved changes in the functioning of the MeECL in the days to come.

Anand Kumar
Chairman, MSERC

11. APPROVED TARIFF FOR 2016-17

A. LOW TENSION TARIFF:

1. Domestic (Low Tension).

This category shall be applicable to domestic consumption, which includes consumption

a. For lighting, heating, cooling, fans and other household appliances in a private dwelling house;
b. In temples, churches, mosques, gurudwaras and other places of religious worship;
c. In hospitals, dispensaries, health centres run by Government or by charitable, religious or social organizations on a no-profit or non-commercial basis.
d. In schools, colleges, hostels boarding houses for students run by Government or by charitable, religious or social organizations on a no-profit or non commercial basis; and
e. In ashrams, dharamshalas, community halls and institutions run by recognized welfare organizations.
f. MeECL officers and its employee’s residences.

1.1 Kutir Jyoti/BPL

Kutir Jyoti connections have been covered under Domestic category with metered and unmetered sub categories.

1.1.1 Unmetered Kutir Jyoti

The existing Tariff for this category of consumers is Rs.100 per connection per month. The MeECL has proposed a rate of Rs.125 per connection per month for this category. The Commission has approved Rs.110 per connection per month for all existing unmetered consumers.

Tariff for BPL (unmetered) for FY 2016-17			
Category	Existing Tariff (Rs./conn/month)	Proposed Tariff (Rs./conn./month)	Approved Tariff (Rs./conn./month)
Kutir Jyoti (KJ-U)/BPLU	100	125	110

This Tariff is applicable for existing unmetered consumer under Kutir Jyoti unmetered category until they are metered. No new connection should be given without meter.

1.1.2 Metered Kutir Jyoti

The MeECL has proposed tariff of metered Kutir Jyoti consumers at Rs.3.10 per unit for monthly consumption within 0-30 units. They have also proposed that if the monthly consumption in any month exceeds the limits of 30 units then their excess consumption over and above 30 units shall be done on the Tariff as prescribed for normal domestic consumers. The Commission has allowed Rs.2.65 per unit for BPL metered category up to a consumption of 30 units. In case, they consumes more than 30 Units then the billing of excess unit shall be done on the Tariff prescribed for normal domestic consumers for appropriate slab rates.

Tariff for BPL (metered) for FY 2016-17			
Category	**Existing Tariff (Rs./ kWh)**	**Proposed Tariff (Rs./ kWh)**	**Approved Tariff (Rs./kWh)**
Kutir Jyoti (KJ-M)/BPLM	2.50	3.10	2.65

1.2 Domestic

Consumers

The existing Tariff is 2 part Tariff. The fixed charge is levied on the basis of KW load per month and energy charges are applicable in 3 slabs with different rates for each slab. The Commission has not made any changes in the structure and approved the same. However, the Commission has revised rates for each slab and fixed charges per KW which are given below in the Tariff.

<u>Fixed</u>

<u>Charges</u>

Fixed Charges for Domestic consumers for FY 2016-17			
Category	**Existing Tariff (Rs./kW/Month)**	**Proposed Tariff (Rs./kW/Month)**	**Approved Tariff (Rs/kW/Month)**
Domestic (DLT)	45	55	50

<u>Energy Charges</u>

Energy charges for Domestic consumer for 2016-17				
Category	**Slabs**	**Existing Tariff (Rs/kWh)**	**Proposed Tariff (Rs/kWh)**	**Approved Tariff (Rs/kWh)**

Domestic (DLT)	First 100 units	3.05	3.80	3.15
	Next 100 units	3.60	4.50	3.75
	Above 200 units	4.75	5.90	5.00

2. Non-Domestic (Low Tension)

The existing Tariff has a structure of 2 part Tariff. The fixed charges are levied on the basis of KW load per month and energy charges are applicable for two slabs with different rates for each slab. The Commission has not made any changes in the structure and approved the same. However, the Commission has approved different rate for each slab and fixed charges per KW which are given below in the Tariff.

Fixed charges

Fixed charges for Non domestic consumer for 2016-17			
Category	**Existing Tariff (Rs/kW/Month)**	**Proposed Tariff (Rs/kW/Month)**	**Approved Tariff (Rs/kW/Month)**
Non Domestic (CLT)	90	110	100

Energy charges

Energy charges for Non domestic consumer for 2016-17					
Category	**Slabs**	**Existing Tariff (Rs/kWh)**	**Proposed Tariff (Rs/kWh)**	**Slabs**	**Approved Tariff (Rs/kWh)**
Non Domestic (CLT)	First 100 Units	5.20	6.50	First 100 Units	5.35
	Above 100 Units	6.40	8.00	Above 100 Units	6.75

3. Industrial Low Tension

This category is applicable for small and medium industrial consumer who is given supply on low tension wires. The Commission has approved the following two parts without changing the structure of the current tariff keeping in view the present cross subsidy adjustment.

