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BEFORE THE HON'BLE MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION

FILE/PETITION NO. ……..

IN THE MATTER OF:

APPROVAL OF TRUING UP OF EXPENSES FOR FY 2022-23 AND APPROVAL OF MULTI YEAR ARR FOR THE CONTROL PERIOD FY 2024-25 TO FY 2026-27 OF THE MEGHALAYA POWER DISTRIBUTION CORPORATION LIMITED (MePDCL) UNDER SECTION 62 AND 64 READ WITH SECTION 86 OF THE ELECTRICITY ACT 2003 AND PROVISIONS OF MSERC (MULTI YEAR TARIFF) REGULATIONS,2014.

0006796915

SI/Instrument No
Date 28.11.2023

NOTARY GOVT. OF MEGHALAYA

Superintending Engineer (RA)
Meghalaya Power Distribution Corporation Limited

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AND IN THE MATTER OF:

MEGHALAYA POWER DISTRIBUTION CORPORATION LIMITED, LUMJINGSHAI, SHORT ROUND ROAD, SHILLONG – 793001, MEGHALAYA

PETITIONER

Superintending Engineer (RA)
Meghalaya Power Distribution
Corporation Limited

AFFIDAVIT VERIFYING THE PETITION

I Shri Synran Singh Kharmih, aged about 56 years, son of Honer Swer, residing at Umkdait, Nongmensong, Shillong – 793019, and working as the Superintending Engineer (Regulatory Affairs), in the Meghalaya Power Distribution Corporation Limited (MePDCL) having its registered Office at Lum Jingshai, Short Round Road, Shillong, 793001, do solemnly affirm and state as under:

1. That I am the Superintending Engineer (Regulatory Affairs), Office of the Chief Engineer (Commercial) at Meghalaya Power Distribution Corporation Limited (MePDCL), the representative of the Petitioner in the above matter and I am duly authorized to make this affidavit.
2. That the statements made in the petition herein are based on petitioner company official record maintained in the ordinary course of business and I believe them to be true and correct.
3. That the documents attached with this affidavit are legible copies.

DEPONENT

Superintending Engineer (RA)
Meghalaya Power Distribution
Corporation Limited

VERIFICATION

Solemnly affirm at Shillong on this 28th day of November,2023 that the contents of the above affidavit are true to my knowledge and belief and no part of it is false and no material has been concealed there from.

DEPONENT

Superintending Engineer (RA)
Meghalaya Power Distribution
Corporation Limited

NOTARY
MELARIKA LYNGWA
EAST KHASI HILLS DISTRICT
REGD. NO
28/11/2023
GOVT OF MEGHALAYA

MELARIKA LYNGWA
NOTARY
East Khasi Hills District
Government of Meghalaya

BEFORE

MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION SHILLONG

PETITION

FOR

TRUE UP OF DISTRIBUTION BUSINESS

FOR FY 2022-23

&

AGGREGATE REVENUE REQUIREMENT FOR FY 2024-25 TO FY 2026-27 AND DISTRIBUTION TARIFF FOR 2024-25

FILED BY

MEGHALAYA POWER DISTRIBUTION CORPORATION LTD.

Lum Jingshai, Short Round Road, Shillong-793001

BEFORE THE HON'BLE MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION

FILE/ PETITION NO…...

IN THE MATTER OF

APPROVAL OF TRUING UP OF EXPENSES FOR FY 2022-23 AND APPROVAL OF MULTI YEAR ARR FOR THE CONTROL PERIOD FY 2024-25 TO FY 2026-27 AND DISTRIBUTION TRAIFF FOR FY 2024-25 OF THE MEGHALAYA POWER DISTRIBUTION CORPORATION LIMITED (MePDCL) UNDER SECTION 62 AND 64 READ WITH SECTION 86 OF THE ELECTRICITY ACT 2003 AND PROVISIONS OF MSERC (MULTI YEAR TARIFF) REGULATIONS,2014

AND IN THE MATTER OF

MEGHALATA POWER DISTRIBUTION CORPORATION LIMITED, LUMJINGSHAI, SHILLONG- 793001- MEGHALAYA.

………. PETITIONER

IT IS RESPECT SUBMITTED BY THE PETITIONER THAT:

1. In exercising the powers conferred to it under Section 131 and 133 of the Electricity Act 2003, the State Government of Meghalaya notified "The Meghalaya Power Sector Reforms Transfer Scheme 2010", notified on 31st March 2010. The Scheme paved path for the re-structuring and unbundling of the erstwhile Meghalaya State Electricity Board (MeSEB). As per the provisions of the aforesaid transfer scheme MeSEB was un-bundled into four entities which are:
   a) Meghalaya Energy Corporation Limited (MeECL) which is the holding company;
   b) Meghalaya Power Distribution Corporation Limited (MePDCL) – Distribution Utility;
   c) Meghalaya Power Generation Corporation Limited (MePGCL)- Generation Utility;
   d) Meghalaya Power Transmission Corporation Limited (MePTCL)– Transmission Utility.

2. Though the transfer scheme was notified on 31st March 2010, the holding company MeECL continued to carry out the functions of distribution, generation and transmission utilities till 31st March 2012. After notification of amendment to the Power Sector Reforms Transfer Scheme by the State Government on 1st April 2012, the un-bundling of MeECL into MePDCL, MEPGCL and MePTCL came into effect.
3. The Government of Meghalaya notified the vesting order of the Assets and Liabilities as on 1st April 2010, in the books of MeECL. Subsequently, the State Government notified the 4th amendment to the Notified Transfer Scheme on 29th April 2015, wherein the opening balances of assets and liabilities of all the four entities namely, MePGCL, MePDCL, MePTCL and MeECL as on 1st April 2012 were ascertained.

4. The instant Petition is being filed by MePDCL in compliance with the Regulation 11 Regulation 4 & 6 of Meghalaya State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2014 as amended from time to time for Trueing Up of Expenses for FY 2022-23 and Approval of Multi Year ARR for FY 2024-25 to FY 2026-27.
5. The Board of Directors of MePDCL have accorded the approval for filing the instant Petition and authorized the undersigned to file the Petition. The copy of the Board's resolution dated 28/11/2023 is annexed to this Petition as **Annexure A.**
6. The copy of Audited Accounts of MePDCL and MeECL is annexed to this Petition as **Annexure B** and **Annexure C**.
7. The Petitioner, therefore humbly prays Hon'ble Commission to:
   a. To approve the true up of expenses for FY 2022-23 and the principles and methodology adopted by MePDCL for various parameters.
   b. To approve the Multi Year ARR for the fourth control period i.e., FY 2024-25 to FY 2026-27 and Distribution tariff for FY 2024-25.
   c. Approve the recovery of Accrued Terminal Liabilities in 15 equal instalments.
   d. Allow addition/ modification of the claims in the Petition during the course of the proceedings of the Petition.
   e. To condone any inadvertent omissions, errors and shortcomings and permit the rectification of the same during the course of proceedings of the Petition.
   f. To pass such order, as the Hon'ble Commission may deem fit and proper and necessary in view of the facts and circumstances of the case.

(S S KHARMIH)

Superintending Engineer (RA)
Meghalaya Power Distribution
Corporation Limited

For and behalf of
Meghalaya Power Distribution Corporation Limited

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LIST OF TABLES

1. BACKGROUND

1.1 Description of Parties

The Power Supply Industry in the state of Meghalaya has been under the governance of erstwhile Meghalaya State Electricity board (MeSEB) since 21st January 1975. The State Government on 31st March, 2010 notified "The Meghalaya Power Sector Reforms Transfer Scheme 2010" paving path for the un-bundling of the MeSEB into

- Meghalaya Electricity Corporation Limited (the holding company),
- Meghalaya Power Distribution Corporation Limited (Distribution Utility),
- Meghalaya Power Generation Corporation Limited (Generation Utility)
- Meghalaya Power Transmission Corporation Limited (Transmission Utility).

The aforesaid scheme was further amended on 31st March, 2012, which led to the transfer of assets and liabilities including all rights and obligation and contingencies with effect from 1st April, 2012 to the aforementioned four companies.

The MSERC is an independent statutory body constituted under the provisions of the Electricity Regulatory Commissions (ERC) Act, 1998, which was superseded by Electricity Act (EA), 2003. The Hon'ble Commission is vested with the authority of regulating the power sector in the State inter alia including determination of tariff for electricity consumers.

2. METHODOLOGY ADOPTED FOR TRUE UP PETITION FOR FY 2022-23

MePDCL would like to submit that the true up Petition for FY 2022-23 is being filed as per the provisions of the Regulation 11 of the MSERC (Multi Year Tariff) Regulations, 2014 (herein referred as 2014 Tariff Regulations). As per the Regulation 11.5 of 2014 Tariff Regulations:

> *The Scope of the truing up shall be a comparison of the performance of the Generating Company or Transmission Licensee or Distribution Licensee with the approved forecast of the Aggregate Revenue Requirement and expected revenue from tariff and charges and shall comprise of:*
>
> *a) A comparison of the* ***audited performance*** *of the applicant for the previous financial year with the approved forecast for such financial year, subject to the prudence check including pass-through of impact of uncontrollable factors.*
> *b) Review of the compliance with the directives issued by the Commission from time to time:*
> *c)Other relevant details.*

As evident from the above extract of the Regulations, MePDCL has relied on the audited accounts of the FY 2022-23 for claiming most of the components of Aggregate Revenue Requirement. The detailed assumptions and methodology adopted by MePDCL for various components of the ARR are discussed in detail in the subsequent sections of this chapter.

2.1 ***POWER PURCHASE COST-***

MePDCL would like to submit that the Power Purchase Cost has been considered as per the ***audited statement of accounts***. Further, since Hon'ble Commission has been disallowing the delayed payment surcharge on the power procurement bills, the same has not been considered in the instant Petition. MePDCL would like to submit that the delayed payment surcharges billed by NTPC amounting to Rs. 85.07 Cr has been booked in the statement of accounts under the head power purchase expenses which has been excluded from the power purchase expenses claimed in the ARR. Further, an amount of Rs. 17.04 Cr pertaining to the energy bills of NHPC have been wrongly classified in the statement of accounts as delayed payment surcharge due to oversight. Since these expenses are legitimate expenses against the power purchased from NHPC the same has been included in the Power Purchase expenses in the ARR.

2.2 *GROSS FIXED ASSETS-*

The Opening Gross Fixed Assets have been considered as the closing GFA allowed by the Hon'ble Commission in the true up order dated 21st November 2023 for the FY 2021-22. The subsequent addition and deletion during the year have been considered as per the audited statement of accounts.

2.3 *TREATMENT OF GRANTS AND CONSUMER CONTRIBUTION*

MePDCL would like to submit that the accounting of the grants in the Audited Accounts is governed by the India Accounting Standard (Ind AS 20). The Indian Accounting Standard 20 specifies that:

> ***"A government grant is not recognised until there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the grant will be received. Receipt of a grant does not of itself provide conclusive evidence that the conditions attaching to the grant have been or will be fulfilled."***

The above extract of the Indian Accounting Standard 20 clearly states that MePDCL ***has to account for the grants received even if the asset against the grant is not capitalized***. Hence, MePDCL would humbly submit that the consideration of entire grants in the statement of accounts against the Gross Fixed Assets would not be a correct methodology. Further the basic accounting equation that implies that the assets are equal to liabilities can be fulfilled only when Hon'ble Commission considers the GFA and CWIP on the asset side and the Grants, Equity and loans borrowed on the liability side.

MePDCL would also like to submit that Hon'ble APTEL in ***Appeal No. 141 of 2016 and Appeal No. 142 of 2016 in North Bihar Power Distribution Company Limited (NBPDCL) Vs Bihar Electricity Regulatory Commission (BERC)*** has remanded the order passed by BERC and directed to reconsider the consideration of entire grants against GFA. The relevant extract of the judgement is reproduced below:

> *"The Appellant has stated that there have been three sources for funding the assets of the distribution activities of the Appellant namely debt, equity and grants. The Appellant does not dispute that the servicing of the capital cost through tariff is restricted to the gross value of the assets capitalised and put to use and further only on the debt and equity part of*

the funding. It is accepted that the grant part is not to be serviced at all through tariff. The grievances of the Appellant are restricted to the State Commission's considering the various assets capitalised as being funded by grant in a disproportionate manner, whereas the Appellant claims that such funding by grants has to be considered along with debt and equity in a proportionate manner. It has been submitted by the Appellant that no asset has been funded only through grant without deploying any debt or equity and its claimed in the manner provided in the tariff Regulations, the depreciation on the assets excluding the proportionate funding through grants.

In the Impugned Order, the State Commission has proceeded on the basis of existence of cash and bank balances as representing the funding of assets by grant. The State Commission has also proceeded on the basis that since grants were available, the same ought to have been utilised instead of debt and equity funding. The Appellant submitted that the grants given had to be used with matching debt and equity.

In our opinion, the depreciation is an important segment and needs to be re-examined by the State Commission keeping in view the relevant details submitted by the Appellant subject to its prudent check. The Appellant is entitled to raise the issue of rate of depreciation also before the State Commission while the depreciation amount is being re-examined by the State Commission."

The Copy of the Judgement is Annexed to this Petition as Annexure D

MePDCL would like to further submit that in ***Appeal No.108 of 2013, 149 of 2015, 171 of 2014 and 172 of 2014 Gujarat Energy Transmission Corporation Limited Vs Gujarat Electricity Regulatory Commission*** the APTEL in its judgement dated 21.07.2016 has ordered as below:

Further, we direct the State Commission to re-examine with respect to deferred income and portion of the grants as per the Accounting Standard and recommendation of CAG. If necessary, the MYT Regulation has to be suitably amended. Thus, we decide these issues (Issue Nos. 1&2) in favour of the Appellant and the Impugned Orders are to be modified accordingly.

The Copy of the relevant portion of the order is annexed to this Petition as Annexure E

MePDCL would like to further submit that Chhattisgarh State Electricity Regulatory Commission has also followed the similar methodology wherein the grants available in the books of accounts have been proportioned between CWIP and GFA. The relevant extract of the order is reproduced below:

"In order to ascertain the capital mix (i.e., debt, equity, grant) in GFA and Capex for arriving at the Return on Equity and Interest expenses, the Commission has adopted the following approach. For the purpose of permissible equity for RoE in opening GFA as on January 1, 2009, the permissible equity in opening GFA as on April 1, 2005 (34.53%) has been considered and equity addition from the asset added thereafter till December 2008 limited to 30%. Accordingly, the equity as a percentage of GFA as on January 1, 2009 works out to 32.85% as against the submission of CSPDCL of 30% of the opening GFA received as on January 1, 2009."

Table 175: Capital Structuring for CSPDCL (Rs. Crore)

Particulars	Legend	01.04.05		01.04.10			01.04.13		
Opening GFA	1	597.07		2,032.14			2,846.84		
Permissible Equity	2	206.18		636.70			881.10		
% of Equity in GFA	3=2/1	34.53%		31.33%			30.95%		
CAPEX and GFA									
Particulars	**Legend**	**FY2008-09**	**FY 2009-10**	**FY 2010-11**	**FY 2011-12**	**FY 2012-13**	**FY 2013-14**	**FY 2014-15**	**FY 2015-16**
Opening GFA	A	1,752.15	1,814.90	2,032.14	2,222.89	2,519.07	2,846.84	3,067.84	3,317.84
Opening CWIP	B	1,102.70	1,165.39	1,229.71	1,506.58	1,595.86	1,927.44	2,021.44	2,128.44
Opening Capex	c=a+b	2,854.85	2,980.29	3,261.85	3,729.46	4,114.93	4,774.28	5,089.28	5,446.28
Capitalisation during the Year	D	62.75	217.25	190.74	296.18	327.77	221.00	250.00	311.00
Closing GFA	e=d+a	1,814.90	2,032.14	2,222.89	2,519.07	2,846.84	3,067.84	3,317.84	3,628.84
Closing CWIP	F	1,165.39	1,229.71	1,506.58	1,595.86	1,927.44	2,021.44	2,128.44	2,261.44
Closing Capex	g=f+e	2,980.29	3,261.85	3,729.46	4,114.93	4,774.28	5,089.28	5,446.28	5,890.28
Grants and Consumer Contribution									
Particulars	**Legend**	**FY2008-09**	**FY 2009-10**	**FY 2010-11**	**FY 2011-12**	**FY 2012-13**	**FY 2013-14**	**FY 2014-15**	**FY 2015-16**
Opening Grant and Contribution	H	1,350.94	1,425.98	1,469.26	1,562.91	1,679.12	2,465.51	2,465.51	2,465.51
Consumer Contribution/Grants during the Year	I	75.04	43.28	93.65	116.21	383.55	-	-	-
Closing Consumer Contribution	j=h+i	1,425.98	1,469.26	1,562.91	1,679.12	2,062.68	2,465.51	2,465.51	2,465.51
Consumer Contribution in Opening GFA	k=h*a/c	829.14	868.38	915.36	931.55	1,027.92	1,470.15	1,486.22	1,501.97
Consumer Contribution in Closing GFA	l=j*e/g	868.38	915.36	931.55	1,027.92	1,229.95	1,486.22	1,501.97	1,518.93
Loan Borrowed									
Particulars	**Legend**	**FY2008-09**	**FY 2009-10**	**FY 2010-11**	**FY 2011-12**	**FY 2012-13**	**FY 2013-14**	**FY 2014-15**	**FY 2015-16**
Opening Borrowed Loan	M	565.97	565.97	655.62	848.34	976.85	740.37	992.37	1,277.97
Loan Borrowed during the Year	n	-	89.65	192.72	128.51	166.35	252.00	285.60	355.20
Closing Borrowed Loan	o=m+n	565.97	655.62	848.34	976.85	1,143.20	992.37	1,277.97	1,633.17

It is evident from the above table that CSERC has considered the proportionate grants in the GFA and CWIP and has allowed the depreciation, Return on Equity and Loan accordingly. The copy of the relevant portion of the order is annexed to this Petition as Annexure F

Further, it is pertinent to mention that Hon'ble Commission in its own Regulations i.e., 2014 Tariff Regulations has in Regulation 32.2 mentioned that:

> *"The interest and finance charges attributable to capital work in progress shall be excluded."*

In view of the above justifications and the judgements of the Hon'ble APTEL MePDCL has proposed a similar methodology for apportionment of the grants in Capital Works in Progress and GFA.

MePDCL humbly prays this Hon'ble Commission to accept the methodology adopted by MePDCL and allow the consequential impact on the key ARR elements such as ROE, IOL and Depreciation.

2.4 *DEPRECIATION AND RETURN ON EQUITY*

MePDCL would like to submit that it has calculated depreciation and return on equity as per the 2014 Tariff Regulations, with a deviation from the methodology adopted by the Hon'ble Commission in previous years. In the instant Petition MePDCL has considered the ***bifurcation of grants in the capital work in progress and the gross fixed assets*** in light of the detailed explanation given under Point 3 above.
MePDCL prays this Hon'ble Commission to consider the methodology adopted by it for calculation of depreciation and return on equity and allow the same.

2.5 *INTEREST ON LOAN*

MePDCL has claimed the interest on loan as per the provisions of 2014 Tariff Regulations. As per Regulation 32 of the 2014 Tariff Regulations:

> *32.1 Interest and finance charges on loan capital shall be computed on the outstanding loans, duly taking into account the schedule of loan*

repayment, terms and conditions of loan agreements, bond or debenture and the lending rate specified therein.

Provided that the outstanding loan capital shall be adjusted to make it consistent with the loan amount determined in accordance with Regulation 27.

Further Regulation 27 of the 2014 Tariff Regulations states that:

27.1 For a project declared under commercial operation on or after 1.4.2015, if the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan;

Provided that where equity actually deployed is less than 30% of the capital cost, the actual equity shall be considered for determination of tariff.

In view of the above Regulations, since the Hon'ble Commission has restricted the equity to 30% of the GFA, ***MePDCL has considered the normative loan (70% of the GFA less grants in GFA and equity in GFA) as opening balance for the purpose of calculating the interest on loan.*** Further, since Hon'ble Commission has been considering the actual repayment of loan in the previous years, the total repayment made till date has been considered as cumulative repayment for arriving at net normative loan. The addition in the normative loan has been considered in proportion to the capitalization during the year and the repayment has been considered at actuals.

The interest booked in the statement of account against each of the actual loan has been considered for the purpose of arriving at the weighted average rate of interest. This weighted average rate of interest has been used for calculating the interest on loan by multiplying it with the average normative loan.

The other financing charges such as guarantee fees have been claimed as per actuals in the audited statement of account.

2.6 ***OPERATION AND MAINTENANCE EXPENSES***

In line with the settled regulatory practice followed by Hon'ble Commission in previous years, the operation and maintenance expenses have been claimed as per the audited statement of account. Further, it is pertinent to note that the O&M expenses of common shared services are booked in the accounts of the holding company i.e., MeECL, hence the O&M expenses booked in the accounts of MeECL have been apportioned equally among the three companies.

Further, in line with the directions of Hon'ble Commission in previous years, the ***actuarial valuation for the FY 2021-22 and FY 2022-23 has been done*** and the Terminal Benefits accounted for in the audited statement of account has been claimed accordingly.

