



M S E R C

MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION

**MEGHALAYA STATE ELECTRICITY REGULATORY
COMMISSION SHILLONG**

Front Block Left Wing, 1st Floor, New Administrative Building,
Lower, Lachumiere, Shillong, Meghalaya 793001

Order on Case No. 07 of 2024

**Petition of the Meghalaya Power Generation Corporation Ltd for approval of Revised
Aggregate Revenue Requirement & Generation Tariff for FY 2025-26**

Coram

Shri. Chandan Kumar Mondol, Chairman

Shri. Ramesh Kumar Soni, Member (Law)

Petitioner:

Meghalaya Power Generation Corporation Ltd. (MePGCL)

Lum Jingshai, Short Round Road,
Shillong – 793 001

Order

(Dated: 22.03.2025)

The Government of Meghalaya has notified the Power Sector Reforms Transfer Scheme 2010, leading to restructuring, and unbundling of erstwhile Meghalaya State Electricity Board (MeSEB) into four entities. Accordingly, Meghalaya Power Generation Corporation Limited (MePGCL) has started functioning as a segregated commercial operation utility independently for power generation in the state of Meghalaya with effect from 01.04.2013.

This Commission, in exercise of the powers vested in it under Sections 61 and 62 of the Electricity Act (EA), 2003 and all other powers enabling it in this behalf, and after taking into consideration the submissions made by MePGCL, suggestions/objections received from the stakeholders upon public consultation process, and upon considering all other relevant

material herein, has already issued Order for the ARR of Generation Business for FY 2025-26 dated 24.10.2024.

Further in accordance with the applicable regulatory provisions set out vide regulation 14 of the MSERC Multi Year Tariff Regulations, 2014 being read along with its subsequent amendments specifies the following:

“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.”

The Petitioner herein being MePGCL, has filed a Petition for Truing up of Generation Business for FY 2023-24 & Aggregate Revenue Requirement and the Generation Tariff for FY 2025-26 on 28.11.2024.

The Commission dated 04.12.2024 had admitted the petition provisionally directing MePGCL to publish an abstract of the Petition in two consecutive issues in local dailies in Khasi, Jaintia, Garo and English. The Petitions were registered as under:

- MSERC Case No. 07 of 2024: Approval of Revised ARR and Determination of Generation Tariff for FY 2025-26.

This Commission taking into consideration of all the facts and additional information/data and prudence check as per the Regulations with reference to the audited annual accounts, after hearing the Petitioner and Stakeholders, approves Aggregate Revenue Requirement and Generation Tariff for FY 2025-26 in the detailed analysis annexed to this order.

This Order shall be effective from 1st April 2025 and until further orders.

Sd/-
Ramesh Kumar Soni
Member (Law)

Sd/-
Chandan Kumar Mondol
Chairman

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1. Background and Brief History

1.1. Introduction

- 1.1.1. The power generation in the state of Meghalaya is carried out by Meghalaya Power Generation Corporation Limited (MePGCL), a wholly owned subsidiary of Meghalaya Energy Corporation Limited (MeECL).
- 1.1.2. 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 Government of Meghalaya has notified the Power Sector Reforms Transfer Scheme 2010, leading to restructuring, and unbundling of erstwhile Meghalaya State Electricity Board (MeSEB) into four entities. 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.
- 1.1.3. Accordingly, Meghalaya Power Generation Corporation Limited (MePGCL) (*hereinafter referred to as "the Petitioner"*) has started functioning as a segregated commercial operation and as a dedicated entity responsible for power generation in Meghalaya, effective from 1st April 2013.
- 1.1.1. The MSERC (*herein referred as "Commission"*) 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 Commission is vested with the authority of regulating the power sector in the State inter alia including determination of tariff for electricity consumers.

1.2. Facts about this Case

- 1.2.1. The petitioner, in compliance with the prevailing regulatory norms under Regulation 6.3 and 9 of the MSERC (Multi Year Tariff) Regulations, 2014, and subsequent amendments, has filed a Petition for ARR and Generation Tariff 2025-26.
- 1.2.2. The Commission vide dated 04.12.2024 had admitted the petition provisionally, directing MePGCL to publish an abstract of the Petition in two consecutive issues in local dailies in Khasi, Jaintia, Garo and English.
- 1.2.3. Subsequently on 09.12.2024 & 10.12.2024 the abstract of the Petition was published in The Shillong Times- Shillong Edition, U Nongsain Hima and Salantini Janera, inviting objections/suggestions from stakeholders within 30 (thirty) days from the date of publication.
- 1.2.4. This Commission has sought Additional information for MePGCL petition on Truing up of Generation Business for FY 2023-24 & Approval of Revised

Aggregate Revenue Requirement for FY 2025-26 and Determination of Generation Tariff for FY 2025-26, vide letter dated 02.01.2025.

- 1.2.5. This Commission extended the last date for filing Objections/ Suggestions from the stake holders from 07.01.2025 to 23.01.2025. The Commission received objections/ suggestions from stakeholders i.e., Byrnihat Industries Association (BIA) during the process of evaluating the submitted application on dated 23.01.2025.
- 1.2.6. The Petitioner has submitted its response for additional information sought by this Commission dated 24.01.2025.
- 1.2.7. This Commission on 07.02.2025 and 10.02.2025 published notices for Public Hearing in the daily locals viz Shillong Times, Shillong & Tura Edition and U Nongsain Hima.
- 1.2.8. The Commission on 12.02.2025 sought 2nd Additional Information on the Petition. In response, MePGCL submitted the required Additional Information on 24.02.2025. Subsequently, on 26.02.2025, MePGCL provided its replies to the objections and suggestions raised by BIA. The Petitioner has accordingly submitted its replies/ responses to the issues raised by the stakeholders during the process which has been noted by this Commission.
- 1.2.9. On 04.03.2025, in compliance of the due regulatory procedures public hearing of the submitted application Approval of Revised Aggregate Revenue Requirement for FY 2025-26 and Determination of Generation Tariff for FY 2025-26 dated 28.11.2025 was conducted including the Petitioner and the stakeholders.

1.3. Company Profile and Performance Overview

Existing Generation stations and Installed Generation capacity

- 1.3.1. MePGCL is the state-owned power generating company of the state of Meghalaya, with an installed capacity of 378.77 MW as on date. All the generating station of MePGCL are Hydro generating stations.
- 1.3.2. The Installed Capacity of MePGCL is shown as under:

Table 1: Installed Capacity of MePGCL as on 01.04.2023

Sl. No.	Name of Station	No. of Units	Capacity (MW)	Total Capacity (MW)	Year of Commissioning
1	Umiam Stage I	I	9	36	21.02.1965
		II	9		16.03.1965
		III	9		06.09.1965
		IV	9		09.11.1965
2	Umiam Stage II	I	10	20	22.07.1970
		II	10		24.07.1970
3	Umiam-Umtru Stage III	I	30	60	06.01.1979
		II	30		30.03.1979

Sl. No.	Name of Station	No. of Units	Capacity (MW)	Total Capacity (MW)	Year of Commissioning
4	Umiam-Umtru Stage IV	I	30	60	16.09.1992
		II	30		11.08.1992
5	Umtru Power Station	I	2.8	11.2	01.04.1957
		II	2.8		01.04.1957
		III	2.8		01.04.1957
		IV	2.8		12.07.1968
6	Sonapani Mini Hydel	I	1.5	1.5	27.10.2009
7	MLHEP (Leshka)	I	42	126	01.04.2012
		II	42		01.04.2012
		III	42		01.04.2013
8	NUHEP (New Umtru)	I	20	40	01.07.2017
		II	20		01.07.2017
9	Lakroh MHP	I	1.5	1.5	01.03.2019
10	Ganol SHP	III	7.5	22.5	01.08.2023
Total				378.77	

1.4. Historical Yearly Generation for Last Five Years

1.4.1. All the Generating stations being hydro, the annual generation depends on the rainfall for the year. The yearly generation for last 5 years for the generating stations is shown in the table below:

Table 2: Historical Energy Generation (MU)

Sl. No.	Station	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
1	Umiam Stage-I	108.32	149.49	64.92	117.65	85.42
2	Umiam Stage -II	55.25	76.09	33.9	62.1	43.43
3	Umiam Stage-III	141.83	163.71	110.19	129.52	111.29
4	Umiam Stage-IV	164.5	188.32	125.26	175.95	144.18
5	Sonapani HEP	3.59	6.08	5.55	6.48	5.54
6	Leshka HEP	421.65	420.61	380.34	359.69	304.05
7	New Umtru	181.43	229.80	160.79	196.24	163.60
8	Lakroh MHP	2.11	3.69	4.04	3.43	4.47
9	Ganol SHP					28.78
Total		1078.69	1237.79	884.92	1051.06	890.77

1.5. Design Energy

1.5.1. Commission considers the Design Energy for generating stations of MePGCL in Business Plan for the 4th Control Period from FY 2024-25 to FY 2026-27 as shown in the table below:

Table 3: Design Energy of Generating Stations by MSERC in Tariff Order (MU)

Sl. No	Name of the Station	Design Energy
1	Umiam Stage-I	116.00
2	Umiam Stage-II	46.00
3	Umiam Stage-III	139.00
4	Umiam Stage-IV	207.00
5	Sonapani	5.00

Sl. No	Name of the Station	Design Energy
6	Myntdu Leshka	486.00
7	New Umtru	235.00
8	Lakroh	11.00
9	Ganol SHP	67.00

1.6. Normative Plant Availability Factor (NAPAF) as approved in Business Plan

1.6.1. As per Regulation 58.1 of MSERC (Multi Year Tariff) Regulations, 2014 the Normative Plant Availability Factor norms for various types of hydro plants of MePGCL areas given below:

58.1 Normative annual plant availability factor (NAPAF)

- a) Storage and pondage type plants where plant availability is not affected by silt and
 - (i) with head variation between Full Reservoir Level (FRL) and Minimum Draw Down Level (MDDL) of up to 8 % 90 %
 - (ii) with head variation between FRL and MDDL of more than 8% = (Head at MDDL/Rated Head) x 0.5+0.2
- b) Pondage type plant where plant availability is significantly affected by silt 85%
- c) Run -of- River type plants: NAPAF to be determined plant-wise, based on 10-day design energy data, moderated by past experience where available / relevant.