Fixed charges

Fixed charges for Industrial (LT) consumer for 2016-17			
Category	**Existing Tariff (Rs/kW/Month)**	**Proposed Tariff (Rs/kW/Month)**	**Approved Tariff (Rs/kW/Month)**
Industrial (ILT)	90	110	100

Energy charges

Energy charges for Industrial (LT) consumer for 2016-17			
Category	**Existing Tariff (Rs/kWh)**	**Proposed Tariff (Rs/kWh)**	**Approved Tariff (Rs/kWh)**
Industrial (ILT)	5.20	6.50	5.45

4. Public Service Low Tension

This category comes under Public Service connections given supply through LT lines. The approved Tariff for metered connections and unmetered connections are given below:

5. Public Lighting (Metered)

Fixed charges

Fixed charges for Public Lighting (metered) for 2016-17			
Category	**Existing Tariff (Rs/kW/Month)**	**Proposed Tariff (Rs/kW/Month)**	**Approved Tariff (Rs/kW/Month)**
Public Lighting (PL)	90	110	100

Energy Charges

Energy charges for Public Lighting (metered) for 2016-17			
Category	**Existing Tariff (Rs/kWh)**	**Proposed Tariff (Rs/kWh)**	**Approved Tariff (Rs/kWh)**
Public Lighting (PL)	5.90	7.40	6.15

Public Lighting (Unmetered)

Fixed charges for Public Lighting (unmetered) for 2016-17			
Type of lamp	**Existing Tariff (Rs/Lamp/Point/ Month)**	**Proposed Tariff (Rs/Lamp/Point/ Month)**	**Approved Tariff (Rs/Lamp/Point /Month)**
Incandescent lamps			
40 Watts	110	140	120
60 Watts	170	215	180
100 Watts	270	340	290
Florescent lamps			
Up to 40 Watts	170	215	180
Mercury vapor lamp			
80 Watts	250	315	265
125 Watts	350	435	370
250 Watts	740	925	785
500 Watts	1370	1710	1450

Sodium vapor lamp Up to 150 Watts 250 Watts 400 watts	 540 830 1380	 675 1035 1725	 570 880 1460
CFL fittings Up to 45 Watts Above 45 Watts & Up to 85 Watts	 165 265	 205 330	 170 280
LED fittings	515	645	540
Metal halide	625	780	660

6. Public Water Supply /Sewage Treatment Plants

This category is related to Public Water Supply and Sewage Treatment plants and comes under public consumption. The following rates are approved for water supply and sewage treatment plants. These rates are decided keeping their nature of use and cross subsidy level,

Fixed charges

Fixed charges for Public Water Supply for 2016-17			
Category	**Existing Tariff (Rs/kW/ Month)**	**Proposed Tariff (Rs/kW/Month)**	**Approved Tariff (Rs/kW/Month)**
Public Water Supply (WSLT) / Sewage Treatment Plants	90	115	100

Energy Charges

Energy charges for Public Water Supply for 2016-17			
Category	**Existing Tariff (Rs/kWh)**	**Proposed Tariff (Rs/kWh)**	**Approved Tariff (Rs/kWh)**
Public Water Supply (WSLT) / Sewage Treatment Plants	5.90	7.40	6.15

7. General Purpose

This Tariff is made for Government connections which are not covered under any other category of Public connections. The approved Tariff for this category is as follows:

Fixed charges

Fixed charges for General purpose for 2016-17			
Category	**Existing Tariff (Rs/kW/Month)**	**Proposed Tariff (Rs/kW/Month)**	**Approved Tariff (Rs/kW/Month)**
General purpose (GP)	90	115	100

Energy Charges

Energy charges for General purpose for 2015-16			
Category	**Existing Tariff (Rs/kWh)**	**Proposed Tariff (Rs/kWh)**	**Approved Tariff (Rs/kWh)**
General Purpose (GP)	5.90	7.40	6.15

8. Agriculture

This category is meant for agriculture where there are only few consumers in the State.