2.7 ***NON-TARIFF INCOME AND SALE OF SURPLUS POWER***

The revenue from sale of surplus power/ swapping arrangements has been considered as per the audited statement of accounts. Similarly, the Non-Tariff Income has also been considered as per the audited statement of account with following exclusions:

i. ***Amortization of grants*** shown in the audited accounts in non-tariff income has been excluded from the claim as the entire movement in grants has been considered at the time of calculation of return on equity and depreciation. Since the amortization of grants is not an ***actual income and has been accounted in the statement of accounts for the purpose of the complying with the relevant accounting standards*** issued by ICAI hence the same is not in the nature of revenue.

ii. Grants received under UDAY scheme shown under the head other income in the books of accounts are the grants provided by the Government of India for ***improving the financial viability of the DISCOM and does not classify as the capital grants***. Hence, these grants are not for the purpose of passing on the benefit of the same to the consumers. Revenue grants are provided to meet the gap between the cost that is being recovered from the tariff and actual cost incurred, hence if these grants are considered as reduction from ARR the purpose of these grants is defeated.

iii. Hon'ble Commission has been considering the delayed payment surcharge as accounted in the books of accounts. However, MePDCL would like to submit that the delayed payment surcharge accounted in books of account is the amount that has been billed to consumers and ***not the actual amount collected from them***. Hence, the delayed payment surcharge actually collected from the consumers in FY 2022-23 has been considered as Non-Tariff Income.

2.8 *REBATE ON POWER PURCHASE*

Hon'ble Commission has been considering the normative rebate of 1% on the power purchase expenses reported by MePDCL in the past. Hon'ble Commission has been considering the 1% rebate based on the Regulation 36 of the 2014 Tariff Regulations which states that:

> *36.1 For payment of bills of generation tariff or transmission charges through Letter of Credit or otherwise, within 7 days of presentation of bills, by the Generating Company or the Transmission Licensee, as the case may be, a rebate of 2% on billed amount, excluding the taxes, cess, duties, etc., shall be allowed. Where payments are made subsequently through opening of Letter of Credit or otherwise, but within a period of one month of presentation of bills by the Generating Company or the Transmission Licensee, as the case may be, a rebate of 1% on billed amount, excluding the taxes, cess, duties, etc., shall be allowed.*

In this context MePDCL would like to submit that the aforesaid Regulations are applicable to the State owned transmission and generation companies and are not applicable to the ***Central Generating Stations, tariff of which is governed by the Regulations issued by CERC from time to time***. It is further emphasised that the aforesaid Regulations mandates the generating and transmission companies to allow a rebate of 1% if the payment is made to them in stipulated time. However, the Regulations ***do not mandate the Distribution licensee to make the payment within the stipulated time.*** Hence, the normative rebate is not mandatory and hence only the actual rebate availed by the distribution licensee is ought to be considered as Non-Tariff Income.

The actual rebate is received by MePDCL in two ways, as an adjustment to the power purchase bills or as a separate bill. The rebate received as adjustment to the power purchase bills has already been accounted for in the power purchase expenses depicting in the audited statement of accounts. The rebate received separately has been accounted for as a separate line item in the books of accounts under other income.

MePDCL would like to further submit that considering the normative rebate and disallowance of the actual delayed payment surcharge is impacting the financial viability of the licensee as the cost of power purchase which constitute more than 80% of the ARR is not getting recovered through the tariff.

In view of the above, MePDCL would like to humbly request the Hon'ble Commission not to consider the normative rebate and allow the power purchase expenses as per the actuals as accounted in the statement of accounts.

In line with the methodology of each component of ARR explained in this chapters the claims of Truing Up for FY 2022-23 is discussed in details in the subsequent chapter.

3. TRUING UP OF EXPENSES OF FY 2022-23

3.1 ***BACKGROUND***

Hon'ble Commission vide order dated 25.03.2021 in Case No. 04 of 2021 has allowed the Multi Year ARR for MePDCL including the ARR of FY 2022-23. The ARR for the year was further revised vide order dated 25.03.2022 in Case no. 29 of 2021- Aggregate Revenue Requirement and Distribution Tariff for FY 2022-23. Since, the Annual Statement of Accounts for FY 2022-23 have been audited and hence in terms of the provisions of Regulation 11 of the 2014 Tariff Regulations, MePDCL is filing the true up Petition for FY 2022-23.

An excel model for the calculations of various components of the ARR is being submitted in soft copy along with this Petition.

3.2 ***REGULATORY PROVISION FOR FILING OF TRUE UP PETITION***

The Hon'ble Commission has notified the Meghalaya State Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2014 on 15th September 2014 which is applicable for determination of tariff effective from 1 April 2015. Regulation 11 of the said Regulations lays down the general guiding principles for truing up and the provisions of the said Regulations are reproduced below for reference:

> *"11. Truing-Up*
>
> ***11.1*** *Where the Aggregate Revenue Requirement and expected revenue from tariff and charges of a Generating Company or Transmission Licensee or Distribution Licensee is covered under a Multi-Year Tariff framework, then such Generating Company or Transmission Licensee or Distribution Licensee, as the case may be, shall be subject to truing up of expenses and revenue during the Control Period in accordance with these Regulations.*
>
> ***11.2*** *The Generating Company or Transmission Licensee or Distribution Licensee shall file an Application for Truing up of the previous year and determination of tariff for the ensuing year, within the time limit specified in these Regulations:*
>
> ***11.3*** *Provided that the Generating Company or Transmission Licensee or Distribution Licensee, as the case may be, shall submit to the Commission information in such form as may be prescribed by the Commission, together with the Audited Accounts including audit report by CA&G, extracts of books of account and such other details as the Commission may require to assess the reasons for and extent of any variation in financial performance from the approved*

forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges.

It is further stated that the amendment to Regulation 11.3 of the Meghalaya State Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2014 dated 15th June 2021 is *as follows:*

"Provided that the Generating Company or Transmission Licensee, as the case may be, shall submit to the Commission information in such form as may be prescribed by the Commission, together with the Audited Accounts including audit report by a Statutory Auditor appointed by C&AG, extracts of books of account and such other details as the Commission may require to assess the reasons for and extent of any variation in financial performance from the approved forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges."

11.4 *Provided further that once the Commission notifies the Regulations for submission of Regulatory Accounts applications for tariff determination and truing up shall be based on the Regulatory Accounts.*

11.5 *The scope of the truing up shall be a comparison of the performance of the Generating Company or Transmission Licensee or Distribution Licensee with the approved forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges and shall comprise of the following:*

a) *a comparison of the audited performance of the applicant for the previous financial year with the approved forecast for such previous financial year, subject to the prudence check including pass-through of impact of uncontrollable factors;*

b) *Review of compliance with directives issued by the Commission from time to time;*

c) *Other relevant details, if any.*

11.6 *In respect of the expenses incurred by the Generating Company, Transmission Licensee and Distribution Licensee during the year for controllable and uncontrollable parameters, the Commission shall carry out a detailed review of performance of an applicant vis-a-vis the approved forecast as part of the truing up.*

11.7 *Upon completion of the truing up under Regulation 11.4 above, the Commission shall attribute any variations or expected variations in performance for variables specified under Regulation 12 below, to factors within the control of the applicant (controllable factors) or to factors beyond the control of the applicant (uncontrollable factors):*

Provided that any variations or expected variations in performance, for variables other than those specified under Regulation 12.1 below shall be attributed entirely to controllable factors.

11.8 *Upon completion of the Truing Up, the Commission shall pass* *an order recording:*

a) *the approved aggregate gain or loss to the Generating Company or Transmission Licensee or Distribution Licensee on account of controllable factors, and the amount of such gains or such losses that may be shared in accordance with Regulation 14 of these Regulations;*

3.3 ***PHYSICAL PERFORMANCE***

MePDCL would like to submit that there has been substantial growth in terms of the infrastructure and there has been substantial increase in the infrastructure which shows MePDCL's commitment to improve the performance and cater to the growing demand of the consumers in an efficient manner.

The growth of infrastructure of the MePDCL is tabulated below:

Table 1 Growth In Infrastructure of MePDCL

S No	Particular	UOM	2018-19	2019-20	2020-21	2021-22	2022-23
1.	Number of 33/11 KV Sub-Stations	Nos.	98	101	107	114	115
2.	Transformation Capacity of 33/11 KV Sub-Stations	MVA	486.58	600.33	641.88	634.45	625.75
3.	Length of 33 KV Lines	CKM.	2217.03	2332.93	2519.41	2630.655	2794.05
4.	Number of 11/0.4 KV Sub-Stations	Nos.	10381	11563	12436	12798	12951
5.	Transformation Capacity of 11/0.4 KV Sub-Stations	MVA	540815.27	773490.75	834374.54	889235	922714.50
6.	Length of 11 KV Lines	CKM.	15601.68	16810.05	17886.16	19687.60	19361.24
7.	Number of Distribution Transformers	Nos.	10381	11577	12495	12847	13173
8.	Length of LT lines	CKM.	20019.21	24928.55	27762.23	31758.38	32196.44

3.4 ***ENERGY SALES***

MePDCL would like to submit that it has been operating four of its sub-divisions through distribution franchisee. The distribution franchisee is Input Based Distribution Franchisee in nature where in the input energy is being provided to the franchisee at the injection points of the four sub-divisions. The distribution franchisees are billed at the input energy provided to them at the injection point. Thus, technically there is no distribution loss on the energy provided to the franchisee.

The total energy sales in the state during FY 2022-23 has been 1718.83 MU which can be verified from the Audited Statement of Accounts, however, since after providing the input energy to the franchisee the losses in the respective sub-divisions is borne by the franchisee, MePDCL for the purpose of instant Petition has proportionately distributed the input energy provided to the franchisee into the consumer categories in proportion to consumption of each category in the area of franchisee. The detailed calculation is being provided in the excel model being submitted along with the Petition.

It is further mentioned that the revenue from sale of power is also accounted in the statement of accounts in a similar manner. The revenue from the consumers is accounted separately and revenue from distribution franchisee is accounted separately. Those the method adopted for arriving at the sale to consumers is such so that there is parity between the audited accounts and the true up petition.

The Petitioner craves leave of this Hon'ble Commission to produce the details of the same as and when directed by the Hon'ble Commission.

Table 2 Energy Sales During FY 2022-23

Sl.No.	Category	Energy Sales approved for FY 2022-23	Actual Sales 2022-23	% Variation
	LT Category	606.14	700.77	16%
1	Domestic	404.7	429.52	6%
2	Commercial	77.28	96.57	25%
3	Industrial	6.21	7.40	19%
4	Agriculture	0.78	0.20	-74%
5	Public Lighting	0.12	1.03	762%

Sl.No.	Category	Energy Sales approved for FY 2022-23	Actual Sales 2022-23	% Variation
6	Water Supply	12.76	9.60	-25%
7	General purpose	17.52	17.47	0%
8	Kutir Jyoti	86.55	138.78	60%
9	Crematorium	0.22	0.18	-16%
	HT Category	475.44	408.81	-14%
1	Domestic	25.15	22.18	-12%
2	Water Supply	33.35	35.37	6%
3	Bulk Supply	103.64	77.86	-25%
4	Commercial	27.87	30.96	11%
5	Industrial	150.58	133.25	-12%
6	Ferro Alloys	36.28	109.20	201%
7	Special tariff	98.57	0.00	-100%
	EHT Category	465.8	671.77	44%
1	Industrial	53.41	263.36	393%
2	Ferro Alloys	347.54	408.41	18%
3	Special tariff	64.85	0.00	-100%
	Total	1547.38	1781.35	15%

MePDCL requests Hon'ble Commission to approve the sales of FY 2022-23 as 1781.35 MU for the purpose of truing up and calculation of T&D losses and AT&C losses.

3.5 ***ENERGY AVAILABILITY***

MePDCL has two major sources for the long term procurement of power i.e., power projects of MePGCL the state owned generation company and the allocation of power from the Central Generating Stations of NEEPCO, NHPC, NTPC and OTPC. It is also pertinent to note that most of the stations from which MePDCL is having long term agreement for procurement of power are hydro power projects the availability from which is maximum during the monsoon period and during the winter season the availability from these sources go down and hence to cater to the demand of the state and ensure uninterrupted supply of power MePDCL is bound to buy power from the short-term sources such as IEX/bilateral and swapping arrangements.

The comparative statement of the energy availability from various sources as approved by the Hon'ble Commission in the tariff order and actual availability from these sources is tabulated below:

Table 3 Comparison of Approved Availability and Actual Availability from Various Sources of Power

S No	Source	Quantum Approved	Actual Availability
1	MePGCL	1293.49	1043.53
2	NHPC	40.28	36.87
3	NEEPCO	723.70	646.64
4	OTPC	436.79	517.23
5	NTPC	589.50	0.00
6	Solar Sources	39.42	
	Total Long Terms	**3123.18**	**2244.28**
1	Kreate Energy (Swapping)	0.00	281.55
2	Kreate Energy (IEX)	0.00	27.65
3	APPCL (Swapping)	0.00	85.74
4	APPCL (Bilateral Purchase)	0.00	9.05
5	APPCL (IEX)	0.00	25.92
6	GMRTEL (Swapping)	0.00	92.16
7	Manikaran (Swapping)	0.00	64.80
8	Subheksha (Swapping)	0.00	52.09
10	DSM Intra-State	0.00	0.94
11	DSM Inter-State	0.00	20.83
	Total Short Term	**0.00**	**660.72**
	Grand Total	**3123.18**	**2905.00**

It is evident from the above table that the actual availability from the long term sources has been 2244.28 MU against the 3123.18 MU approved by the Hon'ble Commission resulting in a gap of 878.90 MU. To cover this gap MePDCL has resorted to the short term sources and has procured 660.72 MU of power from short-term sources.

MePDCL request Hon'ble Commission to approve the total availability as shown in the table above.

3.6 DETAILS OF SURPLUS ENERGY

As stated in above paragraphs MePDCL is heavily dependent on the hydro power projects for the power procurement. In the monsoon season there is surplus available with MePDCL which is sold in short-term markets such as IEX/ Bilateral Sales and swapping arrangements. The details of the surplus short-term power sold in FY 2022-23 is tabulated below:

Table 4 Details of Surplus Power (Short term)

S No.	Particular	MU
a.	**Sales on IEX and Bilateral**	
1	GMR Energy (IEX)	1.33
2	Kreate Energy (IEX)	50.72
3	APPCL (IEX)	38.05
4	DSM Intra State	35.66
5	Kreate Energy (Bilateral)	20.25
	Sub-Total Sales	146.01
b.	**Details of Swapping**	
1	Kreate Energy (Swapping)	290.99
2	APPCL (Swapping)	99.09
3	GMR Energy (Swapping)	29.23
4	Manikaran (Swapping)	58.25
5	SAPL (Swapping)	24.09
	Sub-Total Swapping	501.65
	Grand Total	**647.66**

3.7 TOTAL ENERGY SALES

Thus, in view of the above statements the total energy sold by MePDCL during 2022-23 is tabulated below:

Table 5 Total Energy Sale in FY 2022-23

Sl.	Particulars	MePDCL

No.		Actual
1	Energy sale to inside Consumers	1781.35
2	Energy sale to others both outside and inside the State at **State periphery**	647.66
3	**Total Energy sales**	**2429.01**

3.8 ***DISTRIBUTION LOSS AND ENERGY BALANCE FOR 2022-23***

Based on the availability of power in terms of MU and the sales in terms of MU depicted in Table 2 to Table 4 above the distribution losses for the state for FY 2022-23 and energy balance of the state for FY 2022-23 is computed in the tables below:

Table 6 Computation of Distribution Loss for FY 2022-23

Sl. No.	Particulars	Calculation	Value
1	Energy purchase from Eastern Region (ER)	A	0
2	Inter-State Transmission Loss in ER	B	1.80%
3	Net Power purchased from ER	C=A(1-B%)	0
4	Power purchase from CGS including Pallatana North Eastern Region (NER)	D	1200.74
5	Total Power at NER	E=C+D	1200.74
6	Inter-State Transmission Loss in NER	F	3%
7	Net Power available at state bus from external sources on long term	G=E*(1-F%)	1164.72
8	Power purchase from MePGCL	H	1043.53
9	Power purchase from other sources (both from outside & within the State) (incl.swap/UI/bilateral)	I	660.72
10	Power sold to others (both outside & inside the State) (incl.swap/UI/bilateral)	J	647.66
11	Net power available **at State Bus** for sale of power within the state	K=G+H+I-J	**2221.32**
12	State Transmission Loss %	L	4.00%
13	State Transmission Loss MU	M=K*L	88.85
14	Sub-Transmission Loss and Aux Consumption (@4%)		88.85
15	Net power available of Discom for sale of power within the state	N=K-M	2043.62
16	Power sold to consumers within the state	O	1781.35
17	Distribution Losses	P=N-O	262.27

	Distribution Losses (%)	Q=P/N	12.83%

MePDCL would like to submit that the sub-transmission losses based on empirical studies done in house have been considered as 2% for the purpose of calculation of the T&D losses. Further, MePDCL has several sub-stations, sub-division offices, head office, workshops etc. where substantial amount of energy is consumed. Hence, MePDCL has considered 2% of the input energy as auxiliary consumption for the purpose of calculation of T&D losses.

MePDCL request Hon'ble Commission to approve the distribution losses of 12.83% for the FY 2022-23

Table 7 Computation of Energy Balance for FY 2022-23

Sl. No.	Particulars	Calculation	Quantity
1	Energy purchase from Eastern Region (ER)	A	0
2	Inter-State Transmission Loss in ER	B	1.80%
3	Net Power purchased from ER	C=A(1-B%)	0
4	Power purchase from CGS including Pallatana North Eastern Region (NER)	D	1200.74
5	Total Power at NER	E=C+D	1200.74
6	Inter-State Transmission Loss in NER	F	3%
7	Net Power available at state bus from external sources on long term	G=E*(1-F%)	1164.72
8	Power purchase from State generating stations within the state	H	1043.53
9	Power purchase from other sources (both from outside & within the State)	I	660.72
10	Net power available at state bus for sale of power within the state	J=G+H+I	2868.98
11	Total power sold	K	1781.35
12	**Distribution Losses (%)**	L	12.83%
13	T&D Losses in terms of MU	M = N - K	262.27
14	**Energy Requirement for sale by Discom within state**	N = K/(1-L)	2043.62
15	**Energy Requirement for sale within state at state bus**	O = N/(1-4%)	2221.32
16	Surplus Energy at state bus	P = J-O	647.66
17	Power sold to others at state bus (both outside & inside the State) (incl.swap/UI/bilateral)	Q	647.66
18	**Unaccounted Energy**	**R = P - Q**	**0.00**

4. COMPUTATION OF COMPONENTS OF AGGREGATE REVENUE REQUIREMENT FOR FY 2022-23

4.1 *COMPONENTS OF TARIFF*

In accordance with the MYT Tariff Regulations 2014, the ARR of Distribution Company shall comprise of following components:

(1) Power Purchase Cost Including Transmission Charges
(2) Operation and Maintenance Expenses
(3) Interest on Loan Capital
(4) Interest on Working Capital
(5) Depreciation as may be allowed by the Commission
(6) Return on Equity as may be allowed by the Commission
(7) Taxes on Income.
(8) Provision of bad and doubtful debts

The detailed methodology of Computation of individual component has been detailed out in Chapter 2.

The calculation of the individual components of ARR is discussed in this chapter.

4.2 *GROSS FIXED ASSETS*

MePDCL has considered the opening GFA as considered by the Hon'ble Commission in the order dated 21/11/2023 in Case No. 01 of 2023 for Truing Up of Expenses for FY 2021-22. The addition and deletion have been considered as per actuals as per the audited statement of accounts.

Table 8 Gross Fixed Assets for FY 2022-23

Particular	Amount
Opening GFA	1010.19
Addition During the Year	483.59
Deletion During the Year	0.00

Closing GFA	1493.78

4.3 *CAPITAL STRUCTURE*

As explained in detail in Chapter 2 MePDCL would like to reiterate that the grants available in the books of accounts do not pertain to the Gross Fixed Assets only but also to the capital works in progress. Hence in line with the judgements of the Hon'ble APTEL and the methodology adopted by other Commissions MePDCL proposes the capital structure as under:

Table 9 Capital Structuring for 2022-23

Particular	Amount
Opening GFA	825.39
Opening CWIP	1207.94
Opening Capex	**2033.33**
Closing GFA	1308.97
Closing CWIP	987.19
Closing Capex	**2296.16**
Opening Grants and Consumer Contribution	1177.28
Closing Grants and Consumer Contribution	1322.01
Grants in Opening GFA	477.89
Grants in Closing GFA	753.64
Opening Loan	243.25
Closing Loan	388.73
Average Loan	
Opening Gross Equity	104.25
Closing Gross Equity	166.60
Average Equity	135.42
Funding Pattern of Capitalization During the Year	
Total Capitalization	**483.59**
Grants in Capitalization	275.75

Equity in Capitalization	62.35
Loan in Capitalization	145.49

It is pertinent to note that there is a difference in the audited accounts and as considered by Hon'ble Commission in the previous true ups due to the Ind AS adjustments not considered by the Hon'ble Commission. However, the grants in the books of accounts pertains to the GFA in the books of accounts hence the capital structure has been considered as per the books of accounts. However, the subsequent calculations of the dependent components are based on the GFA considered by the Hon'ble Commission only in the previous true ups.

MePDCL request the Hon'ble Commission to accept the methodology proposed by it for capital structuring and calculation of subsequent components depending on the capital structure.