Note:

- a) A further allowance may be made by the Commission under special circumstances, e.g. Abnormal silt problem or other operating conditions and known plant limitations.
- b) A further allowance of 5 % may be allowed for difficulties in the Northeast Region.
- c) In case of new hydroelectric project, the developer shall have the option of approaching the Commission in advance for further above norms.

Table 4: NAPAF of MePGCL Generating Stations

Sl. No.	Name of the Station	FY 2024-25	FY 2025-26	FY 2026-27
1	Umiam Stage-I	59.83%	59.83%	59.83%
2	Umiam Stage- II	85.00%	85.00%	85.00%
3	Umiam Stage- III	63.67%	63.67%	63.67%
4	Umiam Stage- IV	61.79%	61.79%	61.79%
5	Sonapani MHP	45.00%	45.00%	45.00%
6	Myntdu Leshka	39.00%	39.00%	39.00%
7	New Umtru	62.60%	62.60%	62.60%
8	Lakroh MHP	85.00%	85.00%	85.00%
9	Ganol SHP	34.00%	34.00%	34.00%

1.7. Auxiliary Energy Consumption

1.7.1. As per Regulation 58.2 of MSERC (Multi Year Tariff) Regulations, 2014 the Auxiliary energy Norms for various types of hydro plants of MePGCL areas given below:

58.2 Auxiliary energy Consumption:

- a) Surface hydroelectric power generating stations with rotating exciters mounted on the generator shaft0.7% of energy generated.
- b) Surface hydroelectric power generating stations with static excitation system.....1.0% of energy generated.
- c) Underground hydroelectric power generating stations with rotating exciters.
- d) mounted on the generator shaft0.9% of energy generated.
- e) Underground hydroelectric power generating stations with static excitation system.....1.2% of energy generated.

1.7.2. As per Regulation 58.3 of MSERC (Multi Year Tariff) Regulations, 2014 the Transmission Loss Norms of hydro plants of MePGCL areas given below:

58.3 Transformation Loss:

From generation voltage to transmission voltage 0.5% of energy generated.

Only Umiam Stage IV, Myntdu Leshka, New Umtru HEPs are provided with Static Excitation System for which the Auxiliary consumption is 1.0% and other stations are provided with rotating exciter mounted on the generator shaft for which the auxiliary consumption is 0.7%.

As discussed above, Commission has considered Auxiliary Consumption (%) for Lakroh MHP and Ganol SH projects at 1%.

Table 5: Auxiliary Consumption and Transformation Loss

Sl. No	Name of the Station	Auxiliary Consumption (%)	Transformation Loss (%)	Total (%)
1	Umiam Stage-I	0.7	0.5	1.2
2	Umiam Stage-II	0.7	0.5	1.2
3	Umiam Stage-III	0.7	0.5	1.2
4	Umiam Stage-IV	1.0	0.5	1.5
5	Sonapani MHP	0.7	0.5	1.2
6	Myntdu Leshka HEP	1.0	0.5	1.5
7	New Umtru HEP	1.0	0.5	1.5
8	Lakroh MHP	1.0	0.5	1.5
9	Ganol SHP	1.0	0.5	1.5

1.8. Summary of the Technical Details Considered for MePGCL Generating Stations.

1.8.1. As per Regulation 58.3 of MSERC (Multi Year Tariff) Regulations, 2014 the Transmission Loss Norms of hydro plants of MePGCL areas given below:

Table 6: Technical Parameters

Sl. No	Name of the Station	Installed Capacity (MW)	Type of Station	Type of Excitation	NAPAF (%)	Aux. Cons. (%)	Design Energy (MU)
1	Umiam Stage-I	36	Storage	Rotating Exciter as Generator	59.83	0.7	116
2	Umiam Stage-II	20	Pondage	Rotating Exciter as Generator	85.00	0.7	46
3	Umiam Stage-III	60	Pondage	Rotating Exciter as Generator	63.67	0.7	139
4	Umiam Stage-IV	60	Pondage	Static Excitation	61.79	1.0	207
5	Sonapani MHP	1.5	RoR	Rotating Exciter as Generator	45.00	0.7	5
6	Myntdu Leshka	126	RoR	Static Excitation	39.00	1.0	486
7	New Umtru	40	Pondage	Static Excitation	62.60	1.0	235
8	Lakroh MHP	1.5	RoR	Rotating Exciter as Generator	85.00	1.0	11
9	Ganol SHP	22.5	Pondage	Rotating Exciter as Generator	34.00	1.0	67

1.9. Gross and Net Generation

1.9.1. The Gross and Net Generation for various generating stations as approved by the Commission in business plan is as shown below:

Table 7: Estimated Energy Gross and Net Generation as approved by MSERC.

Sl. No	Name of Station	Gross Generation (MU)	Aux. Cons (%)	Transformation Loss (%)	Total Loss Auxiliary + Transformation (%)	Auxiliary Consumption+ Transformation Loss (MU)	Net Generation (MU)
1	Umiam Stage-I	116	0.7	0.5	1.2	1.392	114.608
2	Umiam Stage-II	46	0.7	0.5	1.2	0.552	45.448
3	Umiam Stage-III	0	0.7	0.5	1.2	0	0
4	Umiam Stage-IV	207	1	0.5	1.5	3.105	203.895
5	Sonapani MHP	5	0.7	0.5	1.2	0.06	4.940
6	Myntdu Leshka HEP	486	1	0.5	1.5	7.29	478.71
7	New Umtru HEP	235	1	0.5	1.5	3.525	231.475
8	Lakroh MHP	11	1	0.5	1.5	0.165	10.835
9	Ganol S.H.P (New)	67	1	0.5	1.0	1.005	65.995
10	Riangdo	8	1	0.5	1.5	0.12	7.88
	Total	1312				17.214	1163.786

2. Summary of Petition for ARR and Determination of Generation Tariff for FY 2025-26

2.1. Separate Petition for MePGCL's Generating Stations

2.1.1. As per the recent tariff orders as well as applicable Regulations, MePGCL has filed separate petitions for the different generating plants. In accordance with the directives of the Commission and MSERC (Multi Year Tariff) Regulations, 2014, the utility is filing a separate petition for;

- a) Myntdu Leshka Power Plant
- b) New Umtru
- c) Lakroh Mini HEP
- d) MePGCL Old plants including Sonapani.

2.2. Capex and Capitalization Allowed by Commission

2.2.1. Commission vide order dated 16.11.2023 has approved the business plan for generation business for fourth control period i.e., FY 2024-25 to FY 2026-27. The approved Capex and capitalization in the aforesaid order are tabulated below:

Table 8: Approved Capitalization for FY 2025-26 (Rs. Cr.)

Sl. No.	Financial Year	MLHEP	NUHEP	Lakroh	Old Project	Grand Total
1	FY 2024-25	1.00	0.00	0.60	0.00	1.60
2	FY 2025-26	44.50	0.50	1.14	0.00	46.14

2.3. Revised ARR filed by Petitioner for MLHEP for FY 2025-26

Table 9: ARR of MLHEP for FY 2025-26 (Rs. Cr.)

Particular	FY 2025-26
Depreciation	45.28
Return on Equity	45.23
Operation and Maintenance	41.97
Interest and Finance Charges	9.14
Interest on Working Capital	5.08
Gross ARR	146.70
Non-Tariff Income	0.00
Net ARR	146.70
Add: Gap/(Surplus) Claimed in FY 2023-24	136.27
ARR after adjustment of Gaps	282.97

MePGCL has requested Commission to approve the ARR for MLHEP as projected above.

2.4. Revised ARR filed by Petitioner for NUHEP for FY 2025-26

Table 10: ARR of NUHEP for FY 2025-26 (Rs. Cr.)

Particular	FY 2025-26
Depreciation	25.67
Return on Equity	24.59
Operation and Maintenance	18.13

Interest and Finance Charges	19.65
Interest on Working Capital	2.89
Gross ARR	90.93
Non-Tariff Income	0.00
Net ARR	90.93
Add: Gap/(Surplus) Claimed in FY 2023-24	262.42
ARR after adjustment of Gaps	353.36

MePGCL has requested Commission to approve the ARR for NUHEP as projected above.

2.5. Revised ARR filed by Petitioner for FY 2025-26

Table 11: ARR of Lakroh MHP for FY 2025-26 (Rs. Cr.)