Fixed charges

Fixed charges for Agriculture for 2016-17			
Category	**Existing Tariff (Rs/kW/Month)**	**Proposed Tariff (Rs/kW/Month)**	**Approved Tariff (Rs/kW/Month)**
Agriculture (AP)	50	60	60

Energy Charges

Energy charges for Agriculture for 2016-17			
Category	**Existing Tariff (Rs/kWh)**	**Proposed Tariff (Rs/kWh)**	**Approved Tariff (Rs/kWh)**
Agriculture (AP)	2.25	2.80	2.50

9. Crematorium

This category is meant for crematorium using electricity for their day to day operation. As per the proposal there is only one consumer in this category. In the last Tariff Order the Commission has considered the nature and purpose of this crematorium which is meant for service to the society and operating on no profit no loss basis. The commission has held that on the basis of their nature of job their rates are considered equivalent to domestic consumers. The similar treatment has been given this year to this category with fixed charges on per connection basis and energy charges on metered consumption.

Fixed charges

Fixed charges for Crematorium for 2016-17			
Category	**Existing Tariff (Rs/Conn/ Month)**	**Proposed Tariff (Rs/KW/Month)**	**Approved Tariff (Rs/Conn/ Month)**
Crematorium (CRM)	6000	7500	6200

Energy Charges

Energy charges for Crematorium for 2016-17			
Category	**Existing Tariff (Rs/kWh)**	**Proposed Tariff (Rs/kWh)**	**Approved Tariff (Rs/kWh)**
Crematorium (CRM)	3.60	4.50	3.75

B High Tension Supply

As per the supply code this category is meant for those consumers who get supply from HT wires. The billing of this type of consumers is being done on the basis of provision of supply code.

10. Domestic High Tension

This tariff is applicable to domestic consumer having supply from HT system of the licensee. Their tariff is approved as follows.

Fixed charges

Fixed charges for Domestic (HT) for 2016-17			
Category	**Existing Tariff (Rs/kVA/Month)**	**Proposed Tariff (Rs/kVA/Month)**	**Approved Tariff (Rs/kVA/Month)**
Domestic HT (DHT)	175	219	190

Energy Charges

Energy charges for Domestic (HT) for 2016-17			
Category	**Existing Tariff (Rs/kWh)**	**Proposed Tariff (Rs/kVAh)**	**Approved Tariff (Rs/kWh)**
Domestic HT (DHT)	5.40	6.75	5.65

11. Non Domestic High Tension

This tariff is applicable to Commercial consumer having supply from HT system of the licensee. Their tariff is revised keeping in view of their present level of cross subsidy and its suitable correction. The Commission has approved their tariff as follows

Fixed charges

Fixed charges for Non Domestic (HT) for 2016-17			
Category	**Existing Tariff (Rs/KVA/Month)**	**Proposed Tariff (Rs/KVA/Month)**	**Approved Tariff (Rs/KVA/Month)**
Non Domestic HT (CHT)	175	219	190

Energy Charges

Energy charges for Non Domestic (HT) for 2016-17			
Category	**Existing Tariff (Rs/kVAh)**	**Proposed Tariff (Rs/kVAh)**	**Approved Tariff (Rs/kVAh)**
Non Domestic HT (CHT)	5.80	7.25	6.05

12. Industrial High Tension

These are industrial consumers taking supply on HT. These consumers are charged on KVAh basis. The tariff is revised as follows.

Fixed charges

Fixed charges for Industrial (HT) for 2016-17			
Category	**Existing Tariff (Rs/KVA/Month)**	**Proposed Tariff (Rs/KVA/Month)**	**Approved Tariff (Rs/KVA/Month)**
Industrial High Tension	175	219	190

Energy Charges

Energy charges for Industrial (HT) for 2016-17			
Category	**Existing Tariff (Rs/kVAh)**	**Proposed Tariff (Rs/kVAh)**	**Approved Tariff (Rs/kVAh)**
Industrial High Tension	5.64	7.05	5.89

13. General Purpose Bulk Supply (BS)

Fixed charges

Fixed charges for General Purpose Bulk (HT) for 2016-17			
Category	**Existing Tariff (Rs/kVA/Month)**	**Proposed Tariff (Rs/kVA/Month)**	**Approved Tariff (Rs/kVA/Month)**
General Purpose Bulk Supply (BS)	175	219	190

Energy Charges

Energy charges for General Purpose Bulk (HT) for 2016-17			
Category	**Existing Tariff (Rs/kWh)**	**Proposed Tariff (Rs/kVAh)**	**Approved Tariff (Rs/kWh)**
General Purpose/Bulk Supply	5.40	6.75	5.65