4.4 ***POWER PURCHASE EXPENSES***

As explained in the Chapter 2 the Power Purchase have been strictly considered as per the audited statement of accounts. The surcharge on delayed payment have not been considered in the power purchase. Further, as explained in details the adjustment has been done in the power purchase from NTPC and NHPC. The detailed statement of power purchase is tabulated below:

Table 10 Power Purchase Expenses for FY 2022-23

S No	Source	Quantum Approved	Quantum Procured	Amount Rs. Cr	Per Unit Cost
A	**Long Term Sources**				
1	MePGCL	1293.49	1043.53	241.67	2.32
2	NHPC	40.28	36.87	17.04	4.62
3	NEEPCO	723.70	646.64	402.56	6.23
4	OTPC	436.79	517.23	149.07	2.88
5	NTPC	589.50	0.00	4.20	0.00
6	Solar Sources	39.42			
	Total Long Terms	**3123.18**	**2244.28**	**814.54**	**3.63**
B1	**Short Term Purchase**				
1	Kreate Energy (IEX)	0.00	27.65	2.89	1.04
2	APPCL (Bilateral Purchase)	0.00	9.05		
3	APPCL (IEX)	0.00	25.92	21.68	6.20
4	DSM Intra-State	0.00	0.94		
5	DSM Inter-State	0.00	20.83	7.88	3.62

S No	Source	Quantum Approved	Quantum Procured	Amount Rs. Cr	Per Unit Cost
	Sub-Total Purchase from Short Term Sources		**84.39**	**32.44**	**3.84**
B2	**Power Swapped In**				
1	Kreate Energy (Swapping)	0.00	281.55	0.84	0.03
2	APPCL (Swapping)	0.00	85.74	0.26	0.03
3	GMRTEL (Swapping)	0.00	92.16	0.30	0.03
4	Manikaran (Swapping)	0.00	64.80	0.22	0.03
5	Subheksha (Swapping)	0.00	52.09	0.17	0.03
	Sub-Total Energy Swapped In		**576.34**	**1.78**	**0.03**
	Total Short Term	**0.00**	**660.72**	**34.23**	**0.52**
	Grand Total	**3123.18**	**2905.00**	**848.77**	**2.92**
	Transmission and Other Charges				
1	Transmission Charges MePTCL			73.49	
2	Transmission Charges PGCIL			103.11	
3	POSOCO Charges			1.21	
4	VAR Charges			0.54	
	Total Power Purchase Cost			**1027.11**	
5	Less RRA Settlement			-0.27	
	Net Power Puchase Cost	**3123.18**	**2905.00**	**1026.84**	**3.53**

MePDCL request Hon'ble Commission to allow the Power Purchase expenses of Rs. 1026.84 Cr. for FY 2022-23.

Table 11 Reconciliation of Power Purchase With Audited Accounts (Excluding RRAS)

Reco of Power Purchase with Accounts	Amount in Crs.
Power Purchase as Per Accounts	1113.24
Less: Surcharge	1.06
Less: NTPC Surcharge Included	85.07
Net Power Purchase Expenses	1027.11
Considered	1027.11
Difference	0.00

4.5 ***RETURN ON EQUITY***

MePDCL would like to submit that the return on equity has been calculated in line with the provisions of Regulation 27 of the 2014 Tariff Regulations and the capital structure presented in the Table 9 above

The calculation of Return on Equity is tabulated below:

Table 12 Return on Equity

Particulars	FY 2022-23
Opening Equity	127.59
Closing Equity	190.12
Average Equity	158.85
Rate of Return on Equity	14%
Return on Equity	22.24

The detailed calculation of return on equity is provided in the Excel model annexed to this Petition.

4.6 ***INTEREST ON LOAN***

Interest on loan has been computed as per the provisions of Regulations 27 and Regulation 32 of the 2014 Tariff Regulations. The weighted average rate of interest has been computed on the actual loans running as tabulated below:

Table 13 Computation of Weighted Average Rate of Interest

S No.	Details of Loan	Opening Balance	Fresh Drawal	Repayment	Closing Balance	Average Loan	Interest in 2022-23 as Per SOA	Rate of Interest
1	Restructured REC Loan	9.55	0	6.07	3.48	6.52	0.22	3.44%
3	PFC Loan R-APDRP A	33.89	0	0.00	33.89	33.89	3.05	9.00%
4	PFC Loan R-APDRP B	82.36	0	0.00	82.36	82.36	7.41	9.00%
5	PFC Loan IPDS	5.19	0	0.37	4.82	5.00	0.54	10.80%
	WAROI	**130.99**		**6.44**	**124.55**	**127.77**	**11.23**	**8.79%**

Table 14 Calculation of Interest on Loan

Particular	Amount in Crs.
Gross Normative Loan-Closing	297.71
Cumulative Repayment	85.94
Net Normative Loan-Opening	211.77
Addition	145.49
Repayment	6.44
Net Normative Loan-Closing	350.82
Average Normative Loan-Closing	324.26
Weighted Average Rate of Interest	8.79%
Interest on Loan	**28.49**
Other Financing Charges	8.16
Total Interest and Financing Charges	**36.65**

MePDCL requests Hon'ble Commission to allow interest and finance charges of Rs. 36.65 Cr for FY 2022-23

4.7 *DEPRECIATION*

The depreciation has been computed as per the methodology adopted by Hon'ble Commission in the previous true ups. Further the opening balance of GFA has been considered as per the GFA approved by Hon'ble Commission in the order dated 21/11/2023 in Case No. 01 of 2023 in true up of 2021-22. The calculation of depreciation is tabulated below:

Table 15 Calculation of Depreciation of 2022-23

Asset Details	As on 1st April 2022	Additions	Disposals / deductions	As on 31st March 2023	Average GFA	Depreciation Rate	Depreciation
Land	1.86	0.17	0.00	2.03	1.94	0.00%	0.00
Buildings	13.60	31.68	0.00	45.28	29.44	3.34%	0.98
Plant and Equipment	106.18	118.35	0.00	224.52	165.35	5.28%	8.73
Furniture and Fixtures	0.99	0.00	0.00	0.99	0.99	6.33%	0.06
Vehicles	0.69	0.00	0.00	0.69	0.69	9.50%	0.07
Office equipment	2.20	1.62	0.00	3.81	3.00	6.33%	0.19

Asset Details	As on 1st April 2022	Additions	Disposals / deductions	As on 31st March 2023	Average GFA	Depreciation Rate	Depreciation
Others	0.00	0.00	0.00	0.00	0.00		0.00
Hydraulic Works	0.09	0.00	0.00	0.09	0.09	5.28%	0.00
Other Civil Works	3.05	0.00	0.00	3.05	3.05	3.34%	0.10
Lines and Cable Network	881.56	331.77	0.00	1211.14	1046.35	5.28%	55.25
Total	1010.20	483.59	0.00	1491.60	1250.90		65.39
Rate of Depreciation							5.23%
Average Grants in GFA	615.77						
Depreciation on Grants							32.19
Claim of Depreciation							**33.20**

MePDCL requests Hon'ble Commission to allow the depreciation of Rs.33.20 Cr as for FY 2022-23.

The detailed calculation of the depreciation is provided in the excel model annexed to this Petition.

4.8 ***OPERATION AND MAINTENANCE EXPENSES***

As per the settled practice followed by Hon'ble Commission in past the operation and maintenance expenses have been claimed as per the audited accounts of FY 2022-23. The details of operation and maintenance expenses are tabulated below:

a. Employee Expenses

Employee expenses have been claimed as per the audited accounts. It is further reiterated that the actuarial valuation for the FY 2022-23 has already been done and the terminal benefits have been accounted in the accounts as per the same.

Table 16 Employee Expenses for FY 2022-23

S No	Particular	Actual in Rs. Cr.
1	Salaries and Wages	147.35
2	Gratuity Expenses	6.05
3	Leave Encashment Expenses	22.41
4	Pension Expenses	44.33
5	Contribution to PF	6.50
6	Apportionment of Employee Benefit of Holding Company	11.92
	Total	**238.56**
	1/3rd of Employee Expenses of MeECL	1.62
	Total	**240.18**

MePDCL humbly prays Hon'ble Commission to allow the employee expenses of Rs. 240.18 Cr for FY 2022-23.

b. R&M Expenses

R&M expenses have been claimed as per the audited statement of accounts. The MeECL expenses have been apportioned in the three companies in equal proportion.

Table 17 R&M Expenses for FY 2022-23

S No	Particular	Actual in Rs. Cr.
1	Buildings	0.16
2	Plant and Equipments	1.64
3	Civil Works	0.04
4	Lines and Cables	4.07
5	Vehicles	0.11
6	Furniture and Fixtures	0.04
7	Office Equipments	0.22
	Total	**6.28**
	1/3rd of MeECL	0.34
	Total R&M Expenses	**6.62**

MePDCL requests Hon'ble Commission to allow the R&M expenses of Rs.6.62 Cr for FY 2022-23.

c. A&G Expenses

In line with the claims of the employee expenses and R&M expenses the A&G expenses have also been claimed as per the statement of accounts. The A&G expenses of MeECL has been apportioned in the three companies in equal proportion.

MePDCL would like to further submits that the A&G expenses of MeECL also includes the penalty of Rs.1.21 Cr which has been excluded from the claim as a principle of honesty.

Table 18 A&G expenses for FY 2022-23

S No.	Particular	Actual
1	Insurance Expenses	0.02
2	Rent, Rates and Taxes	0.09
3	Billing Software Expenses	4.12
4	Postage Expenses	0.15
5	Training and Conveyance	8.37
6	Printing and Stationary	0.38
7	Auditor's Remuneration	0.06
8	Consultancy Charges	0.31
9	License and Registration Charges	0.00
10	Technical Fees	0.02
11	Books and Periodicals	0.00
12	Fee and Subscription	0.00
13	Advertisement	0.19
14	Legal and Professional Charges	0.61
15	MSERC Fees	0.15
16	Electricity and Water Charges	0.53
17	Meter Reading Expenses	0.00
18	Franchisee Commission	0.84
19	Franchisee Transmission Loss	1.03
20	Discount Allowed	0.25
21	Stamp Duty	0.01

S No.	Particular	Actual
22	Bank Charges	0.13
23	GST Expenses	0.01
24	ROC Charges	0.01
25	Entertainment Expenses	0.01
26	Compensation for Injuries	0.13
27	Misc. Expenses	0.17
	Total	**17.60**
	1/3rd of MeECL Expenses	0.61
	Grand Total	**18.21**

MePDCL request Hon'ble Commission to allow the A&G expenses of Rs.18.21 Cr for FY 2022-23.

4.9 ***INTEREST ON WORKING CAPITAL***

Regulation 34.3 of the 2014 Tariff Regulation details out the methodology of the computation of the Interest on Working Capital for distribution business. As per the Regulation 34.3:

"34.3 Distribution Business

(i) The Distribution Licensee shall be allowed interest on the estimated level of working capital for the Distribution Business for the financial year, computed as follows:

Operation and maintenance expenses for one month; plus

Maintenance spares at one (1) per cent of the historical cost escalated at 6% from the date of commercial operation; plus

Receivables equivalent to two (2) months of the expected revenue from charges for use of Distribution at the prevailing tariffs; minus

Interest shall be allowed at a rate equal to the State Bank Advance Rate (SBAR) as on 1st April of the financial year in which the Petition is filed."

In line with the provisions of the above Regulations MePDCL has computed the interest on working capital which is tabulated below. The State Bank of India

Advance Rate as on 01.04.2022 has been considered for the purpose of computation of the interest on working capital.

Table 19 Computation of Interest on Working Capital for FY 2022-23

S No.	Particular	Amount in Rs Cr.
1	O&M Expenses (1 month)	22.08
2	Maintenance Spares	5.73
3	Receivables (2 Months)	182.25
	Total Working Capital Requirement	210.07
	Rate of Interest	12.30%
	Interest on Working Capital	25.84

MePDCL humbly requests Hon'ble Commission to allow the interest on working capital as Rs. 25.84 Cr. for the FY 2022-23.

4.10 ***REVENUE FROM SALE OF SURPLUS POWER***

As per the methodology explained in the Chapter 2 the Revenue from sale of surplus power has been claimed as per the audited statement of accounts. The details of revenue from sale of surplus power is tabulated below:

Table 20 Revenue From Sale of Surplus Power

Particular	MU	Amount in Rs.Cr	Rate Discovered Rs./kWh
Sale of Power On IEX	110.34	54.77	4.96
Inter State DSM Charges	35.66	19.54	5.48
Total	146.00	74.31	5.09

Further, MePDCL has entered into swapping arrangements where in MePDCL provides return power in lieu of the power swapped depending on the availability of surplus and deficit in the power. The ratio of return is generally 1:1.05. MePDCL would like further emphasize that these transactions do not have any monetary value as they are settled in terms of energy only. The details of swapping return are provided below:

Table 21 Details of Swapping Return During FY 2022-23

Particular	MU
Kreate Energy (Swapping)	290.99
APPCL (Swapping)	99.09
GMR Energy (Swapping)	29.23
Manikaran (Swapping)	58.25
SAPL (Swapping)	24.09
Total	501.66

MePDCL request the Hon'ble Commission to approve the revenue from sale of surplus power as Rs.74.31 Cr for FY 2022-23.

4.11 ***NON-TARIFF INCOME***

The Non-tariff income has been claimed as per the statement of accounts with certain exclusions as explained out in Chapter 2.

The details of the Non-Tariff Income for FY 2022-23 is tabulated below:

Table 22 Details of Non-Tariff Income

S No	Particular	Amount In Rs. Cr.
A	Other Income	
	Interest Income	
	From Banks	2.57
	From Others	0.00
	Sub-Total A	**2.57**
B	Other Non-Operating Income	
	Rental and Hiring Income	0.00
	Fees and Penalties	0.00
	Sale of scrap, tender forms and others	0.05
	Miscellaneous receipts	7.60
	Revenue Grants for Other Expenditures	0.09
	Revenue Grants for UDAY	0.00
	Sub-Total B	**7.74**
C	Other Operating Income	
	Meter Rent	8.57
	Reconnection Fees	0.00

S No	Particular	Amount In Rs. Cr.
	Delayed Payment Charges Collected From Consumers*	20.29
	Rebates on Purchase of Energy	4.91
	Other Charges From Consumers	19.14
	Cross Subsidy Surcharge	7.58
	Sub-Total C	**60.49**
	Grand Total	**70.80**

MePDCL would humbly requests Hon'ble Commission to allow the Non-Tariff Income as Rs.70.80 Cr for FY 2022-23.

4.12 ***COMPUTATION OF AT&C LOSSES***

MePDCL has adopted the settled practice followed by Hon'ble Commission in the previous years. Further, since the energy sold to distribution franchisee as the input energy hence technically there are no losses involved there. Accordingly, the sales of 1781.35 MU has been considered for calculation of AT&C losses. Further, the opening debtors and closing debtors have been considered as per the statement of accounts for computation. Further, the sub-transmission losses and auxiliary consumption have been considered as per the methodology adopted in the calculation of T&D losses.

The computation of the AT&C losses is tabulated below:

Table 23 Computation of AT&C Losses for FY 2022-23

S No	Particular	Legend	Value
1	Input Energy (MU)	A	2257.34
2	Transmission Losses (MU)	B	213.73
3	Net Input Energy (MU)	C=(A-B)	2043.62
4	Energy Sold (MU)	D	1781.35
5	Revenue from Sale of Power (Rs. Cr.)	E	1093.51
6	Adjusted Revenue (Rs. Cr)	F	1093.51
7	Opening Debtors (Rs Cr)	G	444.68
8	Closing Debtors (Rs. Cr.)	H	593.46
9	Collection Efficiency (%)	I=(F+G-H)/E	86.39%
10	Units Realized (MU)	J=I*C	1538.98
11	Units Un Realized (MU)	K=C-J	504.64
	AT&C Loss (%)	L=K/C	24.69%

MePDCL would like to submit that the above methodology is commensurate with the Guidelines issues by CEA for computation of AT&C losses. The Guidelines issued by CEA are annexed to this Petition as Annexure G

Hence, MePDCL humbly prays Hon'ble Commission to allow the AT&C losses for FY 2022-23 as 24.69%.

4.13 *AGGREGATE REVENUE REQUIREMENT FOR FY 2022-23*

Based on the computation of various components of ARR as detailed out in previous paragraphs the ARR for 2022-23 is estimated as under:

Table 24 Aggregate Revenue Requirement for FY 2022-23

Sl.No	Particulars	Approved in Tariff Order 2022-23 (Rs. Cr.)	Actual as Per True Up (Rs. Cr.)	Variation
1	Power Purchase cost	856.32	850.51	-1%
2	Transmission Charges (PGCIL)	68.38	103.11	51%
3	Transmission Charges (MePTCL)	73.49	73.49	0%
	Less RRAS Settlement		-0.27	0%
4	Employee Expenses	182.86	240.18	31%
5	Repair & Maintenance Expenses	6.46	6.62	2%
6	Administration & General Expenses	12.63	18.21	44%
7	Depreciation	0	33.20	0%
8	Interest and Finance charges	10.14	36.65	261%
9	Interest on working capital	23.77	25.84	9%
10	Return on Equity	0	22.24	0%
11	Bad & Doubtful Debt	0		0%
	Gross Annual Revenue Requirement (ARR)	**1234.05**	**1409.77**	**14.24%**
12	Less: Non-Tariff Income and Other Income	104.71	70.80	-32%
13	Less: Sale of Surplus Power	395.72	74.31	-81%
	Net ARR	**733.62**	**1264.66**	**72.39%**
14	Add: True up Gap/(Surplus) for FY 2018-19	-15.88	-15.88	
15	Add: True up Gap for FY 2019-20	179.43	179.43	
16	**ARR for FY 2022-23**	**897.17**	**1428.21**	**59.19%**

MePDCL requests Hon'ble Commission to approve the ARR for FY 2022-23 as Rs.1428.21 Cr.

4.14 ***REVENUE FROM SALE OF POWER***

As per the settled methodology adopted by the Hon'ble Commission the Revenue from Sale of Power has been considered as per the audited statement of accounts. MePDCL would like to humbly submit that the as of now the practice of accounting the revenue for certain categories are clubbed together, however, MePDCL is in process of further bifurcating the revenue accounting into further categories as determined by Hon'ble Commission.

Table 25 Details of Revenue From Sale of Power for FY 2022-23

Categories of other Consumers:	Amount (Rs. Cr.)
Domestic and Residential	282.23
Commercial	113.51
Industrial Medium and Low Voltage	4.76
Industrial High and Extra High Voltage	563.42
Public Lighting	1.25
Irrigation and Agriculture	0.03
Public Water Works	35.14
Bulk Supply to others	67.49
Miscellaneous and General Purpose	1.16
Construction Project High Tension	-
Revenue from sale of power through Franchisee	24.52
Total	**1,093.51**

MePDCL requests Hon'ble Commission to approve the revenue for FY 2022-23 as Rs. 1093.51 Cr.

4.15 ***REVENUE GAP FOR FY 2022-23***

Based on the ARR and Revenue presented above the Revenue Gap for FY 2022-23 is presented below:

Table 26 Revenue Gap for FY 2022-23

Particular	Amount (Rs. Cr.)
Aggregate Revenue Requirement	1428.21
Revenue from Sale of Power	1093.51
Stand Alone Gap for FY 2022-23	334.70

MePDCL requests Hon'ble Commission to approve the revenue gap of Rs. 334.70 Cr for FY 2022-23.

4.16 ***ACCRUED TERMINAL BENEFITS***

MePDCL would like to submit before this Hon'ble Commission that as per the directions of the Hon'ble Commission it has done the actuarial valuation for the terminal benefits. The terminal liabilities for the period from 2013 to 2022-23 after considering the payment of Rs. 860 Cr made to the trust comes out to be Rs. 2441.39 Cr which has been accounted for as Actuarial Loss in the FY 2022-23 in the books of accounts of MePDCL, MePGCL, MePTCL and MeECL as under:

Company	Amount in Rs. Cr
MeECL	21.15
MePDCL	1272.22
MePGCL	749.84
MePTCL	398.17
Total	2441.39

MePDCL would like to further submit that the terminal benefits are an integral part of the employee expenses and are ought to be recovered through tariff.

However, MePDCL also takes the cognizance of the fact that the liabilities accrued for the period of 10 years cannot be allowed by the Hon'ble Commission in one year as that would result in substantial tariff shock.

In view of the above MePDCL would like to propose that the terminal liabilities that have been accrued in 10 years may be allowed in 15 equal installments without any carrying cost. Hence MePDCL proposes an additional recovery of

Rs.84.81 Cr for FY 2022-23 and Rs.0.47 Cr on account of the recovery of terminal benefits of MeECL.

MePDCL would also like to submit that the amount of recovery of the accrued liabilities shall be over and above the annual contribution towards terminal benefits. Also since these are not the actual O&M expenses MePDCL would not claim the said expenses for computation of working capital and escalation of O&M expenses.

Accordingly, MePDCL request Hon'ble Commission to allow the additional recovery of Rs. 85.28 Cr in 2022-23.

Accordingly, the total Gap of FY 2022-23 comes out to be Rs.419.99 Cr.

5. DETERMINATION OF AGGREGATE REVENUE REQUIREMENT FOR FOURTH CONTROL PERIOD 2024-25 TO 2026-27

MePDCL would like to submit that the Aggregate Revenue Requirement for the fourth control period i.e., 2024-25 to 2026-27 has been based on the orders issued by the Hon'ble Commission on the Petitions filed by MePDCL for the Review of the true up Order for 2020-21, True Up Petition for FY 2021-22 and Business Plan for fourth control period. However, MePDCL reserves the right to file review/ appeal on the aforesaid orders and the claims made by MePDCL in this Petition are liable to change on the basis of the outcomes of such review/ appeals filed by MePDCL.