Particular	FY 2025-26
Depreciation	0.48
Return on Equity	0.52
Operation and Maintenance	0.60
Interest and Finance Charges	0.33
Interest on Working Capital	0.07
Gross ARR	2.00
Non-Tariff Income	0.00
Net ARR	2.00
Add: Gap/(Surplus) Claimed in FY 2023-24	3.29
ARR after adjustment of Gaps	5.29

MePGCL has requested Commission to approve the ARR for Lakroh Small HEP as projected above.

2.6. Revised ARR filed by Petitioner for Old Stations including Sonapani for FY 2025-26

Table 12: ARR of MePGCL Old Stations for FY 2025-26 (Rs. Cr.)

Particular	FY 2025-26
Depreciation	1.52
Return on Equity	1.34
Operation and Maintenance	42.42
Interest on Loan	0.00
Interest on Working Capital	2.83
SLDC Charges	5.66
ARR	53.77
Non-Tariff Income	5.15
Net ARR	48.61
Add: Gap/(Surplus) Claimed in FY 2023-24	-337.77
ARR after adjustment of Gaps	-289.14

MePGCL has requested Commission to approve the ARR for Old Stations

(Including Sonapani) as projected above.

2.7. Consolidated ARR For MePGCL as a whole and Determination of Tariff For 2025-26

Based on the calculation of the ARR for individual plants in the above chapters the consolidated ARR and Revenue Gap for MePGCL, as filed by the Petitioner is tabulated below:

Table 13: Consolidated ARR for MePGCL claimed for FY 2025-26 (Rs. Cr.)

Particulars	MLHEP	NUHEP	Lakroh	Old Stations
Depreciation	45.28	25.67	0.48	1.52
Return on Equity	45.23	24.59	0.52	1.34
Operation and Maintenance	41.97	18.13	0.60	42.42
Interest on Loan	9.14	19.65	0.33	0.00
Interest on Working Capital	5.08	2.89	0.07	2.83
SLDC Charges	0.00	0.00	0.00	5.66
Gross ARR	146.70	90.93	2.00	53.77
Non-Tariff Income	0.00	0.00	0.00	5.15
Net ARR	146.70	90.93	2.00	48.61
Gap Claimed in 2023-24	136.27	262.42	3.29	-337.77
ARR after Adjustment of Gaps	282.97	353.36	5.29	-289.14

3. Determination of revised Aggregate Revenue Requirement for FY 2025-26 for MLHEP

3.1. Gross Fixed Assets (GFA) and Capitalization

Petitioner's Submission

- 3.1.1. The Petitioner has considered the closing GFA of FY 2023-24 as the opening GFA for FY 2024-25.. Additionally, the subsequent addition has been considered by the Petitioner as per the approved business plan for fourth control period.
- 3.1.2. The movement of GFA for FY 2025-26 as shared by the Petitioner is tabulated below:

Table 14: Claimed GFA for MLHEP for FY 2025-26 (Rs. Cr.)

Sl. no	Particulars	FY 2022-23 (Approved)	FY 2023-24	FY 2024-25	FY 2025-26
1	Opening GFA	1285.71	1285.71	1288.04	1289.04
2	Net Additional Capitalization	0.00	2.33	1.00	44.50
3	Closing GFA	1285.71	1288.04	1289.04	1333.54

Respondents' submission in this regard

- 3.1.3. BIA has argued that the closing Gross Fixed Asset (GFA) for FY 2023-24 is still pending approval by the Commission and that the Petitioner's revised ARR should only be approved subject to the true-up of expenses, considering BIA's submissions and objections on the matter.

MePGCL's Response to Respondent:

- 3.1.4. The Petitioner has submitted that detailed justifications for the additional capitalization claimed for FY 2023-24, along with the funding pattern, have already been provided to the Commission and addressed in the true-up sections of the Petition.

Commission's Analysis

- 3.1.5. The true-up petition for FY 2023-24 is already under consideration by the Commission and the closing values of GFA approved in the true-up order for FY 2023-24 has been considered as the opening balance for FY 2024-25. This approach is consistently applied till FY 2025-26, in alignment with the Commission's principle followed in previous true-up orders.
- 3.1.6. It is observed that the Petitioner has claimed the additional capitalisation as outlined in the Multi Year Tariff order (MYT order) for generation business

dated 24.10.2024. For projection purposes, the addition to the Gross Fixed Assets (GFA) for FY 2025-26 has been approved as per claimed.

3.1.7. Accordingly, the Commission has approved the GFA for FY 2025-26 as follows:

Table 15: Approved GFA for MLHEP for FY 2025-26 (Rs. Cr.)

Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26
1	Opening GFA	1,285.71	1,288.04	1,289.04
2	Net Additional Capitalization	2.33	1.00	44.50
3	Closing GFA	1,288.04	1,289.04	1,333.54

The Commission approves GFA of Rs. 1333.54 Cr. for MLHEP for the period FY 2025-26.

3.2. Grants and Funding Pattern

Petitioner's Submission

3.2.1. The Petitioner has stated that the funding pattern for capitalization, as accounted for in the submitted petition, aligns with the approved Business Plan for the fourth control period.

3.2.2. Accordingly, the movement of grants as considered by the Petitioner for the period of FY 2025-26 for MLHEP has been tabulated below:

Table 16: Movement of Grants Claimed for MLHEP (Rs. Cr.)

S No.	Funding Pattern	True Up of FY 2022-23 Approved	True Up of FY 2023-24 Claimed	FY 2024-25	FY 2025-26
1	Opening GFA	1285.71	1285.71	1288.04	1289.04
2	Addition of GFA	0	2.33	1.00	44.50
3	Retirement of GFA	0	0	0.00	0.00
4	Closing GFA	1285.71	1288.04	1289.04	1333.54
5	Average GFA	1285.71	1286.88	1288.54	1311.29
6	Opening Grant	232.14	232.14	234.37	234.37
7	Add Cap Funded through Grant	0.00	2.23	0.00	0.00
8	Closing Grant	232.14	234.37	234.37	234.37
9	Average Grants	232.14	233.26	234.37	234.37
10	Addition of Fresh Loan for CY Add Cap	0	0.07	0.70	31.15
11	Addition of Fresh Equity for CY Add-Cap	0	0.03	0.30	13.35

Respondents' submission in this regard

- 3.2.3. BIA has contended that the Petitioner’s proposed capital structure is based on the movement of grants as per the funding pattern approved in the Business Plan for the fourth Control Period. However, since the claimed capital structure for FY 2023-24 is still pending approval by the Commission, the revised ARR should only be allowed subject to the true-up of expenses after considering BIA’s objections.

MePGCL’s Response to Respondent:

- 3.2.4. The Petitioner has submitted that BIA’s concerns primarily relate to the grants and funding pattern for the additional capital expenditure of FY 2023-24. The Petitioner has stated that it has already provided a detailed explanation addressing these issues in the true-up petition in response to the queries received from the Respondents & the Commission.

Commission’s Analysis

- 3.2.5. The Commission has noted the Respondent’s suggestion and MePGCL’s response to the same which is observed to be consistent for all stations of MePGCL, i.e., MLHEP, NUHEP, Lakroh, old stations including Sonapani.
- 3.2.6. After analysing the Commission finds that the Petitioner has adopted the approach outlined by the Commission in previous tariff orders. For the revised ARR of FY 2025-26, the Commission has maintained the same approach as adopted during the True-up process for FY 2023-24. The closing grant in the previous year for each individual project is considered as the opening grant for the current year. The capitalization of additional grants for the year has been aligned with the Petitioner’s additional submission, with a key stipulation that net depreciation, post adjustment of yearly grant amortization, remains non-negative. The closing value of capitalized grants for each commissioned asset is derived by summing the opening grant and the additional grant capitalized. Any balance of additional capitalization after grant adjustment is apportioned between debt and equity in a 70:30 ratio, as per regulatory norms.
- 3.2.7. The grant fund considered for MLHEP is tabulated below:

Table 17: Approved Grants and funding pattern for MLHEP for FY 2025-26 (Rs. Cr.)

Sl. No.	Particulars	True-up of FY 2023-24 (Approved)	FY 2024-25	FY 2025-26
1	Opening GFA	1,285.71	1,288.04	1,289.04
2	Addition of GFA	2.33	1.00	44.50
3	Deletion of GFA	0.00	0.00	0.00
4	Closing GFA	1,288.04	1,289.04	1,333.54
5	Average GFA	1,286.88	1,288.54	1,311.29
6	Opening Grant	232.14	234.37	234.37
7	Add-cap funded through grant	2.23	0.00	0.00
8	Closing Grant	234.37	234.37	234.37

Sl. No.	Particulars	True-up of FY 2023-24 (Approved)	FY 2024-25	FY 2025-26
9	Average Grant	233.26	234.37	234.37
11	Addition of fresh equity for current year add-cap	0.07	0.70	31.15
12	Addition of fresh loan for current year add-cap	0.03	0.30	13.35

The Commission considers the average grant of Rs. 234.37 Crore for MLHEP for the period of FY 2025-26.

3.3. Depreciation

Petitioner's Submission

3.3.1. The Petitioner has calculated the Depreciation based on the average Gross Fixed Assets (GFA). The GFA movement considered by the Petitioner is shown in the above table for GFA consideration proposed by Petitioner. Additionally, asset-wise additions, as approved by the Commission in the MYT Order for the fourth control period, have also been taken into account for the computation of Depreciation.