14. Public Water Supply/Sewage Treatment Plant

Fixed charges

Fixed charges for Public Water Supply (HT) for 2016-17			
Category	**Existing Tariff (Rs/kVA/Month)**	**Proposed Tariff (Rs/kVA/Month)**	**Approved Tariff (Rs/kVA/Month)**
Public Water Supply (WSHT)	175	219	190

Energy Charges

Energy charges for Public Water Supply (HT) for 2016-17			
Category	**Existing Tariff (Rs/kVAh)**	**Proposed Tariff (Rs/kVAh)**	**Approved Tariff (Rs/kVAh)**
Public Water Supply	5.40	6.75	5.65

C Extra High Tension Supply

15. Industrial Extra High Tension

Fixed charges

Fixed charges for Industrial (EHT) for 2016-17			
Category	**Existing Tariff (Rs/KVA/Month)**	**Proposed Tariff (Rs/KVA/Month)**	**Approved Tariff (Rs/KVA/Month)**
Industrial (IEHT)	175	219	190

Energy Charges

Energy charges for Industrial (EHT) for 2016-17			
Category	**Existing Tariff (Rs/kVAh)**	**Proposed Tariff (Rs/kVAh)**	**Approved Tariff (Rs/kVAh)**
Industrial (IEHT)	5.40	6.75	5.65

D Others

16. Temporary supply (HT & LT)

MeECL has proposed to continue their existing arrangement where the fixed and energy charges shall continue to be double of the normal applicable rates for all categories. The Commission has agreed to their proposal. Remaining terms and conditions of the tariff rate schedule shall be same as approved last year.

Annexure-I

RECORD NOTE OF THE 18 TH MEETING OF THE STATE ADVISORY COMMITTEE HELD AT 01:00 PM ON 16th MARCH 2016 AT THE MSERC CONFERENCE HALL AT SHILLONG.

Present:-

Members of the State Advisory Committee and Commission

1) Shri Anand Kumar, Chairman, MSERC.
2) Shri. J.B. Poon, Secretary MSERC
3) Shri. K. Marbaniang, Chairman Institution of Engineers.
4) Shri. Ramesh Bawri, President Meghalaya Confederation of Industries.
5) Shri. S. K. Lato, Jowai.
6) Shri. Sanjay Ekbote, Director U (MES).
7) Shri. Naveen Kumar, CWE, MES Shillong.

Officers from MeECL

1) Shri. T. Passah, Director & CE Distribution.
2) Shri. S. J. Laloo, CE, Generation.
3) Shri. L.M.F Sohtun, CE, Transmission.
4) Shri. M.S.S. Rawat, CAO.
5) Shri. G.S. Mukherjee, Company Secretary.

Calling the 18th Meeting of the State Advisory Committee (SAC) to order, the Chairman welcomed the members of Advisory Committee. He gave a brief idea on the current year tariff petitions to the members of the Advisory Committee. He explained the statutory requirements to be adhered by the licensees and generating companies. The Chairman explained the salient features of the True up ARRs of FY 2011-12, FY 2012-13, FY 2013-14, FY 2014-15 and revision in tariff for FY 2016-17 filed by Generating Corporation (MePGCL), Distribution Licensee (MePDCL) and Transmission Licensee (MePTCL). The Chairman explained the directions of Hon’ble APTEL’s Order dated 01.12.2015 for filing of audited records prior to finalization of current year tariff. The Chairman also explained the important issues relating with the True up and audited accounts which have its bearing on the consumer's tariff. Members of the Advisory Committee were briefed that the Commission has already admitted ARR petitions for all three utilities and response received so far in this regard. The Chairman invited suggestions with regard to present petition from the members. The Chairman suggested the members to send their comments in writing to the Commission if it required so. However, suggestions in this regard were also invited in the meeting. The issues which were presented before the members are AT&C losses, power availability in the State and present demand of the consumers. The Chairman has also shown his concern on the present level of losses in the State which have bearing on the tariff of the consumers. It was deliberated in the meeting that the control on the losses is must and the Commission should not allow the licensee over and above the targets fixed by the Commission in its earlier orders. The Commission highlighted the results of energy audit exercise held in Police Bazaar to the members of the Advisory Committee. He explained to the MeECL that there is a need to create a special group for monitoring of billing and collection including losses of all high revenue yielding consumers of the State. MePDCL officers agreed to it. The Commission has also shown its concern to get C&AG report on the licensee's statement of accounts after 2011-12. The Chairman invited suggestions from the participants on the ARR. Members of the SAC raised the following issues:

1. Shri. S.K. Lato

Shri. S. K. Lato raised his objection towards high losses in the MePDCL area and asked the MeECL officers to brief him about the action taken by them in reducing the losses. He suggested that the Commission should adhere to its trajectory as done earlier. The Commission briefed him that in the tariff only the nominal losses are allowed and if it is not achieved then the licensee's revenue is affected for which licensee is responsible. MePDCL informed the Committee that they are using the grants under UDAY Schemes to strengthen the line, change of transformer and placing of Smart Meter so that they reach at 15% loss level.