5.1 ***REGULATORY BACKGROUND FOR MYT ARR PETITION***

As per Regulation 4 of the 2014 Tariff Regulations:

> *"4.1 The Commission shall determine the tariff for matters covered under clauses (i), (ii), (iii) and (iv) of regulation 3 above under Multi- Year Tariff framework with effect from April 01, 2015.*
>
> *Provided that the Commission may, either on suo-moto basis or upon application made to it by an applicant, exempt the determination of tariff of a Generating Company or Transmission Licensee or Distribution Licensee under the Multi-Year Tariff framework for such period as may be contained in the Order granting such an exemption.*
>
> *4.2 The Multi-Year Tariff framework shall be based on the following elements, for determination of Aggregate Revenue Requirement and expected revenue from tariff and charges for Generating Company, Transmission Licensee, and Distribution Business:*
>
> *a) A detailed Business Plan based on the principles specified in these Regulations, for each year of the Control Period, shall be submitted by the applicant for the Commission's approval:*
>
> *Provided that the performance parameters, whose trajectories have been specified in the Regulations, shall form the basis of projection of these performance parameters in the Business Plan:*
>
> *Provided further that a Mid-term Review of the Business Plan may be sought by the Generating Company, Transmission Licensee and Distribution Licensee through an application filed three (3) months prior to the filing of Petition for truing-up for the second year of the Control Period and the tariff determination for the third year of the control period.*

b) Based on the Business Plan, the applicant shall submit the forecast of Aggregate Revenue Requirement (ARR) for the entire Control Period and expected revenue from existing tariffs for first year of the Control Period and the Commission shall determine ARR for the entire Control Period and the tariff for the first year of the control period for the Generating Company, Transmission Licensee, Distribution Business;

c) Truing up of previous year's expenses and revenue based on Audited Accounts vis-à-vis the approved forecast and categorization of variation in performance as those caused by factors within the control of the applicant (controllable factors) and those caused by factors beyond the control of the applicant (uncontrollable factors), shall be undertaken by the Commission:

Provided that once the Commission notifies the Regulations for submission of Regulatory Accounts, the applications for tariff determination and truing up shall be based on the Regulatory Accounts;

(i) The mechanism for pass-through of approved gains or losses on account of uncontrollable factors as specified by the Commission in these Regulations;

(ii) The mechanism for sharing of approved gains or losses on account of controllable factors as specified by the Commission in these Regulations;

(iii) Annual determination of tariff for Generating Company, Transmission Licensee, Distribution Business, for each financial year within the Control Period, based on the approved forecast and results of the truing up exercise."

Further, as per Regulation 6 of the 2014 Tariff Regulations:

"6.1 The filing under MYT by the Generating Company, Transmission Licensee, and Distribution Licensee, shall be done on or before 30th November each year to the Commission and in compliance with the principles for determination of ARR as specified in these Regulations, in such formats and at such time as may be prescribed by the Commission from time to time. The filing of truing up of petitions prior to MYT period shall be done in the manner and at such time as may be decided by the Commission.

6.2 The filing of MYT Petition for the Control Period under these Regulations shall be as under:

a) MYT Petition shall comprise of:

i. Multi-year Aggregate Revenue Requirement for the entire Control Period with year-wise details;
ii. Revenue from the sale of power at existing tariffs and charges and projected revenue gap, for the first year of the Control Period under these Regulations.
iii Application for determination of tariff for first year of the Control Period.
"

MePDCL would like to submit the MYT ARR Petition has been prepared based on the provisions of the aforesaid Regulations for the fourth control period i.e., FY 2024-25 to FY 2026-27.

MePDCL has filed the Petition for approval of the business plan for the fourth control period i.e., FY 2024-25 to FY 2026-27 wherein it has projected the following components of ARR:

i. Energy Sales, No. of Consumers and Connected Load
ii. Energy Availability
iii. T&D and AT&C losses
iv. Energy Balance
v. Capital Expenditure and expected capitalization

Hon'ble Commission vide order dated 21.11.2023 has approved the business plan filed by MePDCL. The MYT ARR Petition has been prepared based on the principles adopted in the business plan and subsequent approval of Hon'ble Commission. The detailed approach of each component of Multi Year Aggregate Revenue Requirement has been discussed in details in subsequent sections.

5.2 ***NUMBER OF CONSUMERS CONNECTED LOAD AND ENERGY SALES***

MePDCL would like to submit that it has detailed out the methodology of the projections of the number of consumer, connected load and energy sales for the fourth control period which has been approved by Hon'ble Commission. Accordingly, number of consumers, connected load and energy sales has been considered as per the business plan and subsequent approval of the Business Plan by Hon'ble Commission vide its order dated 21.11.2023. As per the aforesaid order the Hon'ble Commission has advised to show the energy consumption for the Ferro Alloys consumers separately. Accordingly, the number of consumers, connected load and energy sales has been projected in the table below:

S No.	Category of Consumer	2024-25 (E)		2025-26 (E)		2026-27 (E)	
		Number of Consumers	Connected Load (Kva)	Number of Consumers	Connected Load (Kva)	Number of Consumers	Connected Load (Kva)
1	Domestic (DLT)	408658.00	698330.86	417022.00	759306.98	425557.00	825607.34
2	Commercial (CLT)	41314.00	116227.94	43499.00	119713.10	45800.00	123302.76
3	Industrial (ILT)	832.00	10497.65	857.00	10812.58	883.00	11136.95
4	Agriculture (Ape)	22.00	128.63	22.00	135.06	22.00	141.81
5	Public Lighting (PL)	86.00	1702.54	90.00	1787.66	95.00	1877.05
6	Water Supply (WSLT)	511.00	7594.37	529.00	7974.09	548.00	8372.80
7	General Purpose	2764.00	19336.18	2817.00	19509.07	2871.00	19683.50
8	BPL	265590.00	234611.82	275166.00	248783.32	285088.00	263810.84
9	Cematorium (CRM)	1.00	159.14	1.00	163.91	1.00	168.83
	Sub-Total (A)	**719778**	**1088589.11**	**740003**	**1168185.75**	**760865**	**1254101.87**
1	Domestic HT	147.00	23460.18	156.00	23638.48	165.00	23818.13
2	Water Supply (WSHT)	78.00	15976.02	82.00	16774.82	86.00	17613.56
3	Bulk Supply (BS)	245.00	56361.76	253.00	57997.93	261.00	59681.60
4	Commercial (CHT)	230.00	27594.51	230.00	27594.51	230.00	27594.51
5	Industrial (IHT)	250.00	165079.74	275.00	181587.72	303.00	199746.49
6	Ferro Alloys (HT)	3.00	22881.10	3.00	25169.21	3.00	27686.13
	Sub-Total (B)	**951.00**	**311353.31**	**996.00**	**332762.66**	**1043.00**	**356140.42**
1	Industrial (EHT)	12.00	66840.40	13.00	73524.44	14.00	80876.88
2	Ferro Alloys (EHT)	4.00	79134.00	4.00	87047.40	4.00	95752.14
	Sub-Total (C)	**16.00**	**145974.40**	**17.00**	**160571.84**	**18.00**	**176629.02**
	Grand Total	**720745.00**	**1545916.83**	**741016.00**	**1661520.26**	**761926.00**	**1786871.31**

Table 27 Category wise Sales for Fourth Control Period

S No.	Category	Sales 2024-25 (MU)(P)	Sales 2025-26 (MU)(P)	Sales 2026-27 (MU)(P)
1	Domestic (DLT)	417.37	421.05	424.76
2	Commercial (CLT)	98.50	105.38	112.74
3	Industrial (ILT)	6.62	6.99	7.37
4	Agriculture (Ape)	0.14	0.15	0.16
5	Public Lighting (PL)	1.14	1.19	1.25
6	Water Supply (WSLT)	9.89	10.38	10.90
7	General Purpose	15.44	15.50	15.55
8	BPL	122.69	128.72	135.05
9	Crematorium (CRM)	0.19	0.20	0.20
	Sub-Total (A)	**671.98**	**689.56**	**707.99**
1	Domestic HT	24.09	25.24	26.45
2	Water Supply (WSHT)	38.72	40.66	42.69
3	Bulk Supply (BS)	81.37	83.31	85.30
4	Commercial (CHT)	32.27	33.03	33.81
5	Industrial (IHT)	161.11	177.22	194.94
6	Ferro Alloys(HT)	132.13	145.35	159.88
	Sub-Total (B)	**469.70**	**504.81**	**543.06**
1	Industrial (EHT)	289.70	318.67	350.53
2	Ferro Alloys (EHT)	449.25	494.18	543.59
	Sub-Total (C)	812.84	894.13	983.54
	Grand Total	**1954.53**	**2088.49**	**2234.60**

5.3 ***ENERGY AVAILABILITY AND POWER PURCHASE COST***

MePDCL would like to humbly submit that the projections of energy availability as submitted in the additional submission to the business plan filed for the fourth control period has been approved by the Hon'ble Commission. Accordingly, the same has been considered for the purpose of the estimation of the power purchase cost for the control period.

For the purpose of estimation of the power purchase cost, the cost from central generating stations has been considered as per the cost data of April to October 2023. Since the tariff for these plants is decided by the CERC and the

Regulations for the upcoming control period (2024-29) is yet to be issued by CERC hence for the projection the actual fixed cost and energy charges for the period April to October 2023 have been considered without any escalation.

MePDCL would like to further submit that the fixed charges and energy charges considered are provisional and are liable to change based on the actuals. The charges considered in the instant Petition have been considered only for the purpose of estimating the ARR.

The cost of the power purchase from the Generating Stations of MePGCL and transmission charges of MePTCL have been considered as per the ARR filed by the two companies which are subject to approval of Hon'ble Commission on the respective ARR.

Since the data pertaining to Subansiri Project of NTPC is not available the cost of purchase of power from Loktak project has been considered provisionally for the purpose of estimation

The Power purchase expenses projected for the control period are tabulated below;

Table 28 Power Purchase Cost for Fourth Control Period

	2024-25				2025-26				2026-27			
Source	**Availability (MU)**	**Fixed Cost**	**Energy Charges**	**Total Cost**	**Availability (MU)**	**Fixed Cost**	**Energy Charges**	**Total Cost**	**Availability (MU)**	**Fixed Cost**	**Energy Charges**	**Total Cost**
Kopili	106.82	0.00	4.50	48.05	106.82	0.00	4.50	48.05	106.82	0.00	4.50	48.05
Kopili-Ext	10.12	1.36	1.95	3.34	10.12	1.36	1.95	3.34	10.12	1.36	1.95	3.34
Khandong	26.82	0.00	0.00	0.00	26.82	0.00	0.00	0.00	26.82	0.00	0.00	0.00
Ranganadi	162.88	28.50	1.40	51.35	162.88	28.50	1.40	51.35	162.88	28.50	1.40	51.35
Doyang	19.76	9.77	3.49	16.66	19.76	9.77	3.49	16.66	19.76	9.77	3.49	16.66
AGBPP	209.89	46.76	4.73	146.15	209.89	46.76	4.73	146.15	209.89	46.76	4.73	146.15
AGTPP CC	122.48	20.00	4.43	74.23	122.48	20.00	4.43	74.23	122.48	20.00	4.43	74.23
Pare	71.03	0.07	5.34	38.02	71.03	0.07	5.34	38.02	71.03	0.07	5.34	38.02
Kameng	58.93	0.07	4.00	23.64	58.93	0.07	4.00	23.64	58.93	0.07	4.00	23.64
Sub-Total NEEPCO	**788.72**			**401.44**	**788.72**			**401.44**	**788.72**			**401.44**
Subansiri	183.36		4.86	89.10	183.36		4.86	89.10	183.36		4.86	89.10
Sub-Total NHPC	**183.36**			**89.10**	**183.36**		**4.86**	**89.10**	**183.36**			**89.10**
Bongaigaon NTPC	578.16	75.83	3.79	295.06	578.16	75.83	3.79	295.06	578.16	75.83	3.79	295.06
Sub-Total NTPC	**578.16**			**295.06**	**578.16**		**3.79**	**295.06**	**578.16**			**295.06**
OTPC	500.54	76.82	2.02	177.98	500.54	76.82	2.02	177.98	500.54	76.82	2.02	177.98
Sub-Total OTPC	**500.54**			**177.98**	**500.54**		**2.02**	**177.98**	**500.54**			**177.98**
Umiam -I	114.61				114.61				114.61			
Umiam -II	45.45				45.45				45.45			
Umiam -III	137.33				0.00				127.16			
Umiam -IV	203.90				203.90				203.90			
MLHEP	478.71				478.71				478.71			
Umtru	0.00				0.00				0.00			
Sonapani	4.94				4.94				4.94			
New Umtru	231.48				231.48				231.48			

	2024-25				2025-26				2026-27			
Ganol	66.20				66.20				66.20			
Lakroh	10.87				10.87				10.87			
Riangdo	0.00				8.00				17.00			
MLHEP-II	0.00				0.00				0.00			
Sub Total MePGCL	**1293.47**			**803.32**	**1164.14**			**501.45**	**1300.30**		**0.00**	**526.48**
Transmission Charges MePTCL				250.08				137.13				150.43
Transmission Charges PGCIL				116.71				116.71				116.71
POSOCO Charges				2.17				2.17				2.17
Total Power Purchase Expenses	**3344.25**			**1885.78**	**3214.92**			**1583.91**	**3351.07**			**1608.94**

MePDCL would like to further submit that the Power Purchase Cost against the MePGCL stations does not contain the power purchase cost from Ganol Project. Since, MePGCL is filing separate Petition for approval of the tariff from the aforesaid project. Hence MePGCL request Hon'ble Commission to allow the power purchase expenses as above.

Based on the projections of the power purchase cost in the table above the weighted average power purchase cost excluding the transmission charges has been calculated in the table below:

Table 29 Weighted Average Cost of Power Purchase

Particular	Availability	Total Cost Excluding Transmission Charges	Average Power Purchase Cost (Rs./kWh)
Average Cost of Power Purchase 2024-25	3344.25	1516.82	4.54
Average Cost of Power Purchase 2025-26	3214.92	1327.90	4.13
Average Cost of Power Purchase 2026-27	3351.07	1339.63	4.00

5.4 ***CAPITAL STRUCTURING***

In line with the detailed methodology and justifications provided on Chapter 2 MePDCL has projected the Capital structure for the purpose of estimation of equity grants and loans in GFA for the control period.

The capital expenditure and capitalization and addition of grants have been considered as per the Capital investment plan approved by Hon'ble Commission in the Petition for Business plan for the control period.

The capital structure of MePDCL for the fourth control period is tabulated below:

Table 30 Capital Structure for Fourth Control Period

Particular	2023-24	2024-25	2025-26	2026-27
Opening GFA	1308.97	1907.69	2149.83	3390.23
Capitalization During the Year	598.72	242.13	1240.406	370.4065
Opening CWIP	987.19	1210.673	1942.95	3704.065
Opening Capex	2296.16	3118.36	4092.78	7094.30
Closing GFA	1907.69	2149.83	3390.23	3760.64
Closing CWIP	1210.67	1942.95	3704.07	3760.64
Closing Capex	3118.36	4092.78	7094.30	7521.28
Opening Grants and Consumer Contribution	1322.01	1751.61	2352.84	2610.51
Addition During the Year	429.6	601.23	257.67	0
Closing Grants and Consumer Contribution	1751.61	2352.84	2610.51	2610.51
Opening Grants in GFA	753.639	1071.568	1235.886	1247.515
Closing Grants in GFA	1071.57	1235.89	1247.52	1305.26
Opening Loan in GFA	388.73	585.29	590.46	1819.24
Closing Loan in GFA	585.29	590.46	1819.24	2131.90
Opening Equity In GFA	166.60	250.84	323.48	323.48
Closing Equity in GFA	250.84	323.48	323.48	323.48

MePDCL requests Hon'ble Commission to approve the capital structure of MePDCL as above.

5.5 ***RETURN ON EQUITY***

MePDCL would like to submit that based on the table of capital structure depicted above the Equity in opening and closing GFA has been considered for the purpose of calculation of Return on Equity. Since the GFA considered by Hon'ble Commission is not as per the books of accounts the proportionate adjustment has been done in the calculation of opening and closing equity.

The Return on Equity for the fourth control period is tabulated below:

Table 31 Calculation of Return on Equity for the Fourth Control Period

Particular	2024-25	2025-26	2026-27
Opening Equity	275.14	351.28	351.28
Closing Equity	351.28	351.28	351.28
Average Equity	313.21	351.28	351.28
Rate of Return on Equity	14.00%	14.00%	14.00%
Return on Equity	**43.85**	**49.18**	**49.18**

MePDCL requests Hon'ble Commission to allow ROE for control Period as tabulated above.

The detailed calculation of Return on Equity has been provided in the excel model submitted along with the Petition.

5.6 ***INTEREST ON LOAN***

In line with the methodology adopted for calculation of opening and closing equity and the justification provided in the Chapter 2 the loan component has been arrived at on normative basis. The subsequent addition has been considered as per the capital investment plan approved in the Business Plan order of Hon'ble Commission for the fourth control period.

The weighted average rate of interest has been considered as the weighted average rate of interest of FY 2022-23 which is subject to change based on actuals at the time of truing up of respective years.

The calculation of interest on loan is tabulated below:

Table 32 Calculation of Interest on Loan for Fourth Control Period

Particular	2024-25	2025-26	2026-27
Opening Normative Loan	640.17	645.35	1874.12
Cumulative Loan	103.06	116.92	130.88
Net Normative Loan	537.10	528.43	1743.24
Addition	5.18	1228.78	312.67
Repayment	13.85	13.96	40.55
Net Normative Loan Closing	528.43	1743.24	2015.35
Average Loan	584.30	1194.29	1944.74
WAROI	8.79%	8.79%	8.79%
Interest on Loan	**51.34**	**104.94**	**170.88**

MePDCL request Hon'ble Commission to allow the Interest on Loan for fourth control period as tabulated above.

5.7 ***DEPRECIATION***

MePDCL would like to submit that the depreciation during the control period has been projected based on the capitalization approved in the business plan and the capital structure proposed above.

The rate of depreciation has been considered as the weighted average rate of depreciation of FY 2022-23 since the asset wise breakup of GFA cannot be projected at this stage. However, MePDCL craves leave to submit the actual breakup of GFA and weighted average rate of interest of respective years during the truing up exercise.

The calculation of depreciation for the control period is tabulated below:

Table 33 Calculation of Depreciation for the Fourth Control Period

Particular	2024-25	2025-26	2026-27
Opening GFA	2092.50	2334.63	3390.23
Closing GFA	2334.63	3390.23	3760.64
Average GFA	2213.56	2862.43	3575.44
Rate of Depreciation	5.23%	5.23%	5.23%
Depreciation	115.71	149.62	186.89
Average Grants in GFA	1153.73	1241.70	1276.39
Depreciation on Grants	60.31	64.90	66.72
Net Depreciation	**55.40**	**84.72**	**120.17**

MePDCL request Hon'ble Commission to allow depreciation for the fourth control period as tabulated above.

5.8 ***OPERATION AND MAINTENANCE EXPENSES***

MePDCL would like to submit that the operation and maintenance expenses have been computed by considering a year on year escalation of 5.72% over the actual operation and maintenance expenses of FY 2022-23. Further, as appraised in the business plan the pay revision of MeECL and subsidiary companies is due in January 2025. The estimated multiplication factor of 1.59 has been considered as an impact of wage revision. The methodology for calculation of the multiplication factor of 1.59 is annexed to this Petition as Annexure H

Thus for the purpose of the computation of employee expenses of 2024-25 the estimated employee expenses (salary and wage component) of 2023-24 is escalated at 5.72% for 9 months and for rest of the 3 months of 2024-25 the multiplication factor of 1.59 has been considered. The detailed calculation of employee expenses, R&M expenses and A&G expenses has been provided in the excel model submitted along with the Petition.