3.3.2. The calculation of the Depreciation as considered by the Petitioner is tabulated below:

Table 18: Depreciation for MLHEP claimed for FY 2025-26 (Rs. Cr.)

Sl. No.	Particular	Opening GFA of 2025-26	Addition	Deletion	Asset value at the end of the year	Average Assets	90% of the Assets	Dep Rate	Depreciation
1	Land	23.90	0.00	0.00	23.9	23.90	21.51	0.00%	-
2	Buildings	146.67	0.00	0.00	146.67	146.67	132.00	3.34%	4.41
3	Hydraulic Works	622.94	0.00	0.00	622.94	622.94	560.65	5.28%	29.60
4	Other Civil Works	122.70	0.00	0.00	122.701	122.70	110.43	3.34%	3.69
5	Plant & Machinery	367.33	44.50	0.00	411.831	389.58	350.62	5.28%	18.51
6	Lines & cables	4.58	0.00	0.00	4.57884	4.58	4.12	5.28%	0.22
7	Vehicles	0.46	0.00	0.00	0.46	0.46	0.41	9.50%	0.04
8	Furniture	0.08	0.00	0.00	0.08	0.08	0.07	6.33%	0.00
9	Office Equipment	0.38	0.00	0.00	0.38228	0.38	0.34	6.33%	0.02
	Total	1289.04	44.50	0.00	1333.54	1311.29	1180.16		56.50
	Weighted Average Rate of Depreciation								4.79%
	90% of Average								234.37

Sl. No.	Particular	Opening GFA of 2025-26	Addition	Deletion	Asset value at the end of the year	Average Assets	90% of the Assets	Dep Rate	Depreciation
	Grants in GFA								
	Depreciation on Average Grants								11.22
	Net Depreciation								45.28

MePGCL has requested the Commission to approve the net depreciation at Rs. 45.28 Crore for FY 2025-26.

Respondents' submission in this regard

3.3.3. BIA has objected that the Petitioner has computed the Depreciation on the average GFA taking the GFA movement as proposed in the Petition along with the asset-wise addition as approved by this Commission in the Business Plan for the Depreciation computation. BIA has claimed that the Petitioner has understated the Depreciation amount because of an incorrect approach to accounting of the grants. The Petitioner has not properly considered 90% of the average grant on GFA (Gross Fixed Assets) for all plants except for the old plant. Instead, the Petitioner has considered the total average grant on GFA, leading to an understated Depreciation figure.

MePGCL's Response to Respondent:

3.3.4. The Petitioner has replied that they have already provided detailed responses to the queries raised by the Commission & the Respondents w.r.t the True Up petition and has prayed for consideration of the same as responses to the contentions or objections raised by BIA w.r.t calculation of Depreciation.

Commission's Analysis

3.3.5. In line with Regulation 33.1 of the MSERC (Multi Year Tariff) Regulations, 2014, the Commission has prudently deducted consumer contributions, capital subsidies, and grants from the GFA before calculating depreciation. The relevant portion of the regulation, which guides this approach, is as follows:

"33.1 For the purpose of tariff determination, depreciation shall be computed in the following manner:

The asset value for the purpose of depreciation shall be the historical cost of the assets as approved by the Commission where:

The opening asset's value recorded in the Balance Sheet as per the Transfer Scheme Notification shall be deemed to have been approved, subject to such modifications as may be found necessary upon audit of the accounts, if such a

Balance Sheet is not audited. Consumer contribution or capital subsidy/ grant etc shall be excluded from the asset value for the purpose of depreciation.

The salvage value of the assets shall be considered at 10% and depreciation shall be allowed up to maximum of 90 % of the capital cost of the asset.

Depreciation shall be calculated annually as per straight-line method at the rates specified in CERC (Terms and Conditions of Tariff) Regulations, 2009 as may be amended from time to time."

3.3.6. The Commission noted that while computing the average rate of Depreciation, MePGCL has considered the average Gross Fixed Assets (GFA) instead of 90% of the GFA excluding the value of land, as mandated by the MSERC (Multi Year Tariff) Regulations, 2014. This approach deviates from the methodology consistently adopted by the Commission in its previous Tariff Orders. Accordingly, the Commission has computed the allowable Depreciation based on the approved methodology and thus the weighted average rate of Depreciation is calculated as 4.88% for FY 2025-26.

3.3.7. Accordingly, the depreciation as approved by the Commission for FY 2025-26 is represented in the table below:

Table 19: Approved Depreciation for MLHEP for FY 2025-26 (Rs. Cr.)

Sl. No	Particulars	Value of Assets at the beginning of the year	Additions during the year	Asset Value at the end of the year	Average Assets	90% of the Assets	Dep. Rate (%)	Depreciation
1	Land	23.90	0.00	23.90	23.90	-	0.00%	-
2	Buildings	146.67	0.00	146.67	146.67	132.00	3.34%	4.41
3	Hydraulic Works	622.94	0.00	622.94	622.94	560.65	5.28%	29.60
4	Other Civil Works	122.70	0.00	122.70	122.70	110.43	3.34%	3.69
5	Plant & Machinery	366.33	44.50	410.83	388.58	349.72	5.28%	18.47
6	Lines & cables	5.58	0.00	5.58	5.58	5.02	5.28%	0.27
7	Vehicles	0.46	0.00	0.46	0.46	0.41	9.50%	0.04
8	Furniture	0.08	0.00	0.08	0.08	0.07	6.33%	0.00
9	Office Equipment	0.38	0.00	0.38	0.38	0.34	6.33%	0.02
10	Total	1289.04	44.50	1333.54	1311.29	1158.65		56.50
11	Average rate of depreciation (56.50/1158.65) *100							4.88%
12	90% of Avg. Grants					210.94		
13	Less: Depreciation on Grants							10.29
14	Net Depreciation for True up (sl.no 10-13)							46.21

The Commission approves Depreciation at Rs. 46.21 Cr. for FY 2025-26.

3.4. Return on Equity (RoE)

Petitioner's Submission

- 3.4.1. The Petitioner has taken the closing equity of FY 2023-24 as the opening equity for FY 2024-25. Additionally, the Petitioner has considered the additions to equity in accordance with the funding pattern of the capitalization submitted by the Petitioner.
- 3.4.2. Accordingly, the Return on Equity (RoE) as proposed by the Petitioner is presented in the table below:

Table 20: Return on Equity claimed for MLHEP for FY 2025-26 (Rs. Cr.)

Sl. No	Particular	True Up FY 2022-23 (Approved)	True Up of FY 2023-24 (Claimed)	FY 2024-25	FY 2025-26
1	Opening GFA	1285.71	1285.71	1288.04	1289.04
2	Addition to GFA	0.00	2.33	1.00	44.50
3	Retirement	0.00	0.00	0.00	0.00
4	Closing GFA	1285.71	1288.04	1289.04	1333.54
5	Average GFA	1,285.71	1,286.88	1,288.54	1,311.29
6	Less Average Grants	232.14	233.26	234.37	234.37
7	Net Average GFA (not funded through grants)	1,053.57	1,053.62	1,054.17	1,076.92
8	70% of the Debt Components	737.50	737.53	737.92	753.84
9	30% of the Equity Component	316.07	316.09	316.25	323.08
10	Rate of Return on Equity	14%	14%	14%	14%
11	Return on Equity	44.25	44.25	44.28	45.23

MePGCL has requested the Commission to approve the Return on Equity of Rs 45.23 Cr. for MLHEP for the period FY2025-26.

Commission's Analysis

- 3.4.3. The Return on Equity shall be computed as per Regulation 31 read with Regulation 27 of MSERC (Multi Year Tariff) Regulations, 2014. The relevant Regulations is reproduced as under.

"31 Return on Equity

31.1 Return on equity shall be computed on the equity base determined in accordance with regulation 27 and shall not exceed 14%.

Provided any grant obtained for execution of the project shall not be considered as a part of capital structure for the purpose of debt-equity ratio."

- 3.4.4. The Commission has allowed Return on Equity (RoE) at 14% on the normative equity, calculated based on the approved average GFA by considering opening GFA as approved in True-up order for FY 2023-24. This approach is consistently applied in FY 2025-26 excluding the average grants and

contributions as outlined in table "Approved Grants and funding pattern for MLHEP for FY 2025-26 (Rs. Cr.)" above.

- 3.4.5. On the basis of the above principle the approved equity base and RoE for MLHEP for FY 2025-26 as approved by the Commission are presented in the table below:

Table 21 : Approved Return on Equity for MLHEP for FY 2025-26 (Rs. Cr.)

Sl. No.	Particulars	FY 2023-24	FY 2024-25	FY 2025-26
1	Opening GFA	1,285.71	1,288.04	1,289.04
2	Addition	2.33	1.00	44.50
3	Retirements	0.00	0.00	0.00
4	Closing GFA	1,288.04	1,289.04	1,333.54
5	Average GFA	1,286.88	1,288.54	1,311.29
6	Less: Average Grants	233.26	234.37	234.37
7	Net Assets	1,053.62	1,054.17	1,076.92
8	70% Debt component	737.53	737.92	753.84
9	30% Equity	316.09	316.25	323.08
10	Return on Equity @ 14%	44.25	44.28	45.23

The Commission approves Return on Equity of Rs. 45.23 Crore for MLHEP for the period FY 2025-26.