2. Shri Sanjay Ekbote

Shri Sanjay has placed a proposal before the Commission to grant them the status of deemed licensee in the State of Meghalaya as done in other States like Delhi, etc. He suggested that the present tariff applicable on bulk consumers is quite high and MES should be given some discount for use of their infrastructure and maintenance thereof. The Commission explained that proposal for reduction in tariff should be given as an objection to the tariff proposal within the time frame. Shri Sanjay requested time up to Public Hearing day and submitted the objections/suggestions with regard to bulk supply tariff will be submitted to the Commission.

3. Shri. Ramesh Bawri

Shri Bawri has suggested that decision of Delhi High Court in a matter of audit by C&AG as submitted by MeECL is of no relevance in the present case. He submitted that licensee's tariff is determined under the provisions of Electricity Act, 2003 and Regulations of the Commission. He has given the example of Regulation 15 which says that True up petitions shall be considered with the audited accounts by C&AG or Statutory Auditor. He also suggested that the time line of submitting the audited accounts should also be adhered as per the Regulations and consumers should not be burdened with the previous year backlog over and above two years. He has given the example of a decision of the Apex Court that present consumers should not be over burdened with the past backlog. MePDCL submitted that there is a provision in the law to put penalty on delay on submission of accounts but the legitimate expenditures of the licensee should be allowed. Mr. Bawri stated that as per Regulations the True up application should be submitted by 30th September and the current tariff application should be entertained as per MYT Regulations. He also explained that there is no provision of provisional true up in the Regulations and therefore True up of FY 2014-15 should not be entertained by the Commission. He explained that the function of the auditor is to point out the expenses and revenue as actually happened and its report give the nature of any infirmity and therefore without audit report no True up should be done. MePDCL explained that they have submitted C&AG report for FY 2011-12, statutory auditor report for FY 2012-13 & FY

2013-14. The Commission requested Mr. Bawri to give his suggestions in writing if he desires so.

4. Shri K. Marbaniang

Shri Marbaniang suggested that the MePDCL should adhere with the directions of the Commission given in the past in reducing their losses and maintaining efficient operation in the system. He suggested that tariff should be based on normative losses decided by the Commission and should not reflect the inefficiencies of the licensee.

Summing up the discussions, the Chairman placed on record his profound gratitude to the Hon'ble Members of the Advisory Committee for their valuable suggestions and submissions and assured that these would be kept in view, while finalizing the Tariff for the year 2016-17.

(J.B. Poon)

Secretary, MSERC

Annexure-II

LIST OF PARTICIPANTS IN THE PUBLIC HEARING ON 22.03.2016

On behalf of MePDCL/MeECL

1. Mr. K.N. War, Director HRD, MeECL
2. Mr. A. Kharpan, Add. Chief Engineer (Com).
3. Mr. M. S. Rawat, Chief Accounts Officer, MeECL
4. Mr. P.Sahkhar, SE (RA&FD)
5. Mr. M. Shylla, SE, RO
6. Mr. S. B. Umdir, CEO
7. Mr. O. Rani, CEO, CC
8. Mr. R. Majaw, SE, EM
9. Mr. R. Laloo, AO
10. L. Kharpran, Section officer
11. Mr. T. S. Kharnaior, Dy, CEO

On behalf of BIA

1. Ms. R. Ramchandran, Advocate.
2. Mr. Rahul Bajaj
3. Mr. L. Kurbah
4. Mr. S. S. Agarwal
5. Mr. U. Agarwal
6. Mr. Sumanta Chand
7. Mr. C.B. Paliwal
8. Mr. V. Agarwal
9. Mr. R.K. Bharadwaj

On behalf of MES

1. Mr. Sanjay Elbote
2. Mr. Chibor Shullai

On behalf of Consumer's Association

1. Ms. M. Ghosh, Advocate

On behalf of Pensioner's Association

1. Mr. T.D. Khonglah
2. Mr. George W. Syregai
3. Mr. M. Syrti