The calculation of employee expenses, R&M expenses and the A&G expenses is tabulated below:

Table 34 Projections of Employee Expenses for Fourth Control Period

S No	Particular	Actual 2022-23	Estimated 2023-24	Estimated 2024-25	Estimated 2025-26	Estimated 2026-27
1	Salaries and Wages	147.35	155.77	185.43	196.04	207.25
2	Gratuity Expenses	6.05	6.39	6.76	7.15	7.55
3	Leave Encashment Expenses	22.41	23.69	25.05	26.48	27.99
4	Pension Expenses	44.33	46.86	49.54	52.38	55.37
5	Contribution to PF	6.50	6.88	7.27	7.68	8.12
6	Apportionment of Employee Benefit of Holding Company	11.92	12.61	13.33	14.09	14.90
	Total	**238.56**	**252.20**	**287.38**	**303.82**	**321.19**
	1/3rd of Employee Expenses of MeECL	1.62	1.71	1.81	1.91	2.02
	Total	**240.18**	**253.91**	**289.19**	**305.73**	**323.22**

Table 35 Projections of R&M Expenses for the Fourth Control Period

S No	Particular	Actual 2022-23	Estimated 2023-24	Estimated 2024-25	Estimated 2025-26	Estimated 2026-27
1	Buildings	0.16	0.17	0.18	0.19	0.20
2	Plant and Equipments	1.64	1.74	1.84	1.94	2.05
3	Civil Works	0.04	0.04	0.05	0.05	0.05
4	Lines and Cables	4.07	4.30	4.54	4.80	5.08
5	Vehicles	0.11	0.12	0.13	0.13	0.14
6	Furniture and Fixtures	0.04	0.04	0.05	0.05	0.05
7	Office Equipments	0.22	0.23	0.24	0.26	0.27
	Total	**6.28**	**6.64**	**7.02**	**7.42**	**7.85**
	1/3rd of MeECL	0.34	0.36	0.38	0.40	0.42
	Total R&M Expenses	**6.62**	**7.00**	**7.40**	**7.82**	**8.27**

Table 36 Projections of A&G expenses for Fourth Control Period

S No.	Particular	Actual 2022-23	Estimated 2023-24	Estimated 2024-25	Estimated 2025-26	Estimated 2026-27
1	Insurance Expenses	0.02	0.02	0.02	0.02	0.02
2	Rent, Rates and Taxes	0.09	0.10	0.10	0.11	0.11
3	Billing Software Expenses	4.12	4.36	4.61	4.87	5.15

S No.	Particular	Actual 2022-23	Estimated 2023-24	Estimated 2024-25	Estimated 2025-26	Estimated 2026-27
4	Postage Expenses	0.15	0.16	0.17	0.18	0.19
5	Training and Conveyance	8.37	8.85	9.36	9.89	10.46
6	Printing and Stationary	0.38	0.41	0.43	0.45	0.48
7	Auditor's Remuneration	0.06	0.06	0.07	0.07	0.08
8	Consultancy Charges	0.31	0.32	0.34	0.36	0.38
9	License and Registration Charges	0.00	0.00	0.00	0.00	0.00
10	Technical Fees	0.02	0.02	0.03	0.03	0.03
11	Books and Periodicals	0.00	0.00	0.00	0.00	0.00
12	Fee and Subscription	0.00	0.00	0.00	0.00	0.00
13	Advertisement	0.19	0.20	0.22	0.23	0.24
14	Legal and Professional Charges	0.61	0.65	0.68	0.72	0.76
15	MSERC Fees	0.15	0.16	0.17	0.18	0.19
16	Electricity and Water Charges	0.53	0.56	0.59	0.63	0.66
17	Meter Reading Expenses	0.00	0.00	0.00	0.00	0.00
18	Franchisee Commission	0.84	0.89	0.94	1.00	1.05
19	Franchisee Transmission Loss	1.03	1.09	1.15	1.22	1.29
20	Discount Allowed	0.25	0.27	0.28	0.30	0.32
21	Stamp Duty	0.01	0.01	0.01	0.01	0.02
22	Bank Charges	0.13	0.14	0.15	0.15	0.16
23	GST Expenses	0.01	0.01	0.01	0.01	0.01
24	ROC Charges	0.01	0.01	0.01	0.01	0.01
25	Entertainment Expenses	0.01	0.01	0.01	0.01	0.01
26	Compensation for Injuries	0.13	0.14	0.14	0.15	0.16
27	Misc. Expenses	0.17	0.18	0.19	0.20	0.21
	Total	**17.60**	**18.61**	**19.67**	**20.80**	**21.99**
	1/3rd of MeECL Expenses	0.61	0.65	0.68	0.72	0.76
	Grand Total	**18.21**	**19.25**	**20.36**	**21.52**	**22.75**

MePDCL humbly prays this Hon'ble Commission to approve the O&M expenses as projected above.

5.9 ***REVENUE FROM SALE OF SURPLUS POWER***

MePDCL would like to submit that the quantum of surplus power available has already been approved by Hon'ble Commission vide order dated 21.11.2023 in Petition for approval of Business Plan for the fourth Control Period. The approved Energy balance for the Fourth control period is tabulated below:

Sr. No.	Particulars	Calculation	2024-25 (Projected)	2025-26 (Projected)	2026-27 (Projected)
1	Power purchased from the Eastern Region (ER)	A	0	0	0
2	Inter-state transmission loss for ER	B	1.80%	1.80%	1.80%
3	Net power purchased from the ER	C=A*(1-B)	0	0	0
4	Power purchased from the North -Eastern Region (NER)	D	2050.78	2050.78	2050.78
5	Inter-state transmission loss for NER	E	3.00%	3.00%	3.00%
6	Net power available at state bus from external sources on long term	F=(C+D)*(1-E)	1989.26	1989.26	1989.26
7	Power purchased from generating stations within the state	G	1293.47	1164.14	1300.30
8	Power purchased from other sources	H			
9	Intra-State Transmission Losses		3.18%	3.18%	3.18%
	Total Availability at MePDCL Periphery	**I=F+G+H**	**3,178.34**	**3,053.12**	**3,184.94**
9	Power to be sold to consumers within the state (including ASEB)	J	1954.53	2088.49	2234.60
10	Transmission & Distribution Losses (%)	K	17.00%	16.50%	16.00%
11	Net power requirement at state bus for sale of power within the state	L=J/(1-K)	2354.85	2501.19	2660.23
12	Surplus Power (for sale outside state)	M = I - L	**823.49**	**551.93**	**524.71**

The surplus power approved by the Hon'ble Commission provisionally has been considered for the purpose of the estimation of the Revenue from Sale of Surplus Power. MePDCL would like to submit that for the purpose of estimation of the revenue the methodology adopted by Hon'ble Commission in the previous Tariff Order, i.e., the weighted average cost of power purchase excluding the transmission charges has been considered as the rate for sale of surplus power.

Accordingly, considering the above rates the revenue from sale of surplus power are tabulated as under:

Table 37 Revenue from Sale of Surplus Power

Particular	2024-25	2025-26	2026-27
Surplus Energy As per the BP	823.49	551.93	524.71
Rate of Surplus Energy (2023-24)	4.54	4.13	4.00
Revenue from Sale of Surplus Energy	373.50	227.97	209.76

MePDCL would like to humbly submit that the rates and revenue in the above table have been taken on assumption basis only for the purpose of the calculation of ARR and are subject to change as per the actuals on the basis of any banking or swapping arrangements.

MePDCL would also like to appraise the Hon'ble Commission that it has appointed NTPC Vidyut Vyapar Nigam, one of the professional agencies in power management for managing its power portfolio efficiently and craves leave of this Hon'ble Commission to appraise the Hon'ble Commission on the steps taken for the same in future.

5.10 ***NON-TARIFF INCOME***

MePDCL would like to submit that since there is no methodology defined in the 2014 Tariff Regulations for estimating the Non-Tariff Income, an escalation of 5% has been considered over and above the actual non-tariff income of FY 2022-23 (audited) for the purpose of estimation of Non-Tariff Income.

Accordingly, the Non-Tariff Income for the fourth control period is projected as tabulated below:

Table 38 Projections of Non-Tariff Income for Fourth Control Period

S No	Particular	2024-25	2025-26	2026-27
A	Other Income			
	Interest Income			
	From Banks	2.83	2.97	3.12
	From Others	0.00	0.00	0.00
	Sub-Total A	**2.83**	**2.97**	**3.12**

B	**Other Non-Operating Income**			
	Rental and Hiring Income	0.00	0.00	0.00
	Fees and Penalties	0.00	0.00	0.00
	Sale of scrap, tender forms and others	0.05	0.05	0.05
	Miscellaneous receipts	8.38	8.38	8.80
	Revenue Grants for Other Expenditures	0.10	0.10	0.10
	Revenue Grants for UDAY	0.00	0.00	0.00
	Sub-Total B	**8.53**	**8.53**	**8.96**
C	**Other Operating Income**			
	Meter Rent	9.45	9.45	9.92
	Reconnection Fees	0.00	0.00	0.00
	Delayed Payment Charges Collected From Consumers*	0.00	0.00	0.00
	Rebates on Purchase of Energy	0.00	0.00	0.00
	Other Charges From Consumers	21.10	21.10	22.15
	Cross Subsidy Surcharge	8.36	8.36	8.78
	Sub-Total C	**38.91**	**38.91**	**40.86**
	Grand Total	**79.09**	**79.23**	**83.20**

5.11 ***AGGREGATE REVENUE REQUIREMENT***

Based on the explanation and the calculation of individual components in above paragraphs the ARR for the fourth control period is estimated as under:

Table 39 Aggregate Revenue Requirement for Fourth Control Period

Particular	2024-25	2025-26	2026-27
Power Purchase Expenses	1885.78	1583.91	1608.94
Return on Equity	43.85	49.18	49.18
Interest on Loan	51.34	104.94	170.88
O&M Expenses	316.94	335.07	354.24
Depreciation	55.40	84.72	120.17
Interest on Working Capital	51.36	50.43	54.62
Total AFC	2404.67	2208.25	2358.03

Particular	2024-25	2025-26	2026-27
Less: Non-Tariff Income	50.28	50.42	52.94
Less: Revenue from Sale of Surplus Power	373.50	227.97	209.76
Net ARR	1980.90	1929.86	2095.33

MePDCL humbly prays the Hon'ble Commission to approve the ARR claimed above provisionally subject to true up of respective years.

5.12 ***CALCULATION OF GAP FOR FY 2024-25***

Based on the ARR projected above and the estimation of revenue at existing tariff the gap for the FY 2024-25 is tabulated as under:

Particular	Amount in Rs. Cr.
Aggregate Revenue Requirement for FY 2024-25	1980.90
Revenue At Existing Tariff*	1431.95
Stand Alone Gap for FY 2023-24	548.94
Add True Up Gap/(Surplus) for FY 2021-22	(68.40)
Add: Review Gap of 2020-21	1.46
Add True Up Gap/(Surplus) for FY 2022-23	334.70
Add O&M expenses Pertaining to Accrued Terminal Liabilities	85.28
Total Gap	901.99

*Revenue at existing tariff is calculated as tabulated on the next page

Table 40 Calculation of Revenue at Existing Tariff

S No.	Category of Consumer	No of Consumers	Connected Load	Sales MU	Fixed Charges	Energy Charges	Demand Charges-Revenue	Energy Charges - Revenue	Total Revenue
1	Domestic (DLT)	408658.00	698330.86	417.37	80.00	5.4	67.04	225.38	292.42
2	Commercial (CLT)	41314.00	116227.94	98.50	140	7.25	19.53	71.41	90.94
3	Industrial (ILT)	832.00	10497.65	6.62	140	6.8	1.76	4.50	6.27
4	Agriculture (Ape)	22.00	128.63	0.14	120	3.5	0.02	0.05	0.07
5	Public Lighting (PL)	86.00	1702.54	1.14	140	7	0.29	0.79	1.08
6	Water Supply (WSLT)	525.00	7594.37	9.89	140	7.3	1.28	7.22	8.50
7	General Purpose	2764.00	19336.18	15.44	140	7.6	3.25	11.73	14.98
8	BPL	265590.00	234611.82	122.69	200		63.74		63.74
9	Crematorium (CRM)	1.00	159.14	0.19	7500	4.5	0.01	0.09	0.09
1	Domestic HT	147.00	23460.18	24.09	300	6.9	8.45	16.62	25.07
2	Water Supply (WSHT)	78.00	15976.02	38.72	300	7.3	5.75	28.27	34.02
3	Bulk Supply (BS)	245.00	56361.76	81.37	300	6.9	20.29	56.15	76.44
4	Commercial (CHT)	230.00	27594.51	32.27	300	7.4	9.93	23.88	33.82
5	Industrial (IHT)	250.00	165079.74	161.11	300	7.8	59.43	125.67	185.10
6	Ferro Alloy	3.00	22881.10	132.13	230	5	6.32	66.07	72.38
1	Industrial (EHT)	12.00	66840.40	318.67	300	7.5	24.06	239.00	263.06
2	Ferro Alloy (EHT)	4.00	79134.00	494.18	230	4.9	21.84	242.15	263.99
	Total	**720761.00**	**1545916.83**	**1954.53**					**1431.95**

6. TARIFF PROPOSAL.

MePDCL would like to submit that as per the exiting tariff for FY 2023-24 the comparison of ABR and ACoS is presented below:

ABR vs ACOS Approved by Commission for FY 2023-24								
Sl. No	Category	Connected Load (MVA)	KWH/ KVA	Energy (MU)	Total Revenue (Rs. Cr.)	Avg. Rate (Rs. Unit)	Average Cost of Supply	ABR as % of ACOS
A)	LT Category							
1	Domestic(DLT)	540	486000	408.82	259.32	6.34	7.15	88.71%
2	Commercial (CLT)	87	78300	79.21	69.53	8.78	7.15	122.76%
4	Agriculture (Ape)	0	0	1.07	0.38	3.55	7.15	49.67%
5	Public Lighting (PL)	0	0	0.12	0.09	7.50	7.15	104.89%
6	Water supply (WSLT)	8	7200	13.83	10.86	7.85	7.15	109.81%
7	General Purpose(GP)	21	18900	17.52	15.69	8.96	7.15	125.24%
8	Kutir jyoti (KJT)	90.83	81747	87.42	37.55	4.30	7.15	60.07%
9	Crematorium (CRM)	0.16	144	0.23	0.10	4.35	7.15	60.80%
10	Industrial LT (ILT)	11	9900	6.34	5.55	8.75	7.15	122.42%
B)	HT Category							
1	Domestic (HT)	20	20000	25.50	22.73	8.91	7.15	124.66%
2	Public water supply	10	10000	33.87	26.47	7.82	7.15	109.29%
3	Bulk Supply	46	46000	110.78	88.03	7.95	7.15	111.13%
4	Commercial (HT)	34	34000	28.02	29.56	10.55	7.15	147.53%
5	Industrial (HT)	206	206000	180.91	185.3	10.24	7.15	143.24%
6	Ferro Alloys	11	11000	37.58	20.30	5.40	7.15	75.54%
C)	EHT Category							
1	Industrial	10.7	10700	116.34	82.06	7.05	7.15	98.64%
3	Ferro Alloys	68.17	68170	344.41	174.79	5.08	7.15	70.97%
	Total	**1163.86**	**1088061**	**1491.97**	**1028.31**	**6.89**		

It can be observed that there is a huge level of cross-subsidization and some of the categories are beyond the permissible limit of ±20% limit of the Average Cost of Supply as per the provisions of the Tariff Policy 2016. As per the clause 8.3 (2) of the Tariff Policy 2016:

"For achieving the objective that the tariff progressively reflects the cost of supply of electricity, the Appropriate Commission would notify a roadmap such that tariffs are brought within ±20% of the average cost of supply. The road map would also have intermediate milestones, based on the approach of a gradual reduction in cross subsidy."

MePDCL would like to request Hon'ble Commission to regularize the tariff in order to rationalize the level of cross-subsidization especially for HT and EHT categories as per the Tariff Policy 2016 n.

Hence, MePDCL would request the Hon'ble Commission to allow th uniform hike in tariff across all categories to recover the gap of Rs. 901.99 Cr

Further, MePDCL also request Hon'ble Commission to approve the Wheeling charges and the Cross-Subsidy Charges on the basis of approved tariff for the respective categories.

In addition, MePDCL would like to humbly submit that the Government of Meghalaya has introduced the Policy for Electric Vehicle 2021, wherein the targets for the penetration of Electric Vehicles in the total vehicles in Meghalaya has been set as 15% by 2025. In view of the same it is expected that the number of Electric Vehicles and charging stations are expected to increase in near future. Hence, MePDCL would like to request Hon'ble Commission to introduce the tariff for Electric Vehicle charging Stations. The Proposed tariff should be such that vehicle owners are encourage to charge their vehicles at the charging stations and not through the domestic or commercial connections. Hence, MePDCL would like to propose the following tariff for the Electric vehicle charging stations

Table 41 Proposed tariff For Electric Vehicle Charging Stations

Category	Fixed Charges	Energy Charges
Electric Vehicles	NIL	Rs.5.50/kWh

In addition to the above tariff rates the EV charging stations should also be subject to Time of Day Tariff to encourage vehicle owners to charge the vehicles during the off-peak hours for better demand side management.

7. FUEL AND POWER PURCHASE ADJUSTMENT METHODOLOGY

MePDCL would like to humbly submit that fuel price adjustments and power purchased adjustment are done through supplementary bills raised by the power producers from time to time. However, as of now there is no methodology for timely recovery of these expenses and MePDCL has to claim these expenses at the time of truing up exercise only, which results in blocking of funds in the power purchase which are recovered after a gap of almost two years.

MePDCL would like to further submit that Ministry of Power vide Notification dated 29th December 2022 notified the Electricity (Amendment) Rules, 2022. In the aforesaid rules the Ministry has detailed out the methodology of the timely recovery of the FPPAS. The key highlights of the amendment are as under:

i. Fuel and power purchase adjustment surcharge shall be calculated and billed to consumers, automatically, without going through regulatory approval process, on a monthly basis, according to the formula, prescribed by the respective the State Commission, subject to true up, on an annual basis, as decided by the State Commission: Provided that the automatic pass through shall be adjusted for monthly billing in accordance with these rules.

ii. Fuel and Power Purchase Adjustment Surcharge shall be computed and charged by the distribution licensee, in (n+2)th month, on the basis of actual variation, in cost of fuel and power purchase and Interstate Transmission Charges for the power procured during the nth month. For example, the fuel and power purchase adjustment surcharge on account of changes in tariff for power supplied during the month of April of any financial year shall be computed and billed in the month of June of the same financial year: Provided that in case the distribution licensee fails to compute and charge fuel and power purchase adjustment surcharge within this time line, except in case of any force majeure condition, its right for recovery of costs on account of fuel and power purchase adjustment surcharge shall be forfeited and in such cases, the right to recovery the fuel and power purchase adjustment surcharge determined during true-up shall also be forfeited.

iii. The revenue recovered on account of pass through fuel and power purchase adjustment surcharge by the distribution licensee, shall be trued up later for the year under consideration and the true up for any financial Year shall be completed by 30th June of the next financial year.

iv. In case of excess revenue recovered for the year against the fuel and power purchase adjustment surcharge, the same shall be recovered from the licensee at the time of true up along with its carrying cost to be charged at 1.20 times of the carrying cost rate approved by the State Commission and the under recovery of fuel and power purchase adjustment surcharge shall be allowed during true up, to be billed along with the automatic Fuel and Power Purchase Adjustment Surcharge amount.

In view of the above Rules MePDCL proposes the methodology provided by Min of Power in the Electricity (Amendment) Rules 2022 for automatic recovery of the FPPAS. The formula for FPPAS as provided in the Rules is as under:

$$\text{Monthly FPPAS for nth Month (\%)} = \frac{(A-B)*C + (D-E)}{\{Z * (1 - \text{Distribution losses in\%}/100)\} * ABR}$$

Where

Nth month means the month in which billing of fuel and power purchase adjustment surcharge component is done. This fuel and power purchase adjustment surcharge is due to changes in tariff for the power supplied in $(n-2)^{th}$ month.

A is Total units procured in $(n-2)^{th}$ Month (in kWh) from all Sources including Long-term, Medium –term and Short-term Power purchases(To be taken from the bills issued to distribution licensees)

B is bulk sale of power from all Sources in $(n-2)^{th}$ Month. (in kWh) = (to be taken from provisional accounts to be issued by State Load Dispatch Centre by the 10th day of each month).

C is incremental Average Power Purchase Cost= Actual average Power Purchase Cost (PPC) from all Sources in (n-2) month (Rs. / kWh) (computed) - Projected Average Power Purchase Cost (PPC) from all Sources (Rs. / kWh)- (from tariff order)

D = Actual inter-state and intra-state Transmission Charges in the (n-2)th Month, (From the bills by Transcos to Discom) (in Rs)

E = Base Cost of Transmission Charges for (n-2)th Month. = (Approved Transmission Charges/12) (in Rs)

Z = [{Actual Power purchased from all the sources outside the State in (n-2) th Month. (in kWh) * (1 – Interstate transmission losses in % /100) + Power purchased from all the sources within the State (in kWh)} *(1 – Intra state losses in %) – B]/100 in kWh

ABR = Average Billing Rate for the year (to be taken from the Tariff Order in Rs/kWh)

Distribution Losses (in %) = Target Distribution Losses (from Tariff Order)

Inter-state transmission Losses (in %) = As per Tariff Order

A copy of the Notification of Ministry of Power is annexed to this Petition as Annexure I.

8. LIST OF ANNEXURES

1. Annexure A- Board Resolution
2. Annexure B- MePDCL Statement of Accounts
3. Annexure C- MeECL Statement of Accounts
4. Annexure D- Judgement of APTEL in NBPDCL and BERC
5. Annexure E- Judgement of APTEL in GETCO Vs GERC
6. Annexure F- Relevant Extract of CSERC order
7. Annexure G- Copy of the Methodology Notified by CEA for AT&C loss Calculation
8. Annexure H- Computation of Multiplication Factor for ROP
9. Annexure I- Copy of Electricity Amendment Rules 2022.