3.5. Interest on Loan (IoL)

Petitioner's Submission

- 3.5.1. MePGCL has adopted the methodology for ARR components as approved by the Commission in the True-Up Order for FY 2022-23. The closing loan balance for FY 2023-24 is considered the opening loan for FY 2024-25, with additions aligned to the approved funding pattern.
- 3.5.2. Since the actual weighted average rate of interest will be available at the time of True-Up, the Petitioner has used the rate for FY 2023-24 for FY 2024-25 and FY 2025-26. MePGCL has requested the Commission to allow claiming the actual rate during the True-Up process for FY 2025-26.

Table 22 : Interest on Loan for MLHEP claimed for FY 2025-26 (Rs. Cr.)

Sl. No.	Particulars	True Up FY 2022-23 (Allowed)	True Up FY 2023-24 (Claimed)	FY 2024-25	FY 2025-26
1	Opening Loan	227.30	182.19	135.95	92.44
2	Addition of Loan	0.00	0.07	0.7	31.15
3	Repayment of Loan	45.11	46.31	44.22	45.28
4	Closing Loan	182.19	135.95	92.44	78.31
5	Average Loan	204.75	154.58	114.19	85.37
6	Weighted Average Rate of Interest	11.59%	10.71%	10.71%	10.71%

Sl. No.	Particulars	True Up FY 2022-23 (Allowed)	True Up FY 2023-24 (Claimed)	FY 2024-25	FY 2025-26
7	Interest on Loan	23.73	16.02	12.23	9.14

MePGCL has requested the Commission to approve the Interest on Loan of Rs 9.14 Cr. for MLHEP project for the period FY2025-26.

Respondents' submission in this regard

- 3.5.3. BIA has highlighted an inconsistency in the opening loan balance for MLHEP for FY 2024-25. It pointed out that while the closing loan balance for FY 2023-24 is Rs. 135.95 Cr (as per Table 9 of the ARR Petition), the opening balance for FY 2024-25 has been incorrectly stated as Rs. 126.97 Cr (as per Table 42 of the true up Petition). This miscalculation has led to an understated interest on loan for FY 2025-26. As per BIA's computation the interest on the loan for MLHEP is Rs. 9.23 Crore.

MePGCL's Response to Respondent:

- 3.5.4. The Petitioner has acknowledged the observation made by BIA and admitted that the opening loan figure for FY 2024-25 was incorrectly stated. The Petitioner has requested the Commission to condone this inadvertent error and has provided the corrected loan figures in Table 43 of the revised Petition. Additionally, the Petitioner has reiterated that its approach to calculating the weighted average rate of interest aligns with the methodology approved in the True-Up Order dated 05.06.2024 for FY 2022-23.
- 3.5.5. The Petitioner has also requested the Commission to reject BIA's contentions regarding additional capital expenditure for FY 2023-24, as detailed justifications have already been provided in the true-up section.

Commission's Analysis

- 3.5.6. The Commission has acknowledged the discrepancy highlighted by BIA and the Petitioner's acceptance of the error. The Commission also acknowledges the receipt of the revised Petitioner submission in line with above.
- 3.5.7. The Commission has allowed the interest on loans by considering the closing loan balance from the approved true-up order for FY 2023-24 as the opening loan balance for FY 2024-25 and subsequent additions as per table "*Approved Grants and funding pattern for MLHEP for FY 2025-26 (Rs. Cr.)*" above till FY 2025-26 as mentioned under the current year debt addition for the additional capitalization for respective years.
- 3.5.8. Loan repayment values has been considered as per minimum of approved depreciation or the sum of opening loan and loan addition for the respective year. Interest rates have been provisionally considered equal to those approved by the Commission in the true-up for FY 2023-24 since, the actual weighted average rate will be determined based on actuals during the truing

up for each year, in line with the Commission's principle as followed in the prior true-up orders.

- 3.5.9. The calculation of Interest on loan as considered by the Commission is tabulated below:

Table 23: Approved Interest on Loan for MLHEP for FY 2025-26 (Rs. Cr.)

Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26
1	Normative Opening Loan	182.19	137.15	92.70
2	Addition to Loan	0.07	0.70	31.15
3	Repayment	45.12	45.14	46.21
4	Closing Loan	137.15	92.70	77.64
5	Average Loan	159.67	114.92	85.17
6	Weighted Average Rate of Interest (WAROI)	10.71%	10.71%	10.71%
7	Interest on Loan	17.11	12.31	9.13

The Commission approves Interest on Loan at Rs. 9.13 Crore for MLHEP for the period FY 2025-26.

3.6. O&M Expenses

Petitioner's Submission

- 3.6.1. MePGCL has not sought for any revision in O&M expenses for the period FY 2025-26, accordingly the O&M expenses approved by the Commission in the Order dated 24.10.2024 in Case No. 30 of 2023 have been proposed by the Petitioner.

Respondents' submission in this regard:

- 3.6.2. BIA has argued that any revision in O&M expenses should be based on the true-up of FY 2023-24 and the Petitioner should apply the escalation rate of 5.77% per annum thereon.

MePGCL's Response to Respondent's submissions:

- 3.6.3. The Petitioner has replied that they have already provided detailed responses to the queries raised by the Commission & the Respondents w.r.t the True Up petition and has prayed for consideration of the same as responses to the contentions or objections raised by BIA w.r.t calculation of O&M expenses.

Commission's Analysis

- 3.6.4. The Commission has allowed operation and maintenance for MLHEP as per Regulation 56 of MSERC Tariff Regulations, 2014 provides for Operation and Maintenance Expenses and is reproduced as under:

“56 (7) “In case of hydro generating stations declared under commercial operation on or after 01/04/2009, O&M expenses shall be fixed at 2% of the original project cost (excluding cost of rehabilitation and resettlement works) and shall be subject to annual escalation at 5.72% for the subsequent years.”

- 3.6.5. The Commission has approved the Operation and Maintenance (O&M) expenses for FY 2023-24 in accordance with the applicable regulations and has escalated the same at an annual rate of 5.72% to determine the O&M expenses for FY 2025-26. The details of the O&M expenses approved by the Commission are presented in the table below:

Table 24: Approved O&M Expenses for MLHEP for FY 2025-26 (Rs. Cr.)

Sl. No.	Particulars	FY 2023-24	FY 2024-25	FY 2025-26
1	Operation and Maintenance	37.55	39.70	41.97

The Commission approves O&M expenses for MLHEP at Rs. 41.97 Crore for the period FY 2025-26.

3.7. Interest on Working Capital (IoWC)

Petitioner’s Submission

- 3.7.1. As per Regulation 34.1(iii) of 2014 Tariff Regulations:

*“In case of hydro power generating stations, working capital shall cover:
Operation and maintenance expenses for one (1) month;
Maintenance spares at the rate of 15% of O & M expenses escalated at 6% from the date of commercial operation; and
Receivables equivalent to two (2) month of fixed cost:
Provided that in case of own generating stations, no amount shall be allowed towards receivables, to the extent of supply of power by the Generation Business to the Retail Supply Business, in the computation of working capital in accordance with these Regulations. “*

- 3.7.2. The SBI Advance Rate as on 01.04.2023 comes out to be Rs. 14.85%. Accordingly, the Petitioner has considered the same for the calculation of interest on working capital as tabulated below:

Table 25: Interest on Working Capital for MLHEP for FY 2025-26 (Rs. Cr.)

Sl. no	Particulars	FY 2025-26
1	O&M Expenses	3.31
2	Maintenance Spares	6.67
3	Receivables	24.29
4	Total Working Capital	34.27
5	Rate of Interest	14.85%
6	Interest on Working Capital	5.09

Respondents' submission in this regard:

- 3.7.3. BIA has pointed out an error in the calculation of one-month O&M expenses for working capital, showing a variance between their figures and the Petitioner's. Based on revised figures, BIA has proposed for recalculation of the IoWC.

MePGCL's Response to Respondent's submissions:

- 3.7.4. The Petitioner has acknowledged the objection and has submitted that the observations from the BIA may be accepted; however, this is subject to the outcome of the review petition filed by the Petitioner.

Commission's Analysis

- 3.7.5. As per Regulation 34.1 (iii) of the MSERC (Multi Year Tariff) Regulations, 2014, the components of working capital will be:

*"34 Interest on Working Capital
34.1(iii) In case of hydro power generating stations, working capital shall cover:
Operation and maintenance expenses for one (1) month;
Maintenance spares at the rate of 15% of O & M expenses escalated at 6% from the date of commercial operation; and
Receivables equivalent to two (2) month of fixed cost:
Provided that in case of own generating stations, no amount shall be allowed towards receivables, to the extent of supply of power by the Generation Business to the Retail Supply Business, in the computation of working capital in accordance with these Regulations."*

- 3.7.6. The Commission has allowed the Interest on Working Capital (IoWC) as per Regulation 34.1 (iii) of the MSERC (Multi Year Tariff) Regulations, 2014. The rate of interest is considered as per SBI Advance Rate as on 01.04.2023. Accordingly, the Commission has considered the IoWC as depicted in the table below for FY 2025-26.

Table 26: Approved Interest on Working Capital for MLHEP for FY 2025-26 (Rs. Cr.)