11. As per the Appellant, the following questions of law arise for our consideration;

a) **Whether the State Commission is right in rejecting the Power Purchase Cost paid/payable to the generating companies/suppliers for the electricity procured as per the bills raised by them, after having approved the quantum of purchase? The State Commission has arbitrarily reduced the Power Purchase Cost from some of the generating stations/suppliers?**

b) **Whether the State Commission is right in reducing the per unit cost of Power Purchase from Rangit and Pista Hydro Stations of NHPC Limited on the ground that the other distribution licensees SBPDCL had for the relevant period paid a lower weighted average per unit rate without taking into account that the accounts of the Appellant had been finalised by the time the NHPC had shared the extra benefits?**

c) **Whether the State Commission is right in considering the funding of the capital assets as being entirely through grants, when such funding has been through grant, equity and loan and consequently in not allowing the depreciation of such assets funded through equity and loan?**

d) **Whether the State Commission has properly considered the weighted average rate of depreciation on the capital assets for the purpose of tariff?**

e) **Whether the State Commission is right in not considering the amount of Rs. 2641.16 crores being the amount contributed by the Government of Bihar (shareholder of the Appellant) towards equity but pending allotment of equity?**

f) Whether the State Commission is right in not considering the substantial part of the prior period expenses on the ground that the Appellant had not given details with monthly break up, overlooking the fact that the Appellant had duly furnished all such details running into several volumes in a digital manner (through pen drive)?

g) Whether the State Commission has properly taken into account the quantum of energy sales to be considered for different categories of consumes of the Appellant?

h) Whether the State Commission is right in not fully allowing the claim of the Appellant in regard to the scheme envisaged for providing electricity connection in the rural areas in accordance with the various schemes evolved by the Central and State Governments and for which the Appellant is receiving substantial grants?

i) Whether the State Commission is right in determining an amount of Rs. 465.56 Crores as revenue surplus of the Appellant being related to the past period up to FY 2013-14, when the same related to the period when BSEB was in operation, without considering that the Appellants are new entities established to function as per the financials notified by the State Commission?

j) Whether State Commission is right in considering the revenue surplus of BSEB period as available to the Appellant without taking into account the substantial amount of liability retained by the Government of Bihar and the Appellant having been given a re-structured balance sheet under the statutory Transfer Scheme to ensure viability of the Appellant?

k) **Whether the State Commission has correctly determined the escalation to be allowed in the employees cost from the base figures of 2014-15 taken by the State Commission for determination of the revenue requirements for the FY 2016-17, FY 2017-18 and FY 2018-19?**

l) **Whether the State Commission has correctly determined the administrative and general cost of the Appellant taking into the account the actual cost of the base year 2014-15 and the escalation to be allowed on such cost for determining the revenue requirements for the FY 2016-17, FY 2017-18 and FY 2018-19?**

m) **Whether the State Commission has properly accounted for and given the cost towards employees cost taking into consideration and new and additional employees to be deployed for operation and maintenance of assets establi8shed under the various schemes?**

n) **Whether the State Commission has properly determined the distribution loss trajectory to be allowed to the Appellant?**

12. We have heard at length Mr. M.G. Ramachandran, the learned counsel for the Appellant and Mr. Nadeem Ahmad and Mr. Anand K. Ganesan learned counsel for the Respondents and considered their written submissions and arguments. Gist of the same is discussed hereunder;

13. The Appellant has made the following submissions for our consideration;

Depreciation and Gross Value of Assets.

(i) The issue of depreciation to be allowed is dependent on the gross value of the fixed assets to be considered by the State Commission in the relevant financial year. The Appellant has stated that there have been three sources for funding the assets of the distribution activities of the Appellant namely debt, equity and grants. The Appellant does not dispute that the servicing of the capital cost through tariff is restricted to the gross value of the assets capitalised and put to use and further only on the debt and equity part of the funding. It is accepted that the grant part is not to be serviced at all through tariff. The grievances of the Appellant are restricted to the State Commission's considering the various assets capitalised as being funded by grant in a disproportionate manner, whereas the Appellant claims that such funding by grants has to be considered along with debt and equity in a proportionate manner. It has been submitted by the Appellant that no asset has been funded only through grant without deploying any debt or equity and its claimed in the manner provided in the tariff Regulations, the depreciation on the assets excluding the proportionate funding through grants.

(ii) In the Impugned Order, the State Commission has proceeded on the basis of existence of cash and bank balances as representing the funding of assets by grant. The State Commission has also proceeded on the basis that since grants were available, the same ought to have been utilised instead of debt and equity funding. The Appellant submitted that the grants given had to be used with matching debt and equity.

(iii) Depreciation is the tariff element which enables the utility to repay the debt borrowed for funding the assets. The depreciation is calculated on the gross value of the assets (excluding land) and is allowed up to 90% of the value.

(iv) In our opinion, the depreciation is an important segment and needs to be re-examined by the State Commission keeping in view the relevant details submitted by the Appellant subject to its prudent check. The Appellant is entitled to raise the issue of rate of depreciation also before the State Commission while the depreciation amount is being re-examined by the State Commission.

Return on Equity

(i) The State Commission in its Impugned Order has stated that in the past years, the State Commission has considered equity capital only to the extent of Rs. 385 crores and continued the same even for the subsequent years including the period considered in the Impugned Order.

(ii) The State Commission observed that if the equity capital as claimed by the Appellant is accepted, it shall be much in excess of the gross fixed assets.

(iii) The matter for consideration is only whether the amount contributed by the State Government towards equity capital should be considered equity or not. To be fair to the Appellant, the State Commission is directed to re-examine whether the contribution of the State Government towards equity capital should be considered as equity or not and accordingly pass an appropriate order.

Net Prior Period (Credit/Charges)

(i) On this issue, we have noted that the State Commission had disallowed the claim after applying the prudence check. However, no detailed

Indian Accounting Standard (Ind AS) 20
Accounting for Government Grants and Disclosure of Government Assistance

Contents **Paragraphs**

Indian Accounting Standard (Ind AS) 20

Accounting for Government Grants and Disclosure of Government Assistance

*(This Indian Accounting Standard includes paragraphs set in **bold** type and plain type, which have equal authority. Paragraphs in bold type indicate the main principles.*

Scope

This Standard shall be applied in accounting for, and in the disclosure of, government grants and in the disclosure of other forms of government assistance.

This Standard does not deal with:

the special problems arising in accounting for government grants in financial statements reflecting the effects of changing prices or in supplementary information of a similar nature.

government assistance that is provided for an entity in the form of benefits that are available in determining taxable profit or tax loss, or are determined or limited on the basis of income tax liability. Examples of such benefits are income tax holidays, investment tax credits, accelerated depreciation.

government participation in the ownership of the entity.

government grants covered by Ind AS , *Agriculture*[1].

Definitions

The following terms are used in this Standard with the meanings specified:

Government **refers to government, government agencies and similar bodies whether local, national or international.**

Government assistance **is action by government designed to provide an economic benefit specific to an entity or range of entities qualifying under certain criteria. Government assistance for the purpose of this Standard does not include benefits provided only indirectly through action affecting general trading conditions, such as the provision of infrastructure in development areas or the imposition of trading constraints on competitors.**

[1] This Standard is under formulation.

Government grants **are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the entity[2].**

Grants related to assets **are government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets. Subsidiary conditions may also be attached restricting the type or location of the assets or the periods during which they are to be acquired or held.**

Grants related to income **are government grants other than those related to assets.**

Forgivable loans **are loans which the lender undertakes to waive repayment of under certain prescribed conditions.**

Fair value **is the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.**

Government assistance takes many forms varying both in the nature of the assistance given and in the conditions which are usually attached to it. The purpose of the assistance may be to encourage an entity to embark on a course of action which it would not normally have taken if the assistance was not provided.

The receipt of government assistance by an entity may be significant for the preparation of the financial statements for two reasons. Firstly, if resources have been transferred, an appropriate method of accounting for the transfer must be found. Secondly, it is desirable to give an indication of the extent to which the entity has benefited from such assistance during the reporting period. This facilitates comparison of an entity's financial statements with those of prior periods and with those of other entities.

Government grants are sometimes called by other names such as subsidies, subventions, or premiums.

Government grants

Government grants, including non-monetary grants at fair value, shall not be recognised until there is reasonable assurance that:

the entity will comply with the conditions attaching to them; and

the grants will be received.

A government grant is not recognised until there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the grant will be

[2] See Appendix A *Government Assistance—No Specific Relation to Operating Activities*

received. Receipt of a grant does not of itself provide conclusive evidence that the conditions attaching to the grant have been or will be fulfilled.

The manner in which a grant is received does not affect the accounting method to be adopted in regard to the grant. Thus a grant is accounted for in the same manner whether it is received in cash or as a reduction of a liability to the government.

A forgivable loan from government is treated as a government grant when there is reasonable assurance that the entity will meet the terms for forgiveness of the loan.

10A The benefit of a government loan at a below-market rate of interest is treated as a government grant. The loan shall be recognised and measured in accordance with Ind AS 39 *Financial Instruments: Recognition and Measurement*. The benefit of the below-market rate of interest shall be measured as the difference between the initial carrying value of the loan determined in accordance with Ind AS 39 and the proceeds received. The benefit is accounted for in accordance with this Standard. The entity shall consider the conditions and obligations that have been, or must be, met when identifying the costs for which the benefit of the loan is intended to compensate.

Once a government grant is recognised, any related contingent liability or contingent asset is treated in accordance with Ind AS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

Government grants shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

There are two broad approaches to the accounting for government grants: the capital approach, under which a grant is recognised outside profit or loss, and the income approach, under which a grant is recognised in profit or loss over one or more periods.

Those in support of the capital approach argue as follows:

government grants are a financing device and should be dealt with as such in the balance sheet rather than be recognised in profit or loss to offset the items of expense that they finance. Because no repayment is expected, such grants should be recognised outside profit or loss.

it is inappropriate to recognise government grants in profit or loss, because they are not earned but represent an incentive provided by government without related costs.

Arguments in support of the income approach are as follows:

because government grants are receipts from a source other than shareholders, they should not be recognised directly in equity but should be recognised in profit or loss in appropriate periods.

government grants are rarely gratuitous. The entity earns them through compliance with their conditions and meeting the envisaged obligations. They should therefore be recognised in profit or loss over the periods in which the entity recognises as expenses the related costs for which the grant is intended to compensate.

because income and other taxes are expenses, it is logical to deal also with government grants, which are an extension of fiscal policies, in profit or loss.

It is fundamental to the income approach that government grants should be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grant is intended to compensate. Recognition of government grants in profit or loss on a receipts basis is not in accordance with the accrual accounting assumption (see Ind AS 1 *Presentation of Financial Statements*) and would be acceptable only if no basis existed for allocating a grant to periods other than the one in which it was received.

In most cases the periods over which an entity recognises the costs or expenses related to a government grant are readily ascertainable. Thus grants in recognition of specific expenses are recognised in profit or loss in the same period as the relevant expenses. Similarly, grants related to depreciable assets are usually recognised in profit or loss over the periods and in the proportions in which depreciation expense on those assets is recognised.

Grants related to non-depreciable assets may also require the fulfilment of certain obligations and would then be recognised in profit or loss over the periods that bear the cost of meeting the obligations. As an example, a grant of land may be conditional upon the erection of a building on the site and it may be appropriate to recognise the grant in profit or loss over the life of the building.

Grants are sometimes received as part of a package of financial or fiscal aids to which a number of conditions are attached. In such cases, care is needed in identifying the conditions giving rise to costs and expenses which determine the periods over which the grant will be earned. It may be appropriate to allocate part of a grant on one basis and part on another.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs shall be recognised in profit or loss of the period in which it becomes receivable.

In some circumstances, a government grant may be awarded for the purpose of giving immediate financial support to an entity rather than as an incentive to undertake specific expenditures. Such grants may be confined to a particular entity and may not be available to a whole class of beneficiaries. These circumstances may warrant recognising a grant in profit or loss of the period in which the entity qualifies to receive it, with disclosure to ensure that its effect is clearly understood.

A government grant may become receivable by an entity as compensation for expenses or losses incurred in a previous period. Such a grant is recognised in profit or loss of the period in which it becomes receivable, with disclosure to ensure that its effect is clearly understood.

Non-monetary government grants

A government grant may take the form of a transfer of a non-monetary asset, such as land or other resources, for the use of the entity. In these circumstances the fair value of the non-monetary asset is assessed and both grant and asset are accounted for at that fair value.

Presentation of grants related to assets

Government grants related to assets, including non-monetary grants at fair value, shall be presented in the balance sheet by setting up the grant as deferred income.

[Refer to Appendix !].

The grant set up as deferred income is recognised in profit or loss on a systematic basis over the useful life of the asset.

[Refer to Appendix 1]

The purchase of assets and the receipt of related grants can cause major movements in the cash flow of an entity. For this reason and in order to show the gross investment in assets, such movements are disclosed as separate items in the statement of cash flows..

Presentation of grants related to income

Grants related to income are sometimes presented as a credit in the statement of profit and loss, either separately or under a general heading such as 'Other income'; alternatively, they are deducted in reporting the related expense.

29A [Refer to Appendix 1]

Supporters of the first method claim that it is inappropriate to net income and expense items and that separation of the grant from the expense facilitates comparison with other expenses not affected by a grant. For the second method it is argued that the expenses might well not have been incurred by the entity if the grant had not been available and presentation of the expense without offsetting the grant may therefore be misleading.

Both methods are regarded as acceptable for the presentation of grants related to income. Disclosure of the grant may be necessary for a proper understanding of the financial statements. Disclosure of the effect of the grants on any item of income or expense which is required to be separately disclosed is usually appropriate.

Repayment of government grants

A government grant that becomes repayable shall be accounted for as a change in accounting estimate (see Ind AS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*). Repayment of a grant related to income shall be applied first against any unamortised deferred credit recognised in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or when no deferred credit exists, the repayment shall be recognised immediately in profit or loss.

Repayment of a grant related to an asset shall be recognised by reducing the deferred income balance by the amount repayable.

[Refer to Appendix 1]

Government assistance

Excluded from the definition of government grants in paragraph 3 are certain forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the entity.

Examples of assistance that cannot reasonably have a value placed upon them are free technical or marketing advice and the provision of guarantees. An example of assistance that cannot be distinguished from the normal trading transactions of the entity is a government procurement policy that is responsible for a portion of the entity's sales. The existence of the benefit might be unquestioned but any attempt to segregate the trading activities from government assistance could well be arbitrary.

The significance of the benefit in the above examples may be such that disclosure of the nature, extent and duration of the assistance is necessary in order that the financial statements may not be misleading.

[Refer to Appendix 1]

In this Standard, government assistance does not include the provision of infrastructure by improvement to the general transport and communication network and the supply of improved facilities such as irrigation or water reticulation which is available on an ongoing indeterminate basis for the benefit of an entire local community.

Disclosure

The following matters shall be disclosed:

the accounting policy adopted for government grants, including the methods of presentation adopted in the financial statements;

the nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the entity has directly benefited; and

unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

Appendix A

Government Assistance—No Specific Relation to Operating Activities

This Appendix is an integral part of Indian Accounting Standard (Ind AS) 20.

Issue

In some countries government assistance to entities may be aimed at encouragement or long-term support of business activities either in certain regions or industry sectors. Conditions to receive such assistance may not be specifically related to the operating activities of the entity. Examples of such assistance are transfers of resources by governments to entities which:

operate in a particular industry;

continue operating in recently privatised industries; or

start or continue to run their business in underdeveloped areas.

The issue is whether such government assistance is a 'government grant' within the scope of Ind AS 20 and, therefore, should be accounted for in accordance with this Standard.

Accounting Principle

Government assistance to entities meets the definition of government grants in Ind AS 20, even if there are no conditions specifically relating to the operating activities of the entity other than the requirement to operate in certain regions or industry sectors. Such grants shall therefore not be credited directly to shareholders' interests.

Appendix 1

Note: This Appendix is not a part of the Indian Accounting Standard. The purpose of this Appendix is only to bring out the differences, if any, between Indian Accounting Standard (Ind AS) 20 and the corresponding International Accounting Standard (IAS) 20, Accounting for Government Grants and Disclosure of Government Assistance

Comparison with IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*

1. IAS 20 gives an option to measure non-monetary government grants either at their fair value or at nominal value. Ind AS 20 requires measurement of such grants only at their fair value. Thus, the option to measure these grants at nominal value is not available under Ind AS 20.

2. IAS 20 gives an option to present the grants related to assets, including non-monetary grants at fair value in the balance sheet either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset. Ind AS 20 requires presentation of such grants in balance sheet only by setting up the grant as deferred income. Thus, the option to present such grants by deduction of the grant in arriving at the carrying amount of the asset is not available under Ind AS 20. As a consequence thereof paragraph 32 has been modified and the following paragraphs of IAS 20 which are with reference to the options for presentation of grants related to assets have been deleted in Ind AS 20. In order to maintain consistency with paragraph numbers of IAS 20, the paragraph numbers are retained in Ind AS 20:

(i) Paragraph 25

(ii) Paragraph 27

(iii) Paragraph 33

3. Requirements regarding presentation of grants related to income in the separate income statement, where separate income statement is presented under paragraph 29A of IAS 20 have been deleted. This change is consequential to the removal of option regarding two statement approach in Ind AS 1. Ind AS 1 requires that the components of profit or loss and components of other comprehensive income shall be presented as a part of the statement of profit and loss. However, paragraph number 29A has been retained in Ind AS 20 to maintain consistency with paragraph numbers of IAS 20.

4. Different terminology is used in this standard, e.g., the term 'balance sheet' is used instead of 'Statement of financial position' and 'Statement of profit and loss' is used instead of 'Statement of comprehensive income'.

5. Paragraph number 37 appear as ‘Deleted ‘in IAS 20. In order to maintain consistency with paragraph numbers of IAS 20, the paragraph number is retained in Ind AS 20.

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Issue No. 1: Whether the State Commission erred in computation of depreciation on the basis of depreciation reserve while truing-up of the financials for FY 2011-12, 2012-13, 2013-14 and 2014-15 (Appeal Nos. 108 of 2013, 172 of 2014 & 149 of 2015)?

Issue No. 2: Whether the State Commission erred in considering the Government Grants, Subsidies and Consumer Contribution as deferred income on the basis of written down value method while depreciation has been allowed on straight line method (involved in all four appeals)?

Issue No. 3: Whether the State Commission erred in not considering the actual repayment of loan and considering only the normative loan repayment in equating depreciation as deemed repayment of loan?

Issue No. 4: Whether the State Commission erred in not considering the value of maintenance spares at 6% over the historical cost from the date of commercial operation (involved in all four appeals) while computing the interest on working capital?

Issue No. 5: Whether the State Commission erred in considering the contribution contingency reserve of Rs. 55.8 crores as against Rs. 60 crores invested by the Appellant in the approved security (Appeal No. 149 of 2015)?

Issue No. 6: Whether the State Commission erred in deduction of expenses of the capitalized assets from the O&M expenses?

Issue No. 7: Whether the State Commission erred in not considering an amount of Rs. 1.18 crores contributed by the Appellant under the corporate social responsibility as expenditure to be allowed in the revenue requirements (Appeal No. 149 of 2015 and 172 of 2014)?

8. **Issue No. 1 & 2 are inter-related and hence both the issues are being taken up together.**

9. The following are the submissions made by the Ld. Counsel of the Appellant:

9.1 that the depreciation, as per Regulation 40[1] of MYT Regulations ought to have been considered based on the value of Gross Fixed Assets of the considerations given to acquire them at the time of their acquisition.

11.8 According to the accounting standard-6 of Institute of Charted Accounts, *inter alia,* provides as under:

"Depreciation is a measure of the wearing out consumption or other loss of value of a depreciable asset arising from use efflux of time or obsolescence through technology and market changes. Depreciation is allocated so as to charge a fair proportion of the depreciable amount in each accounting period during the expected useful life of the asset. Depreciation includes amortization of assets whose useful life is predetermined"

11.9 After going through the submissions, we observe that the methodology followed by the State Commission is different i.e. Commission considered the asset value as per the depreciation reserve account, whereas the Regulation says that the depreciation as per the original asset value has to be considered at the time of commissioning of the asset. Consequently, finding in the Impugned Order is liable to be quashed and is quashed and we direct the State Commission to re-compute the depreciation as per the MYT Tariff Regulations.

11.10 **Depreciation on Deferred Income:**

The contention of the Appellant GETCO in its additional submission made on 6th March, 2013 is as under:

"Government grants related to specific fixed assets should be presented in the balance sheet by showing the grant as a deduction from the gross value of the assets concerned in arriving at their book value. Where the grant related to a specific fixed asset equals the whole or virtually the whole of the cost of the

asset, the asset should be shown in the balance sheet at a nominal value. Alternatively government grants related to depreciable fixed assets may be treated as deferred income which should be recognized in the profit and loss statement on a systematic and rational basis over the useful life of the asset i.e. such grants should be allocated to income over the periods and in the proportions in which depreciation on those assets is charged".

Further, we have gone through the State Commission's Tariff Order dated 28.03.2013, 29.04.2014 and 31.03.2015 in Para 4.4 under Commission's analysis, is as under:

"The issue of considering a percentage of Consumer Contribution, Govt. Grants and Subsidies as non-tariff income is common to all the licensees and requires to be carefully examined. The Commission does not want to deliberate on the issue now in the truing-up for FY 2011-12. The Commission has followed the policy of considering portion of grants as non-tariff income consistently for all the licensees and any change in this behalf affects the parameters considered in the MYT Order for FY 2011-12 to FY 2015-16".

Thus, GETCO considered as per the suggestions of the CAG and Accounting Standard 12 of Indian Chartered Accounts.

11.11 This Tribunal in its Judgment dated 07.04.2011 in Appeal 134 of 2009 captioned as Power Grid Corporation of Indian Ltd. Vs. CERC and others, discussed at length and held as under:

"Accounting Standard 12 of Institute of Charted Accountants of India permits two alternative methods of presentation of grants in accounts. Whereas Central Commission (R-1) has adopted 1st method in the impugned order, Appellant adopts 2nd method in its accounting policy. Both Appellant as well as Respondent have admitted that net impact of both methods would be the same. We feel that having obtained the specific information about accounting policy of Appellant, Central Commission could have also adopted 2nd method in the impugned order, more so since it would not have any impact on transmission tariff. On other hand

POWERGRID, the Appellant could have accepted the impugned order as it is since it was not going to affect his profitability".