Sl. no	Particulars	FY 2025-26
1	O&M Expenses	3.50
2	Maintenance Spares	6.67
3	Receivables	24.62
4	Total Working Capital	34.79
5	Rate of Interest	14.85%
6	Interest on Working Capital	5.17

The Commission approves Interest on Working Capital (IoWC) at Rs. 5.17 Crore for MLHEP for the period FY 2025-26.

3.8. Summary of ARR

Petitioner's Submission

3.8.1. The summary of ARR as submitted by the Petitioner for FY 2025-26 for MLHEP is as shown below:

Table 27: Summary of ARR for MLHEP claimed for FY 2025-26 (Rs. Cr.)

Sl. No	Particular	Allowed by Commission in Tariff Order	Revised ARR for FY 2025-26
1	Depreciation	46.20	45.28
2	Return on Equity	45.23	45.23
3	O&M Expenses	41.97	41.97
4	Interest and Finance Charges	9.87	9.14
5	Interest on Working Capital	5.18	5.08
6	SLDC Charges	0.00	0.00
7	Prior Period Expenses	0.00	0.00
	Total AFC	148.45	146.70
8	Less Non- Tariff Income	0.00	0.00
	Net AFC	148.45	146.70
9	Add Gap for True UP FY 2023-24		136.27
10	Gross ARR for FY 2025-26	148.45	282.97

MePGCL has prayed the Commission to approve the ARR for MLHEP as projected above.

Commission's Analysis

3.8.2. The summary of ARR as approved by the Commission after prudence check of the petition filed by the petitioner, for FY 2025-26 is presented in the table below:

Table 28: Summary of approved ARR for MLHEP for FY 2025-26 (Rs. Cr.)

Sl. No	Particulars	Amount
1	Depreciation	46.21
2	Return on Equity	45.23
3	Operation and Maintenance	41.97
4	Interest and Finance Charges	9.13
5	Interest on Working Capital	5.17
6	Gross ARR	147.71
7	Non-Tariff Income	0.00
8	Net ARR	147.71
9	Add: Gap/(Surplus) approved in FY 2023-24	135.12
10	ARR after adjustment of Gaps	282.82

The Commission approves the revised ARR for MLHEP for FY 2025-26 at Rs. 282.82 Crore.

4. Determination of revised Aggregate Revenue Requirement for FY 2025-26 for NUHEP

4.1. Gross Fixed Assets (GFA) and Capitalization

Petitioner's Submission

- 4.1.1. The Petitioner has considered the closing GFA of FY 2023-24 as the opening GFA for FY 2024-25. Additionally, the subsequent addition has been considered by the Petitioner as per the approved business plan for fourth control period.
- 4.1.2. The movement of GFA during FY 2025-26 as proposed by the Petitioner is detailed in the table below.

Table 29: GFA for NUHEP claimed for FY 2025-26 (Rs. Cr.)

Sl. No	Particulars	FY 2022-23 (Approved)	FY 2023-24	FY 2024-25	FY 2025-26
1	Opening GFA	586.03	586.06	594.78	594.78
2	Net Additional Capitalization	0.03	8.72	0.00	0.50
3	Closing GFA	586.06	594.78	594.78	595.28

Respondents' submission in this regard

- 4.1.3. BIA has argued that the closing Gross Fixed Asset (GFA) for FY 2023-24 is still pending approval by the Commission and that the Petitioner's revised ARR should only be approved subject to the true-up of expenses, considering BIA's submissions and objections on the matter.

MePGCL's Response to Respondent:

- 4.1.4. The Petitioner has submitted that detailed justifications for the additional capitalization claimed for FY 2023-24, along with the funding pattern, have already been provided to the Commission and addressed in the true-up sections of the Petition.

Commission's Analysis

- 4.1.5. The Closing GFA approved in the true-up order for FY 2023-24 has been considered as the opening balance for FY 2024-25. This approach is consistently applied till FY 2025-26.
- 4.1.6. It is observed that the Petitioner has claimed the additional capitalisation as outlined in the MYT order for generation business dated 24.10.2024. For projection purposes, the addition to the GFA for FY 2025-26 has been approved as per claimed.

- 4.1.7. Accordingly, the GFA for FY 2025-26, as approved by the Commission is tabulated below:

Table 30: Approved GFA for NUHEP for FY 2025-26(Rs. Cr.)

Sl. No	Particulars	FY 2023-24	FY 2024-25	FY 2025-26
1	Opening GFA	586.06	594.75	594.75
2	Net Additional Capitalization	8.69	-	0.50
3	Closing GFA	594.75	594.75	595.25

The Commission approves GFA at Rs. 595.25 Cr. for NUHEP for the period FY 2025-26.

4.2. Grants and Funding Pattern

Petitioner's Submission

- 4.2.1. The Petitioner has stated that the funding pattern for capitalization, as accounted for in the submitted petition, aligns with the approved Business Plan for the fourth control period.
- 4.2.2. Accordingly, the movement of grants as considered by the Petitioner for the period of FY 2025-26 for NUHEP has been tabulated below:

Table 31: Movement of Grants claimed for NUHEP (Rs. Cr.)

S No.	Funding Pattern	True Up of FY 2022-23 Approved	True Up of FY 2023-24 Claimed	FY 2024-25	FY 2025-26
1	Opening GFA	585.03	585.03	593.75	593.76
2	Addition of GFA	0.03	8.72	0.00	0.50
3	Retirement of GFA	0	0.00	0.00	0.00
4	Closing GFA	585.06	593.75	593.76	594.26
5	Average GFA	585.05	589.39	593.75	594.01
6	Opening Grant	0	0.00	8.65	8.65
7	Add Cap Funded through Grant	0.00	8.65	0.00	0.00
8	Closing Grant	0.00	8.65	8.65	8.65
9	Average Grants	0.00	4.32	8.65	8.65
10	Addition of Fresh Loan for CY Add Cap	0.021	0.05	0.00	0.35
11	Addition of Fresh Equity for CY Add- Cap	0.009	0.02	0.00	0.15

Respondents' submission in this regard

4.2.3. BIA has contended that the Petitioner's proposed capital structure is based on the movement of grants as per the funding pattern approved in the Business Plan for the fourth Control Period. However, since the claimed capital structure for FY 2023-24 is still pending approval by the Commission, the revised ARR should only be allowed subject to the true-up of expenses after considering BIA's objections.

MePGCL's Response to Respondent:

4.2.4. The Petitioner has submitted that BIA's concerns primarily relate to the grants and funding pattern for the additional capital expenditure of FY 2023-24. The Petitioner has replied that they have already provided detailed responses to the queries raised by the Commission & the Respondents w.r.t the True Up petition.

Commission's Analysis

4.2.5. The Commission has noted the Respondent's suggestion and MePGCL's response to the same which is observed to be consistent for all stations of MePGCL i.e. MLHEP, NUHEP, Lakroh, old stations including Sonapani.

4.2.6. As per grant adjustment outlined in para 3.2.6 above, the Commission has approved the grant for NUHEP as tabulated below:

Table 32: Approved Grants and funding pattern for NUHEP for FY 2025-26 (Rs. Cr.)

Sl. No.	Particulars	True-up of FY 2023-24 (Approved)	FY 2024-25	FY 2025-26
1	Opening GFA	586.06	594.75	594.75
2	Addition of GFA	8.69	0.00	0.50
3	Deletion of GFA	0.00	0.00	0.00
4	Closing GFA	594.75	594.75	595.25
5	Average GFA	590.41	594.75	595.00
6	Opening Grant	0.00	8.65	8.65
7	Add-cap funded through grant	8.65	0.00	0.00
8	Closing Grant	8.65	8.65	8.65
9	Average Grant	4.32	8.65	8.65
11	Addition of fresh equity for current year add-cap	0.03	0.00	0.35
12	Addition of fresh loan for current year add-cap	0.01	0.00	0.15

The Commission approves the average grant of Rs. 8.65 Crore for NUHEP for the period of FY 2025-26.

4.3. Depreciation

Petitioner's Submission

4.3.1. The Petitioner has considered the calculation of Depreciation based on the average GFA and the GFA movement as considered in the GFA table "GFA for NUHEP claimed for FY 2025-26" above. Additionally, asset-wise additions, as approved by the Commission in the MYT Order for the fourth control period, have also been taken into account by the Petitioner, for the computation of depreciation.

4.3.2. The depreciation calculation as submitted by the Petitioner, is provided in the table below:

Table 33: Depreciation for NUHEP claimed for FY 2025-26 (Rs. Cr.)

Sl. No.	Particular	Opening GFA of 2025-26	Addition	Deletion	Asset value at the end of the year	Average Assets	90% of the Assets	Dep Rate	Depreciation
1	Land	1.72	0.00	0.00	1.72	1.72	-	0.00%	-
2	Buildings	91.87	0.00	0.00	91.87	91.87	82.68	3.34%	2.76
3	Hydraulic Works	299.32	0.00	0.00	299.32	299.32	269.39	5.28%	14.22
4	Other Civil Works	32.49	0.00	0.00	32.50	32.50	29.25	3.34%	0.98
5	Plant & Machinery	163.48	0.00	0.00	163.48	163.48	147.13	5.28%	7.77
6	Lines & cables	3.86	0.00	0.00	3.86	3.86	3.48	5.28%	0.18
7	Vehicles	1.83	0.00	0.00	1.83	1.83	1.65	9.50%	0.16
8	Furniture	0.10	0.00	0.00	0.10	0.10	0.09	6.33%	0.01
9	Office Equipment	0.10	0.50	0.00	0.60	0.35	0.31	6.33%	0.02
10	Total	594.775	0.50	0.00	595.28	595.03	533.97		26.10
11	Weighted Average Rate of Depreciation								4.89%
12	90% of Average Grants in GFA								8.65
13	Depreciation on Average Grants								0.42
14	Net Depreciation								25.67

MePGCL has requested the Commission to approve the net Depreciation of Rs. 25.67 Cr. for the period FY 2025-26.