Thus, the Appellant considered in the Impugned Orders on 28.03.2013, 29.04.2014 and 31.03.2015, the views of the CAG and accounting standards, arrived the depreciation on deferred income amount and deducted the same from the depreciation arrived and worked out the net depreciation. Further, the Appellant compared this net depreciation with the depreciation computed by the Commission during the MYT Tariff Order as per the MYT Regulations, 2011.

The Commission has considered deferred income such as Government Grants, subsidies and Consumer Contribution under Non-Tariff Income and this procedure was followed by all the licensees and any change by this affects the parameters considered in MYT Order for FY 2011-12 to FY 2015-16. However, the Commission has expressed that it has to be carefully reexamined. Accordingly, the Commission has followed the same procedure in all the Tariff Orders regarding Government Grants. Etc.

We direct the State Commission to re-compute the depreciation and reexamine the deferred income utilized for creation of assets. Thus, in our opinion, the State Commission has not computed the depreciation for the FY 2011-12 to 2015-16, based on gross fixed assets value, the Commission has considered the asset value as per the depreciation reserve account. Thus, deviating methodology adopted in the MYT

Tariff Order dated 31.03.2011. Hence, we direct the State Commission to re-compute the depreciation based on the asset value as considered in the MYT Tariff Order while truing-up of the Tariff Orders. Further, we direct the State Commission to re-examine with respect to deferred income and portion of the grants as per the Accounting Standard and recommendation of CAG. If necessary, the MYT Regulation has to be suitably amended.

Thus, we decide these issues (Issue Nos. 1&2) in favour of the Appellant and the Impugned Orders are to be modified accordingly.

12. **Issue No. 3: Whether the State Commission erred in not considering the actual repayment of loan and considering only the normative loan repayment in equating depreciation as deemed repayment of loan?**

13. The following are the submissions made by the Ld. Counsel of the Appellant:

13.1 that the State Commission has considered depreciation as equivalent to loan repayment on the basis that depreciation amount will be available for servicing of such loan. Since the Appellant is required to service the actual term loan and payment of interest, the State Commission ought to have taken the deemed normative repayment of loan proportionate to the actual loan while equating the depreciation amount.

It was, therefore, necessary to consider the repayment of loan of GETCO in line with the actual loan taken and not as equivalent to

In pursuance with the direction of the Hon'ble Tribunal in the Judgment in Review Petition No. 10 of 2013, the Commission obtained details of actual contribution made by CSPDCL for FY 2008-09 (January to March 2009) and FY 2009-10 from the Gratuity and Pension Trust of CSEB and has relied upon the same for carrying out the true-up. The approved amount of contribution to Pension and Gratuity fund is as given in the following Table:

Table 174: Contribution to Pension and Gratuity Fund as approved by the Commission (Rs. Crore)

Particulars	FY 2008-09 (Jan-Mar)		FY 2009-10	
	Petition	Approved after Final True-up	Petition	Approved after Final True-up
Contribution to Pension and Gratuity Fund	139.23	139.23	254.07	254.07

The Commission has noted that the actual contribution to Pension and Gratuity Fund was much higher than what was approved in the Order. The Commission has taken as serious view on the wilful violation of directives and has decided to adjust the excess payment from the Pension and Gratuity Fund Contribution for FY 2013-14.

8.2.7 Capital Expenditure and Capitalisation

The Commission notices that CSPDCL has considered capitalisation of Rs. 62.75 Crore and Rs. 217.25 Crore respectively for FY 2008-09 (January to March) and FY 2009-10. The Commission has verified the same from the audited annual accounts and details provided for the years under consideration and found the same in order.

8.2.8 Capital Structuring

In order to ascertain the capital mix (i.e., debt, equity, grant) in GFA and Capex for arriving at the Return on Equity and Interest expenses, the Commission has adopted the following approach. For the purpose of permissible equity for RoE in opening GFA as on January 1, 2009, the permissible equity in opening GFA as on April 1, 2005 (34.53%) has been considered and equity addition from the asset added thereafter till December 2008 limited to 30%. Accordingly, the equity as a percentage of GFA as on January 1, 2009 works out to 32.85% as against the submission of CSPDCL of 30% of the opening GFA received as on January 1, 2009.

Table 175: Capital Structuring for CSPDCL (Rs. Crore)

Particulars	Legend	01.04.05		01.04.10			01.04.13		
Opening GFA	1	597.07		2,032.14			2,846.84		
Permissible Equity	2	206.18		636.70			881.10		
% of Equity in GFA	3=2/1	34.53%		31.33%			30.95%		
CAPEX and GFA									
Particulars	**Legend**	**FY2008-09**	**FY 2009-10**	**FY 2010-11**	**FY 2011-12**	**FY 2012-13**	**FY 2013-14**	**FY 2014-15**	**FY 2015-16**
Opening GFA	A	1,752.15	1,814.90	2,032.14	2,222.89	2,519.07	2,846.84	3,067.84	3,317.84
Opening CWIP	B	1,102.70	1,165.39	1,229.71	1,506.58	1,595.86	1,927.44	2,021.44	2,128.44
Opening Capex	c=a+b	2,854.85	2,980.29	3,261.85	3,729.46	4,114.93	4,774.28	5,089.28	5,446.28
Capitalisation during the Year	D	62.75	217.25	190.74	296.18	327.77	221.00	250.00	311.00
Closing GFA	e=d+a	1,814.90	2,032.14	2,222.89	2,519.07	2,846.84	3,067.84	3,317.84	3,628.84
Closing CWIP	F	1,165.39	1,229.71	1,506.58	1,595.86	1,927.44	2,021.44	2,128.44	2,261.44
Closing Capex	g=f+e	2,980.29	3,261.85	3,729.46	4,114.93	4,774.28	5,089.28	5,446.28	5,890.28
Grants and Consumer Contribution									
Particulars	**Legend**	**FY2008-09**	**FY 2009-10**	**FY 2010-11**	**FY 2011-12**	**FY 2012-13**	**FY 2013-14**	**FY 2014-15**	**FY 2015-16**
Opening Grant and Contribution	H	1,350.94	1,425.98	1,469.26	1,562.91	1,679.12	2,465.51	2,465.51	2,465.51
Consumer Contribution/Grants during the Year	I	75.04	43.28	93.65	116.21	383.55	-	-	-
Closing Consumer Contribution	j=h+i	1,425.98	1,469.26	1,562.91	1,679.12	2,062.68	2,465.51	2,465.51	2,465.51
Consumer Contribution in Opening GFA	k=h*a/c	829.14	868.38	915.36	931.55	1,027.92	1,470.15	1,486.22	1,501.97
Consumer Contribution in Closing GFA	l=j*e/g	868.38	915.36	931.55	1,027.92	1,229.95	1,486.22	1,501.97	1,518.93
Loan Borrowed									
Particulars	**Legend**	**FY2008-09**	**FY 2009-10**	**FY 2010-11**	**FY 2011-12**	**FY 2012-13**	**FY 2013-14**	**FY 2014-15**	**FY 2015-16**
Opening Borrowed Loan	M	565.97	565.97	655.62	848.34	976.85	740.37	992.37	1,277.97
Loan Borrowed during the Year	n	-	89.65	192.72	128.51	166.35	252.00	285.60	355.20
Closing Borrowed Loan	o=m+n	565.97	655.62	848.34	976.85	1,143.20	992.37	1,277.97	1,633.17

Borrowed Loan in Opening GFA	p=m*a/c	347.36	347.36	408.45	505.64	598.01	441.47	598.21	778.53
Borrowed Loan in Closing GFA	q=max(o*e/g,p)	347.36	408.45	505.64	598.01	681.67	598.21	778.53	1,006.15
Equity									
Particulars	**Legend**	**FY2008-09**	**FY 2009-10**	**FY 2010-11**	**FY 2011-12**	**FY 2012-13**	**FY 2013-14**	**FY 2014-15**	**FY 2015-16**
Opening Gross Equity	r=c-h-m	937.93	988.34	1,136.97	1,318.21	1,458.95	1,568.40	1,631.40	1,702.80
Equity addition during the Year	t=s-r	50.40	148.63	181.24	140.74	109.45	63.00	71.40	88.80
Closing Gross Equity	s=g-j-o	988.34	1,136.97	1,318.21	1,458.95	1,568.40	1,631.40	1,702.80	1,791.60
Gross Equity in Opening GFA	u=a-k-p	575.65	599.16	708.33	785.70	893.14	935.22	983.41	1,037.33
Gross Equity in Closing GFA	v=e-l-q	599.16	708.33	785.70	893.14	935.22	983.41	1,037.33	1,103.76
Average Gross Equity during the year	w=avg(u,v)	587.41	653.75	747.02	839.42	914.18	959.31	1,010.37	1,070.54
Permissible Equity									
Particulars	**Legend**	**FY2008-09**	**FY 2009-10**	**FY 2010-11**	**FY 2011-12**	**FY 2012-13**	**FY 2013-14**	**FY 2014-15**	**FY 2015-16**
Permissible Equity in Opening GFA	x=MIN(2+(a-1)*30%,u)	552.70	571.52	636.70	693.92	782.77	881.10	947.40	1,022.40
Permissible Equity in Closing GFA	y=MIN(2+(e-1)*30%,v)	571.52	636.70	693.92	782.77	881.10	947.40	1,022.40	1,103.76
Average Gross Permissible Equity during the year	z=avg(x,y)	562.11	604.11	665.31	738.35	831.94	914.25	984.90	1,063.08
Normative Loan									
Particulars	**Legend**	**FY2008-09**	**FY 2009-10**	**FY 2010-11**	**FY 2011-12**	**FY 2012-13**	**FY 2013-14**	**FY 2014-15**	**FY 2015-16**
Opening Normative Loan	aa=x-u	22.95	27.64	71.64	91.78	110.36	54.11	36.01	14.93
Closing Normative Loan	ab=v-z	27.64	71.64	91.78	110.36	54.11	36.01	14.93	-

भारत सरकार
Government of India
विद्युत मंत्रालय
Ministry of Power
केन्द्रीय विद्युत प्राधिकरण
Central Electricity Authority
वितरण नीति और विनियामक प्रभाग
Distribution Policy and Regulations Division

F.no. CEA-GO-13-25/1/2023-DPR Division/-73 दिनांक: 30.06.23

सेवा में,
As per attached list

Subject: Revision in methodology for calculation of AT&C losses-reg.
विषय: ए.टी.एंड सी. हानि की गणना पद्धति में संशोधन के लिए

महोदय/महोदया,

CEA issued 'Calculation Methodology for computation of AT&C Losses' vide ltr. No. CEA/DPD/AT&C Losses/2017/758-818 dtd. 02.06.2017. Also, the 'Addendum to AT&C loss calculation Methodology' specifies that

'Collection Efficiency of subsidy received and realization from sale of power together will be restricted to 100%.'

Based on the feedback received from various Discoms, the existing methodology was reviewed, and after discussion with the stakeholders, it was felt that as the present methodology restricts the collection efficiency to 100%, the efforts of the Discoms in realizing the past dues and liquidation of outstanding subsidy is not being reflected in the calculation of AT&C losses.

In order to recognize and incentivize the efforts of the Discoms in improving their collection efficiency, the addendum of AT&C loss calculation methodology has been revised as follows:

Collection Efficiency means the ***"Actual Collection Efficiency of subsidy received and realization from sale of power together in the current financial year."***

A copy of the methodology for calculation of AT&C losses and the revised Addendum is enclosed herewith, which shall be adopted by all stakeholders from FY 2023-24 onwards.

भवदीया

श्रीमती वंदना सिंघल
मुख्य अभियंता (डी.पी. एंड आर.),
केंद्रीय विद्युत प्राधिकरण
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Annexure- A

Revised Methodology for computation of AT&C Losses

A	Input Energy (MU)	Energy Generated - Auxiliary Consumption + Energy Purchased (Gross) – Energy Traded/ Inter State Sales
B	Transmission Losses(MU)	
C	Net Input Energy (MU)	A-B
D	Energy Sold (MU)	Energy Sold to all categories of consumers excluding units of Energy Traded/Inter-State Sales
E	Revenue from Sale of Energy (₹ Cr.)	Revenue from Sale of Energy to all categories of consumers (including Subsidy Booked) but excluding Revenue from Energy Traded /Inter-State Sales.
F	Adjusted Revenue from Sale of Energy on Subsidy Received basis (₹ Cr.)	Revenue from Sale of Energy (same as E above) minus Subsidy Booked plus Subsidy Received against subsidy booked during the year
G	Opening Debtors for Sale of Energy (₹ Cr.)	Opening debtors for sale of Energy as shown in Receivable Schedule (Without deducting provisions for doubtful debtors). Unbilled Revenue shall not be considered as Debtors
H	Closing Debtors for Sale of Energy (₹ Cr.)	i) Closing debtors for Sale of Energy as shown in Receivable Schedule (Without deducting provisions for doubtful debts). Unbilled Revenue shall not be considered as Debtors ii) Any amount written off during the year directly from (i)
I	Adjusted Closing Debtors for sale of Energy (₹ Cr.)	H (i+ii)
J	Collection Efficiency (%)	(F+G-I)/E*100
K	Units Realized (MU) = [Energy Sold * Collection Efficiency]	D*J/100
L	Units Unrealized (MU)= [Net Input Energy-Units Realized]	C-K
M	AT&C Loss (%) = [{ Units Unrealized/Net Input Energy}*100]	L/C *100

Addendum to AT&C loss calculation Methodology

Parameter	Sub-Parameter	Treatment of Parameter for computation of AT&C loss as discussed and agreed in the workshop
Net Input Energy/ Energy Sold (MU)	Open Access/ Wheeling	Open access/ wheeling units shall not be included in Net Input Energy and Energy Sold while calculating Billing Efficiency
Revenue from Sale of Energy (₹ Crores)	Unbilled Revenue	No adjustment shall be made in revenue from sale of energy on account of unbilled revenue
Adjusted Revenue from Sale of Energy on Subsidy Received basis (₹ Crore)	Subsidy Received against subsidy booked during the year	Total Tariff Subsidy received during the year including arrears (if any) shall also be included while calculating Adjusted Revenue from Sale of Energy on Subsidy Received basis
Collection Efficiency (%)		Actual Collection Efficiency of subsidy received and realization from sale of power together in the current financial year

MeECL
... CORPORATION LIMITED
Corporate Identification Number: U40101ML2009SGC008391
'ACCOUNTS DEPARTMENT'
"LUM JINGSHAI", SHILLONG – 793 001
Phone No : 0364-2590194 Fax No : 0364 – 2591344.

No. ABD/1953/Misc./2022/ 42

Dated 26th October 2023

To,

Superintending Engineer (P&RM),
O/o Director (Generation)
MePDCL, Shillong.

ACE (SE, PRM)
26/10

SE(PRM)
26/10.

AEE(BL)
26.10.23

Sub: Objections/ Suggestions of BIA on the Business Plan Petition by MePGCL for FY 2024-2025 to 2026-2027 .

Ref: No: MePDCL/D/GEN/M-72/2023/49 Dated:-18.10.2023.

With reference to the above, it may be stated that the projected revision of Pay for 2025 is based on presumptive figures as the procedure for revision has not been initiated/concluded as on date. Hence, in order to attain projected figures for the same it is necessary to take assumptive figures. The basis for attaining the projected multiplication factor of 1.59 is based on the following:

1. Basic Pay - 100%
2. Dearness Allowance (DA) as on 01.07.2023 - 21%
   DA assumed for 1.1.2024 -2%
   DA assumed for 1.7.2024 - 3%
   DA assumed for 1.1.2025 - 2%
   Hence, assumed DA as on 1.1.2025 - 28% (adding the above)
3. The Fixation Benefit arising out of ROP has been taken on the basis of historical data as follows:
   a. Multiplying factor of ROP 2015 - 1.82
      Deducting the basic pay - (-)1.00
      Deducting the DA as on 1.1.2015 - (-)0.57
      Hence, the Fixation Benefit for ROP 2015 - 0.25

   b. Multiplying factor of ROP 2020 - 1.61
      Deducting the basic pay - (-)1.00
      Deducting the DA as on 31.12.2019 - (-)0.24
      Hence, the Fixation Benefit for ROP 2020- 0.37

On the basis of the above, the average fixation benefit of ROP 2015 and ROP 2020:

$$\frac{0.25+0.37}{2} = \frac{0.62}{2} = \mathbf{0.31}$$

4. Based on the above, the multiplication factor <u>assumed</u> for 2025 is as follows:
   ROP 2025 = (Basic Pay)+ (Dearness Allowance)+ (Fixation Benefit – taking average as above)
   =1.00+0.28+0.31
   = **1.59**

This is for favour of your kind information and necessary action.

26/10/23

(Shri. A Shabong)

नवें माह का अर्थ वह माह होता है जिसमें ईंधन और विद्युत क्रय समायोजन अधिभार घटक की बिलिंग की जाती है। यह ईंधन और विद्युत क्रय समायोजन अधिभार (n-2) माह में आपूर्ति की गई विद्युत के लिए टैरिफ में बदलाव के कारण लगाया जाता है

ए सभी स्रोतों से (n-2) माह (केडब्ल्यूएचमें) में खरीदी गई कुल यूनिटें हैं जिनमें

दीर्घावधि, मध्यम अवधि और अल्पावधि विद्युत खरीद (वितरण अनुज्ञप्तिधारकों को जारी किए गए बिलों से ली जाएगी) शामिल हैं

बी (n-2) माह में सभी स्रोतों से विद्युत की थोक बिक्री है। (केडब्ल्यूएचमें) = (जिसे प्रत्येक माह की 10 वीं तारीख तक राज्य लोड डिस्पैच सेंटर द्वारा जारी किए जाने वाले अनंतिम खातों से लिया जाना है)।

सी वृद्धिशील औसत विद्युत क्रय लागत = (n-2) माह में सभी स्रोतों से वास्तविक औसत विद्युत क्रय लागत (पीपीसी) (रु./केडब्ल्यूएच) (संगणित) - सभी स्रोतों से अनुमानित औसत विद्युत क्रय लागत (पीपीसी) (रु./केडब्ल्यूएच)-(टैरिफ ऑर्डर से) है

डी = (n-2)वें माह में वास्तविक अंतर-राज्यीय और अंतरा-राज्यीय पारेषण प्रभार, (ट्रांसको से डिस्कॉम द्वारा बिलों से) (रुपये में), हैं

ई = (n-2)वेंमाह के लिए पारेषण प्रभारों की मूल लागत = (अनुमोदित पारेषण प्रभार/12) (रुपये में) है

जेड = [{(n-2)वें माह में राज्य के बाहर सभी स्रोतों से खरीदी गई वास्तविक विद्युत(केडब्ल्यूएचमें)* (1 – % में अंतर-राज्यीय पारेषण हानियां/100) + राज्य के भीतर सभी स्रोतों से खरीदी गई विद्युत (केडब्ल्यूएचमें)}*(1 – % में अंतरा-राज्य हानियाँ) – B]/केडब्ल्यूएचमें 100

एबीआर = वर्ष के लिए औसत बिलिंगदर (रुपये/केडब्ल्यूएच में टैरिफ आदेश से लिया जाएगा)

वितरण हानियाँ (% में) = लक्षित वितरण हानियाँ (**टैरिफ आदेश से**)

अंतर-राज्यीय पारेषण हानियां (% में) = टैरिफ आदेश के अनुसार

अंतरा-राज्यीय हानियाँ (% में) = टैरिफ आदेश के अनुसार

(2) विद्युत क्रय लागत में विचलन निपटान तंत्र के परिणाम स्वरूप कोई भी प्रभार शामिल नहीं होंगे।

(3) अन्य प्रभारों जिनमें सहायक सेवाएं तथा सिक्योरिटी कंसट्रेंड इकोनोमिक डिस्पैच शामिल हैं, को ईंधन और विद्युत क्रय समायोजन अधिभार में शामिल नहीं किया जाएगा और राज्य आयोग द्वारा अनुमोदित ट्रू-अप के माध्यम से समायोजित किया जाएगा।

टिप्पण: मूल नियम वर्ष 2005 में भारत के राजपत्र की अधिसूचना संख्या सा.का.नि.379 (अ) तारीख 8 जून, 2005 द्वारा प्रकाशित किए गए थे और अधिसूचना संख्या सा.का.नि. 817 (अ) तारीख 31 दिसंबर, 2020द्वारा अंतिम रूप से संशोधित किए गए थे।

MINISTRY OF POWER

NOTIFICATION

New Delhi, the 29th December, 2022

G.S.R. 911(E).—In exercise of the powers conferred by section 176 of the Electricity Act, 2003 (36 of 2003), the Central Government hereby makes the following rules, further to amend the Electricity Rules, 2005, namely:-

1. (1) These rules may be called the Electricity (Amendment) Rules, 2022.

(2) They shall come into force on the date of their publication in the Official Gazette.

2. In rules 2 of the Electricity Rules, 2005(hereinafter referred to as the said rules), after clause (a), the following clauses shall be inserted namely:-

"(aa) "**central pool**" means pool of category specific power from Inter State Transmission System connected renewable energy sources being procured by the authorised intermediary procurers under section 63 of the Act and as per provisions of bidding guidelines notified by the Central Government, from time to time for supply to the end procurers of more than one State so that such power from renewable energy sources can be supplied to all end procurersfrom the concerned pool at uniform tariff under these rules.