Respondents' submission in this regard

4.3.3. BIA has objected that the Petitioner has computed the Depreciation on the average GFA taking the GFA movement as proposed in the Petition and further

that the asset-wise addition as approved by this Commission in the Business plan has been considered for the computation. BIA has claimed that the Petitioner has understated the Depreciation amount because of an incorrect approach w.r.t accounting of grants. The Petitioner has not properly considered 90% of the average grant on GFA (Gross Fixed Assets) for all plants except for the old plant. Instead, the Petitioner has considered the total average grant on GFA, leading to an understated Depreciation figure.

MePGCL's Response to Respondent:

- 4.3.4. The Petitioner has replied that they have already provided detailed responses to the queries raised by the Commission & the Respondents w.r.t the True Up petition and has prayed for consideration of the same as responses to the contentions or objections raised by BIA w.r.t calculation of Depreciation.

Commission's Analysis

- 4.3.5. In line with Regulation 33.1 of the MSERC (Multi Year Tariff) Regulations, 2014, the Commission has prudently deducted consumer contributions, capital subsidies, and grants from the GFA before calculating depreciation. The relevant portion of the regulation, which guides this approach, is as follows:

"33.1 For the purpose of tariff determination, depreciation shall be computed in the following manner:

The asset value for the purpose of depreciation shall be the historical cost of the assets as approved by the Commission where:

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

The salvage value of the assets shall be considered at 10% and depreciation shall be allowed up to maximum of 90 % of the capital cost of the asset.

Depreciation shall be calculated annually as per straight-line method at the rates specified in CERC (Terms and Conditions of Tariff) Regulations, 2009 as may be amended from time to time."

- 4.3.6. The Commission noted that while computing the average rate of Depreciation, MePGCL has considered the average Gross Fixed Assets (GFA) instead of 90% of the GFA excluding the value of land, as mandated by the MSERC (Multi Year Tariff) Regulations, 2014. The Commission has computed the allowable Depreciation based on the methodology outlined in the relevant provisions, applying a reduction to account for 90% of the grant considered for NUHEP, as detailed in table "Approved Grants and funding pattern for NUHEP for FY 2025-26 (Rs. Cr.)" above. The weighted average rate of depreciation as approved by the Commission is 4.89% for FY 2025-26.

4.3.7. Accordingly, the Depreciation as approved by the Commission for FY 2025-26 is represented in the table below:

Table 34: Approved Depreciation for NUHEP for FY 2025-26 (Rs. Cr.)

Sl. No	Particulars	Value of Assets at the beginning of the year	Additions during the year	Asset Value at the end of the year	Average Assets	90% of the Assets	Dep. Rate (%)	Depreciation
1	Land	1.69	0.00	1.69	1.69	-	0.00%	-
2	Buildings	91.87	0.00	91.87	91.87	82.68	3.34%	2.76
3	Hydraulic Works	299.32	0.00	299.32	299.32	269.39	5.28%	14.22
4	Other Civil Works	32.49	0.00	32.49	32.49	29.25	3.34%	0.98
5	Plant & Machinery	163.48	0.00	163.48	163.48	147.13	5.28%	7.77
6	Lines & cables	3.86	0.00	3.86	3.86	3.48	5.28%	0.18
7	Vehicles	1.83	0.00	1.83	1.83	1.65	9.50%	0.16
8	Furniture	0.10	0.00	0.10	0.10	0.09	6.33%	0.01
9	Office Equipment	0.10	0.50	0.60	0.35	0.31	6.33%	0.02
10	Total	594.75	0.50	595.25	595.00	533.97		26.10
11	Average rate of depreciation (26.10/533.97) *100							4.89%
12	90% of Avg. Grants					7.78		
13	Less: Depreciation on Grants							0.38
14	Net Depreciation for True up (sl.no 10-13)							25.72

The Commission approves Depreciation at Rs. 25.72 Crore for NUHEP for the period FY 2025-26.

4.4. Return on Equity (RoE)

Petitioner's Submission

4.4.1. The Petitioner has taken the closing equity of FY 2023-24 as the opening equity for FY 2024-25. Additionally, the Petitioner has considered the additions to equity in accordance with the funding pattern of the capitalization submitted by the Petitioner.

4.4.2. Accordingly, the Return on Equity (RoE) as proposed by the Petitioner is presented in the table below:

Table 35: Return on Equity claimed for NUHEP for FY 2025-26 (Rs. Cr.)

S No	Particular	True Up FY 2022-23 (Approved)	True Up of FY 2023-24 (Claimed)	FY 2024-25	FY 2025-26
1	Opening GFA	586.03	585.03	593.75	593.76
2	Addition to GFA	0.03	8.72	0.00	0.50
3	Retirement	0.00	0.00	0.00	0.00
4	Closing GFA	586.06	593.75	593.76	594.26
5	Average GFA	586.05	589.39	593.75	594.01
6	Less Average Grants	0.00	4.32	8.65	8.65
7	Net Average GFA (not funded through grants)	586.05	585.07	585.11	585.36
8	70% of the Debt Components	410.23	409.55	409.57	409.75
9	30% of the Equity Component	175.81	175.52	175.53	175.61
10	Rate of Return on Equity	14%	14%	14%	14%
11	Return on Equity	24.61	24.57	24.57	24.59

MePGCL has requested Commission to approve the Return on Equity of Rs 24.59 Cr. for NUHEP for the period FY 2025-26.

Respondents' submission in this regard

- 4.4.3. BIA has raised objections stating that the Petitioner has done miscalculation regarding the assets not funded by grants for NUHEP, as provided in Table 48 of the Petition titled "Calculation of Return on Equity for NUHEP for FY 2025-26." As per Table 13 of the Petition, which details the opening and closing GFA for NUHEP for FY 2023-24, the closing GFA for FY 2023-24 is Rs. 594.77 Cr. However, in Table 48, this amount has been incorrectly considered as Rs. 593.75 Cr. This discrepancy has led to a difference in the average GFA (not funded by grants) and has consequently affected the computation of Return on Equity (RoE) for FY 2025-26.
- 4.4.4. The BIA submitted that the Petitioner has missed out to consider the additional capitalization proposed in FY 2023 -24 and also the deduction in GFA as per the Statement of Accounts in FY 2023-24, which if taken into consideration results in RoE of Rs 43.40 cr. for BIA.

MePGCL's Response to Respondent:

- 4.4.5. The Petitioner has acknowledged the error, clarifying that it was an inadvertent typographical mistake in the true-up section for FY 2023-24. The Petitioner has stated that the revised and corrected computation for NUHEP has already been submitted in response to the data gaps raised by the Commission. Additionally, the Petitioner has reiterated that it has already provided detailed justification for the additional capitalization for FY 2023-24 in the true-up section.

Commission's Analysis

- 4.4.6. The Return on Equity shall be computed as per Regulation 31 read with Regulation 27 of MSERC (Multi Year Tariff) Regulations, 2014. The relevant Regulations is reproduced as under.

"31 Return on Equity

31.1 Return on equity shall be computed on the equity base determined in accordance with regulation 27 and shall not exceed 14%.

Provided any grant obtained for execution of the project shall not be considered as a part of capital structure for the purpose of debt-equity ratio.

- 4.4.7. The Commission has allowed Return on Equity (RoE) at 14% on the normative equity, calculated based on the approved average GFA by considering opening GFA as approved in True-up order for FY 2023-24. This approach is consistently applied in FY 2025-26 excluding the average grants and contributions as outlined in table "Approved Grants and funding pattern for NUHEP for FY 2025-26 (Rs. Cr.)" above.
- 4.4.8. The approved equity and RoE for NUHEP for FY 2025-26 as considered by the Commission is represented in the table below:

Table 36: Approved Return on Equity for NUHEP for FY 2025-26 (Rs. Cr.)

Sl. No.	Particulars	FY 2023-24	FY 2024-25	FY 2025-26
1	Opening GFA	586.06	594.75	594.75
2	Addition	8.69	0.00	0.50
3	Retirements	0.00	0.00	0.00
4	Closing GFA	594.75	594.75	595.25
5	Average GFA	590.41	594.75	595.00
6	Less: Average Grants	4.32	8.65	8.65
7	Net Assets	586.08	586.10	586.35
8	70% Debt component	410.26	410.27	410.45
9	30% Equity	175.82	175.83	175.91
10	Return on Equity @ 14%	24.62	24.62	24.63

The Commission approves Return on Equity of Rs.24.63 Crore for NUHEP for the period FY 2025-26.

4.5. Interest on Loan (IoL)

Petitioner's Submission

- 4.5.1. MePGCL has adopted the methodology for computation of the ARR components as approved by the Commission in the True-Up Order for FY 2022-23. The closing loan balance for FY 2023-24 is considered as the opening loan for FY 2024-25, with additions aligned to the approved funding pattern.
- 4.5.2. Since the actual weighted average rate of interest will be available at the time of True-Up, the Petitioner has considered the rate of FY 2023-24 for FY 2024-

25 and FY 2025-26. MePGCL has requested the Commission to allow claiming the actual rate during the True-Up process for FY 2025-26.