(ab) "**end procurer**" means the persons to whom a license to undertake distribution and retail supply of electricity has been granted under section 15 of the Act or is designated by the State Government to procure power on behalf of the licensees undertaking distribution and retail supply of electricityor open access consumer;

(ac) "**implementing agency**" means the Central Agency as notified by the Central Government from time to time for the implementation of "uniform renewable energy tariff for central pool" under these rules

(ad) "**intermediary procurer**" means company, designated by an order made by the Central Government under these rules as an intermediary between the end procurer and the generating company to purchase electricity from generating companies and resell it to the end procurer by aggregating the purchases or otherwise under guidelines issued by the Central Government from time to time;

(ae)"**renewable energy**" means the electricity generated from renewable energy sources;

(af)**"renewable energy sources"** means the hydro, wind, solar, bio-mass, bio-fuel, bio-gas, waste including municipal and solid waste, geothermal, tidal, forms of oceanic energy, or combination thereof, with or without storage and such other sources as may be notified by the Central Government from time to time;

(ag)"**uniform renewable energy tariff**" means the tariff, computed by Implementing Agency separately on a monthly basis for each category of central pool like that Solar Power Central Pool, Wind Power Central Pool, at which the intermediary procurer shall sell power from renewable energy from that central pool to all the end procurers under these rules;

3. In the said rules, for rule 10, the following shall be substituted namely:-

"10. Resolution of Disputes.-(1) The Appropriate Commission, shall pass a final order, for resolution of dispute under sub-section (1) of sections 79 (f) and clause (f) of sub-section (1) of section 86, within one hundred and twenty days from the date of receipt of the petition in the Commission, which may be extended by thirty days for reasons to be recorded in writing:

Provided that if a final order cannot be issued, due to any reason, to be recorded in writing, then an interim order shall be issued by the Appropriate Commission, within the time line prescribed in sub-rule (1).

(2) If the final order has not been passed by the Appropriate Commission, within one hundred and twenty days or one hundred and fifty days, as the case may be, the aggrieved party may be allowed to make an application to the Appellate Tribunal, for appropriate relief."

4. In the said rules, after rule 12, the following rules shall be inserted, namely:-

"13. **Surcharge payable by Consumers seeking Open Access.-**The surcharge,determined by the State Commission under clause (a) of sub-section (1) of section 86 of the Electricity Act,2003 shall not exceed twenty per cent of the average cost of Supply.

14. **Timely recovery of power purchase costs by distribution licensee.-**The Appropriate Commission shall within ninety days of publication of these rules, specify a price adjustment formula for recovery of the costs, arising on account of the variation in the price of fuel, or power purchase costs and the impact in the cost due to such variation shall be automatically passed through in the consumer tariff, on a monthly basis, using this formula and such monthly automatic adjustmentshall be trued up on annual basis by the Appropriate Commission:

Provided that till such a methodology and formula is specified by the Appropriate Commission, the methodology and formula specified in the Schedule – II annexed to these rules shall be applicable:

Provided further that the existing methodology and the formula specified by the Appropriate Commission shall suitably be amended in accordance with these rules, to implement the automatic pass through of fuel and power purchase adjustment surcharge, on a monthly basis:

Provided also that in case the distribution licensee fails to compute and charge fuel and power purchase adjustment surcharge within the time line,specified by the Appropriate Commission, except in case of any force majeure condition, its right for recovery of costs on account of fuel and power purchase adjustment surcharge shall be forfeited and in such cases, the right to recovery the fuel and power purchase adjustment surchargedetermined during true-up shall also be forfeited and the true up of fuel and power purchase adjustment surcharge by the Appropriate Commission, for any financial Year, shall be completed by 30th June of the next financial year.

15. Subsidy Accounting.—Accounting of due subsidy for the purpose of section 65 of the Act,shall be done by the distribution licensee, in accordance with the Standard Operating Procedure issued by the Central Government, in this regard.

16. Resource Adequacy.—(1) A guideline for assessment of resource adequacy during the generation planning stage (one year or beyond) as well as during the operational planning stage (up to one year) shall be issuedby the Central Government in consultation with the Authority, within six months from the date of commencement of these rules.

(2) The State Commission shall frame regulations on resource adequacy, in accordance with the guidelines issued by the Central Government and the model Regulations framed by Forum of Regulators, if any, the distribution licensees shall formulate the resource adequacy plan in accordance with these Regulations and seek approval of the Commission.

(3) The State Commission shall review the resource adequacy, for each of the distribution licensees, as per the time line given in resource adequacy guidelines issued by the Central Government.

(4) The State Commission may determine non-compliance charges for failure to comply with the resource adequacy target approved by the Commission.

(5) The National Load Dispatch Centre and the Regional Load Dispatch Centres shall carry out assessments of resource adequacy, for operational planning, at the national and regional levels, respectively, on an annual basis, in accordance with the guidelines issued by the Central Government.

(6) The State Load Despatch Centre shall carry out assessments of resource adequacy, for operational planning, at the state level, in consultation with all the concerned stakeholderson an annual basis,in accordance with the guidelines issued by the Central Government and the directions of the State Commission.

(7) The State Load Despatch Centre shall review the operational resource adequacy on a daily, monthly andquarterly basis.

17. Development of Hydro Power.-(1)The Authorityshall decide the cases for grant of concurrence to hydro-electric generation scheme, in accordance with section 8 of the Act, within a period of one hundred fifty days from the date of submission of the scheme, complete in all respect.

(2) The Authority shall decide the cases for grant of concurrence to off-the river pumped storage plant scheme, within ninety days from the date of submission of the scheme, complete in all respect.

18. Energy Storage System.- (1) The Energy Storage Systems shall be considered as a part of the power system, as defined under clause (50) of section 2 of the Act.

(2) The Energy Storage System shall be utilised either asindependent energy storage systemor network asset or in complementary with generation, transmission and distribution.

(3) The Energy Storage System shall be accorded status based on its application area i.e. generation, transmission and distribution.

(4) The Energy Storage Systemcan be developed, owned, leased or operated by a generating company or a transmission licensee or a distribution licensee or a system operator or anindependent energy storage service provider and when an Energy Storage System is owned and operated by and co-located with a generating station or a transmission licensee or a distribution licensee, it shall have the same legal status as that of the owner:

Provided that if such an Energy Storage System is not co-located with, but owned and operated by, the generating station or distribution licensee, the legal status shall still be that of the owner but for the purpose of scheduling and dispatch and other matters it shall be treated at par with a separate storage element .

(5) The developer or owner of the Energy Storage System shall have an option to sell or lease or rent out the storage space in whole or in part to any utility engaged in generation or transmission or distribution; or to a Load Despatch Centre:

Provided that the owner of the Energy Storage System may use part or whole of the storage space himself to buy and store electricity and sell the stored electricity ata later time or date.

(6) The independent energy storage system shall be a delicensed activity at par with a generating company in accordance with the provisions of section 7 of the Act:

Provided that if the owner or developeror lessee or tenant oruser seeks to operate the Energy Storage System as an independentenergy storage system, it shall be registered with the Authority and the capacity of such Energy Storage System shall be verified by the Authority.

19. **Implementation of Uniform Renewable Energy Tariff for central pool.-**(1) (a) There shall be a different central pool for each of the sectors of the renewable energy sources:

Explanation: For the purposes of this rule, the duration of such central pool shall be for fiveyears and for every fiveyears,a new Central Pool shall be formed.

(b) The Implementing Agencyshall compute the uniform renewable energy tariff for selling of electricity to end procurer by intermediary procurer,on a monthly basis,as per the methodology specified inthe Schedule-I annexed to these Rules.

(c) The Implementing Agencyshall also issue the monthly account statements for adjustment of any surplus or deficit tariff among the intermediary procurers and the Intermediary Procurershall within fifteen days make the payment as per the monthly account statements to the other intermediary procurer, if the payment is due to it:

Provided that in case of non payment by the Implementing Agencywithinthe stipulated period of fifteen days, the carrying cost at the rate of State bank of IndiaMarginal Cost of Funds based Lending Rate plus five percent shall be payable for the period of delay.

(d) All the contractual obligations between power generators and intermediary procurer and intermediary procurer and end procurer including but not limited to liquidated damages, penalties, extension charges, dispute resolutions shall be governed by respective bidding document including Power Purchase Agreements, Power Sale Agreements and shall have no bearing on uniform renewable energy tariff.

(e) The impact on the tariff due to change in law shall be in accordance with the bidding documents and shall be reflected in the pooled tariff computed in accordance with these rules.

(f) The uniform renewable energy Tariff shall be applicable only to power procured by the end procurers and shall not in any manner have any implication on the renewable energy tariff discovered under the respective tariff based competitive bidding process and payable to renewable energy generators by the intermediary procurer as per the Power Purchase Agreement:

Provided that intermediary procurer may sell any power not purchased by distribution licensees, to open access consumers in a transparent manner at a price not less than uniform renewable energy tariff and any gain from such a sale over and above uniform renewable energy tariff shall be adjusted in the uniform renewable energy tariff for distribution licensees.

(g) The trading margin, as notified by the Appropriate Commission or Central Government (or in the absence of such a notification, as mutually agreed between the intermediary procurer and the end procurer), shall be payable by the end procurer to the intermediary procurer.

(h) The Appropriate Commission, on an application made by the intermediary procurer or end procurers, as the case may be, shall adopt the tariff discovered through competitive bidding process carried out by intermediary procurersunder section 63 of the Act and as per provisions of bidding guidelines notified by the Government from time to time and adopted tariff of one category of renewable energy power shall be part of the respective category of the central pool.

(i) The end procurer, except an open access consumer, shall obtain the approval of the concerned State Commission for procurement of the electricity from a pool at uniform renewable energy tariff computed under these rules

(j) The bilateral scheduling from the renewable energy generators shall be done directly to the end procurers as per the power supply agreement.

(k) The scheduling, accounting, deviation settlement mechanism shall be as per extant regulations of the Appropriate Commission.

(l) The intermediary procurer shall raise the bill, on a monthly basis, as per the uniform renewable energy tariff computed by the Implementing agency for the relevant month and in accordance with the terms of the respective Power Sale Agreement.

(m) The Implementing Agency shall providepublic the relevant details including the monthly accounts statements, on its website and shall have no liability except for computing tariff on a monthly basis for sale of power from the central pool as per these rules and shall be kept indemnified.

(n) The procedures for implementation of these rules shall be provided by the implementing agency, with the approval of the Central Government.

2. The uniform renewable energy tariff under these rules shall be applicable only to the renewable energygenerators for their contracted capacity which forms part of central pool under these rules.”

5. In the said rules, the existing rule 13 shall be renumbered as rule 20.

[F. No. 23/2/2022-R&R]

PIYUSH SINGH, Jt. Secy.

Schedule-I

[Refer rule 19(1)(b)]

Methodology for calculation of tariff for the Month

Tariff for a particular month is calculated based on actual energy supplied to end procurer from the Pool like thatsolar power central pool, wind power central pool by the intermediary procurer and actual amount to be payable for such supply of power as illustrated below:

Scheme	Capacity	Tariff-PPA	Tariff-PSA	Schedule Energy supplied during the Month	Amount to be paid toProject developers by IPunder PPA	Amount to be paid to IP by EP under PSA
	(MW)	(INR/kWh)	(INR/kWh)	(MU)	(Rs in Million)	(Rs in Million)
		A	(B=A+ Rs 0.07/kWh)	C	(D=A x C)	(E= B x C)
T-I	2000	2.502	2.572	415.95	1040.70	1069.81
T-II	600	2.440	2.510	131.49	320.84	330.04
T-III	1200	2.585	2.655	248.34	641.96	659.34
T-IV	1150	2.540	2.610	234.63	595.97	612.39
T-V	480	2.613	2.683	95.97	250.72	257.44
T-VI	900	2.710	2.780	174.22	472.15	484.34
T-VIII	1200	2.502	2.572	258.60	646.92	665.03
T-IX	2000	2.372	2.442	438.30	1039.65	1070.33
Total	**9530**			**1997.50**	**5008.90**	**5148.73**

Tariff of the Month (INR/kWh) $=\frac{\sum_i^n E}{\sum_i^n C}=\frac{\sum_1^9 E}{\sum_1^9 C}=\frac{5148.73}{1997.50}=2.578$

i.e. (**Sum total amount to be paid under Power Supply Agreement for that particular month /sum total electricity supplied during that particular month**)

T-I to T-IX are projects commissioned after Electricity (Uniform Renewable Energy Tariff for Central Pool) Rules, 2022 comes into force.

continued operation of pool:

Let us say above scenario is in the month M-4. In the beginning of month M-5, additional capacity of 250 MW (T-X) is getting commissioned and to be included as a part of the Pool. Accordingly considering generation during month M-5, the tariff for the month M-5 will be calculated considering actual generation during the month M-5 as per following:

Scheme	Capacity	Tariff-PPA	Tariff-PSA	Schedule Energy supplied during the Month	Amount to be paid to Project developers by IP under PPA	Amount to be paid to IP by EP under PSA
	(MW)	(INR/kWh)	(INR/kWh)	(MU)	(Rs in Million)	(Rs in Million)
		A	(B=A+ Rs 0.07/kWh)	C	(D=A x C)	(E= B x C)

T-I	2000	2.502	2.572	415.95	1040.70	1069.81
T-II	600	2.440	2.510	131.49	320.84	330.04
T-III	1200	2.585	2.655	248.34	641.96	659.34
T-IV	1150	2.540	2.610	234.63	595.97	612.39
T-V	480	2.613	2.683	95.97	250.72	257.44
T-VI	900	2.710	2.780	174.22	472.15	484.34
T-VIII	1200	2.502	2.572	258.60	646.92	665.03
T-IX	2000	2.372	2.442	438.30	1039.65	1070.33
T- X*	**250**	**2.17**	**2.24**	**56.61**	**122.85**	**126.81**
Total	**9780**			**2054.12**	**5131.76**	**5275.54**

*New addition to the pool in the month M-5

Tariff of the month (INR/kWh) = $\frac{\sum_1^9 E+E_{10}}{\sum_1^9 C+C_{10}} = \frac{5148.73+126.81}{1997.50+56.61} = \frac{5275.54}{2054.12} = 2.568$

i.e. (**Sum total of amount to be paid under PSA for that particular month /sum total electricity supplied during that particular month**)

T-I to T-X are projects commissioned after Electricity (Uniform Renewable Energy Tariff for Central Pool) Rules, 2022 comes into force.

Note:IP - Intermediary Procurer, EP - End Procurer

Schedule-II
(see rule 14)

Fuel and Power Purchase Adjustment Methodology

1. Computation of fuel and power purchase adjustment surcharge:

(1) For these rules "Fuel and Power Purchase Adjustment Surcharge" (FPPAS) means the increase in cost of power, supplied to consumers, due to change in Fuel cost, power purchase cost and transmission charges with reference to cost of supply approved by the State Commission

(2) Fuel and power purchase adjustment surchargeshall be calculated and billed to consumers,automatically, without going through regulatory approval process, on a monthly basis, according to the formula, prescribed by the respective the State Commission, subject to true up, on an annual basis, as decided by the State Commission:

Provided that the automatic pass through shall be adjusted for monthly billing in accordance with these rules.

(3) Fuel and Power Purchase Adjustment Surcharge shall be computed and charged by the distribution licensee, in $(n+2)^{th}$ month, on the basis of actual variation, in cost of fuel and power purchase and Inter-state Transmission Charges for the power procured during the n^{th} month. For example, the fuel and power purchase adjustment surcharge on account of changes in tariff for power supplied during the month of April of any financial year shall be computed and billed in the month of June of the same financial year:

Provided that in case the distribution licensee fails to compute and charge fuel and power purchase adjustment surchargewithin this time line, except in case of any force majeure condition, its right for recovery of costs on account of fuel and power purchase adjustment surchargeshall be forfeited and in such cases, the right to recovery the fuel and power purchase adjustment surcharge determined during true-up shall also be forfeited.

(4) The distribution licensee may decide, fuel and power purchase adjustment surcharge or a part thereof, to be carried forward to the subsequent month in order to avoid any tariff shock to consumers, but the carry forward of fuel and power purchase adjustment surcharge shall not exceed a maximum duration of two months and such carry forward shall only be applicable, if the total fuel and power purchase adjustment

surchargefor a Billing Month, including any carry forward of fuel and power purchase adjustment surchargeover the previous month exceeds twenty per cent of variable component of approved tariff.

(5) The carry forward shall be recovered within one year or before the next tariff cycle whichever is earlier and the money recovered through fuel and power purchase adjustment surcharge shall first be accounted towards the oldest carry forward portion of the fuel and power purchase adjustment surchargefollowed by the subsequent month.

(6) In case of carry forward of fuel and power purchase adjustment surcharge, the carrying cost at the rate of State Bank of India Marginal cost of Funds-based lending Rate plusone hundred and fifty basis points shall be allowed till the same is recovered through tariff and this carrying cost shall be trued up in the year under consideration.

(7) Depending upon quantum of fuel and power purchase adjustment surcharge, the automatic pass through shall be adjusted in such a manner that,

(i) If fuel and power purchase adjustment surcharge≤5%, 100% cost recoverable of computed fuel and power purchase adjustment surchargeby distribution licensee shall be levied automatically using the formula.

(ii) If fuel and power purchase adjustment surcharge>5%, 5% fuel and power purchase adjustment surcharge shall be recoverable automatically as per 6(i) above. 90% of the balance fuel and power purchase adjustment surcharge shall be recoverable automatically using the formula and the differential claim shall be recoverable after approval by the State Commission during true up.

(8) The revenue recovered on account of pass through fuel and power purchase adjustment surcharge by the distribution licensee, shall be trued up later for the year under consideration and the true up for any financial Year shall be completed by 30^{th} June of the next financial year.

(9) In case of excess revenue recovered for the year against the fuel and power purchase adjustment surcharge, the same shall be recovered from the licensee at the time of true up along with its carrying cost to be charged at 1.20 times of the carrying cost rate approved by the State Commission and the under recovery of fuel and power purchase adjustment surchargeshall be allowed during true up, to be billed along with the automatic Fuel and Power Purchase Adjustment Surcharge amount.

*Explanation:-*For example in the month of July, the automatic pass through component for the power supplied in May and additional Fuel and Power Purchase Adjustment Surcharge, if any, recoverable after true up for the month of April in the previous financial year, shall be billed.

(10) The distribution licensee shall submit such details, in the stipulated formats, of the variation between expenses incurred and the fuel and power purchase adjustment surchargerecovered, and the detailed computations and supporting documents, as required by the State Commission, during true up of the normal tariff.

(11) To ensure smooth implementation of the fuel and power purchase adjustment surcharge mechanism and its recovery, the distribution licensee shall ensure that the licensee billing system is updated to take this into account and a unified billing system shall be implemented to ensure that there is a uniform billing system irrespective of the billing and metering vendor through interoperability or use of open source software as available.

(12) The licensee shall publish all details including the fuel and power purchase adjustment surcharge formula, calculation of monthly fuel and power purchase adjustment surchargeand recovery of fuel and power purchase adjustment surcharge (separately for automatic and approved portions) on its website and archive the same through a dedicated web address.

3. Computation of Fuel and Power Purchase Adjustment Surcharge:

(4) Formula:

$$\text{Monthly FPPAS for nth Month (\%)} = \frac{(A-B)*C + (D-E)}{\{Z * (1 - \text{Distribution losses in\%}/100)\} * ABR}$$

Where,

N^{th} month means the month in which billing of fuel and power purchase adjustment surcharge component is done. This fuel and power purchase adjustment surcharge is due to changes in tariff for the power supplied in $(n-2)^{th}$ month

A is Total units procured in $(n-2)^{th}$ Month (in kWh) from all Sources including

Long-term, Medium –term and Short-term Power purchases(To be taken from the bills issued to distribution licensees)

B is bulk sale of power from all Sources in (n-2)th Month. (in kWh) = (to be taken from provisional accounts to be issued by State Load Dispatch Centre by the 10th day of each month).

C is incremental Average Power Purchase Cost= Actual average Power Purchase Cost (PPC) from all Sources in (n-2) month (Rs./ kWh) (computed) - Projected average Power Purchase Cost (PPC) from all Sources (Rs./ kWh)- (from tariff order)

D = Actual inter-state and intra-state Transmission Charges in the (n-2)th Month, (From the bills by Transcos to Discom) (in Rs)

E = Base Cost of Transmission Charges for (n-2)th Month. = (Approved Transmission Charges/12) (in Rs)

Z = [{Actual Power purchased fromall the sources outside the State in (n-2) th Month. (in kWh)* (1 – Inter-state transmission losses in % /100) + Power purchased from all the sources within the State(in kWh)}*(1 – Intra state losses in %) – B]/100 in kWh

ABR = Average Billing Rate for the year (to be taken from the Tariff Order in Rs/kWh)

Distribution Losses (in %) = Target Distribution Losses (from Tariff Order)

Inter-state transmission Losses (in %) = As per Tariff Order

(5) The Power Purchase Cost shall exclude any charges on account of Deviation Settlement Mechanism.

(6) Other charges which include Ancillary Services and Security Constrained Economic Despatch shall not be included in Fuel and Power Purchase Adjustment Surcharge and adjusted though the true-up approved by the State Commission.

Note: The Principal Rules were published 2005 in the Gazette of India vide notification number G.S.R 379 (E), dated the 8th June, 2005 and was last amended notification number G.S.R. 817 (E), dated 31st December, 2020.

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