- 4.5.3. The detailed calculation of the interest on loan as proposed the Petitioner is tabulated below.

Table 37 : Interest on Loan for NUHEP claimed for FY 2025-26 (Rs. Cr.)

Sl. No	Particulars	True Up FY 2022-23 (Allowed)	True Up FY 2023-24 (Claimed)	FY 2024-25	FY 2025-26
1	Opening Loan	279.85	254.19	227.74	202.08
2	Addition of Loan	0.02	0.05	0.00	0.35
3	Repayment of Loan	25.68	26.50	25.66	25.67
4	Closing Loan	254.19	227.74	202.08	176.76
5	Average Loan	267.02	240.97	214.91	189.42
6	Weighted Average Rate of Interest	11.31%	10.38%	10.38%	10.38%
7	Interest on Loan	30.19	24.97	22.30	19.65

MePGCL has requested the Commission to approve the Interest on loan of Rs 19.65 Cr. for NUHEP project for FY 2025-26.

Commission's Analysis

- 4.5.4. The Commission has allowed the interest on loans by considering the closing loan balance from the approved true-up order for FY 2023-24 as the opening loan balance for FY 2024-25 and subsequent addition as per table "Approved Grants and funding pattern for NUHEP for FY 2025-26 (Rs. Cr.)" above till FY 2025-26 as mentioned under the current year debt addition for the additional capitalization for respective years.
- 4.5.5. Loan repayment value has been considered as per minimum of approved depreciation or the sum of opening loan and loan addition for the respective year. Interest rate have been provisionally considered equal to those approved by the Commission in the true-up for FY 2023-24 since, the actual weighted average rate will be determined based on actuals rates at the time of True-Up for each year, in line with the Commission's principle as followed in the prior true-up orders.
- 4.5.6. The calculation of Interest on loan, as considered by the Commission is tabulated below:

Table 38: Approved Interest on Loan for NUHEP for FY 2025-26 (Rs. Cr.)

Sl. No	Particulars	FY 2023-24	FY 2024-25	FY 2025-26
1	Normative Opening Loan	254.19	228.54	202.83
2	Addition to Loan	0.03	-	0.35
3	Repayment	25.69	25.70	25.72

Sl. No	Particulars	FY 2023-24	FY 2024-25	FY 2025-26
4	Closing Loan	228.54	202.83	177.47
5	Average Loan	241.36	215.68	190.15
6	Weighted Average Rate of Interest (WAROI)	10.38%	10.38%	10.38%
7	Interest on Loan	25.04	22.38	19.73

The Commission approves Interest on Loan of Rs. 19.73 Crore for NUHEP for the period FY 2025-26.

4.6. O&M Expenses

Petitioner's Submission

- 4.6.1. MePGCL has not sought for any revision in O&M expenses for the period FY 2025-26, accordingly the O&M expenses approved by the Commission in the Order dated 24.10.2024 in Case No. 30 of 2023 have been proposed by the Petitioner.

Respondents' submission in this regard:

- 4.6.2. BIA has argued that any revision in O&M expenses should be based on the true-up of FY 2023-24 and the Petitioner should apply the escalation rate of 5.77% per annum thereon.

MePGCL's Response to Respondent's submissions:

- 4.6.3. The Petitioner has replied that they have already provided detailed responses to the queries raised by the Commission & the Respondents w.r.t the True Up petition and has prayed for consideration of the same as responses to the contentions or objections raised by BIA w.r.t calculation of O&M expenses.

Commission's Analysis

- 4.6.4. The Commission has allowed operation and maintenance for NUHEP as per Regulation 56 of MSERC Tariff Regulations, 2014 provides for Operation and Maintenance Expenses and is reproduced as under:

"56 (7) "In case of hydro generating stations declared under commercial operation on or after 01/04/2009, O&M expenses shall be fixed at 2% of the original project cost (excluding cost of rehabilitation and resettlement works) and shall be subject to annual escalation at 5.72% for the subsequent years."

- 4.6.5. The Commission has approved the Operation and Maintenance (O&M) expenses for FY 2023-24 in accordance with the applicable regulations and have been escalated at an annual rate of 5.72% to determine the O&M expenses for FY 2025-26. The details of the O&M expenses as computed by the Commission are presented in the table below:

Table 39: Approved O&M Expenses for NUHEP for FY 2025-26 (Rs. Cr.)

Sl. No.	Particulars	FY 2023-24	FY 2024-25	FY 2025-26
1	Operation and Maintenance	14.21	15.02	15.88

The Commission approves O&M expenses for NUHEP at Rs. 15.88 Crore for the period FY 2025-26.

4.7. Interest on Working Capital (IoWC)

Petitioner's Submission

4.7.1. As per Regulation 34.1(iii) of 2014 Tariff Regulations:

*"In case of hydro power generating stations, working capital shall cover:
Operation and maintenance expenses for one (1) month;
Maintenance spares at the rate of 15% of O & M expenses escalated at 6% from the date of commercial operation; and
Receivables equivalent to two (2) month of fixed cost:
Provided that in case of own generating stations, no amount shall be allowed towards receivables, to the extent of supply of power by the Generation Business to the Retail Supply Business, in the computation of working capital in accordance with these Regulations. "*

4.7.2. The SBI Advance Rate as on 01.04.2023 comes out to be Rs. 14.85%. Accordingly, the Petitioner has considered the same for the calculation of interest on working capital as tabulated below:

Table 40: Interest on Working Capital for NUHEP for FY 2025-26 (Rs. Cr.)

Sl. No	Particulars	FY 2025-26
1	O&M Expenses	1.43
2	Maintenance Spares	2.88
3	Receivables	15.16
4	Total Working Capital	19.47
5	Rate of Interest	14.85%
6	Interest on Working Capital	2.89

Respondents' submission in this regard:

4.7.3. BIA point out an error in the calculation of one-month O&M expenses for working capital, showing a variance between their figures and the Petitioner's. Based on revised figures, BIA recalculates the IoWC for FY 2025-26 and suggests adjusting it in line with any revisions to O&M expenses and ARR.

MePGCL's Response to Respondent's submissions:

- 4.7.4. The Petitioner has acknowledged the objection and has submitted that the observations from the BIA may be accepted; however, this is subject to the outcome of the review petition filed by the Petitioner.

Commission's Analysis

- 4.7.5. As per Regulation 34.1 (iii) of the MSERC (Multi Year Tariff) Regulations, 2014, the components of working capital will be:

"34 Interest on Working Capital

34.1(iii) In case of hydro power generating stations, working capital shall cover:

Operation and maintenance expenses for one (1) month;

Maintenance spares at the rate of 15% of O & M expenses escalated at 6% from the date of commercial operation; and

Receivables equivalent to two (2) month of fixed cost:

Provided that in case of own generating stations, no amount shall be allowed towards receivables, to the extent of supply of power by the Generation Business to the Retail Supply Business, in the computation of working capital in accordance with these Regulations."

- 4.7.6. The Commission has allowed the Interest on Working Capital (IoWC) as per Regulation 34.1 (iii) of the MSERC (Multi Year Tariff) Regulations, 2014. The rate of interest is considered as per SBI Advance Rate as on 01.04.2023. Accordingly, the Commission has considered the IoWC as depicted in the table below for FY 2025-26.

Table 41: Approved Interest on Working Capital for NUHEP for FY 2025-26 (Rs. Cr.)

Sl. No	Particulars	FY 2025-26
1	O&M Expenses	1.32
2	Maintenance Spares	2.52
3	Receivables	14.79
4	Total Working Capital	18.63
5	Rate of Interest	14.85%
6	Interest on Working Capital	2.77

The Commission approves Interest on Working Capital (IoWC) of Rs. 2.77 Crore for NUHEP for the period FY 2025-26.

4.8. Summary of ARR

Petitioner's Submission

- 4.8.1. The summary of ARR as submitted by the Petitioner for FY 2025-26 for NUHEP is as shown below.

Table 42: Summary of claimed ARR for NUHEP for FY 2025-26 (Rs. Cr.)

S No	Particular	Allowed by Commission in Tariff Order	Revised ARR for FY 2025-26
1	Depreciation	25.69	25.67
2	Return on Equity	24.63	24.59
3	O&M Expenses	15.88	18.13
4	Interest and Finance Charges	21.50	19.65
5	Interest on Working Capital	2.81	2.89
6	SLDC Charges	0.00	0.00
7	Prior Period Expenses	0.00	0.00
	Total AFC	90.51	90.93
8	Less Non- Tariff Income	0.00	0.00
	Net AFC	90.51	90.93
9	Add Gap for True UP FY 2023-24		262.42
10	Gross ARR for FY 2025-26	90.51	353.36

MePGCL has requested the Commission to approve the ARR of Rs 353.36 Cr. for NUHEP for the period FY 2025-26.

Commission's Analysis

4.8.2. The summary of ARR as approved by the Commission for FY 2025-26 for NUHEP is as shown below.

Table 43: Summary of approved ARR for NUHEP for FY 2025-26 (Rs. Cr.)

Sl. No	Particulars	FY 2025-26
1	Depreciation	25.72
2	Return on Equity	24.63
3	Operation and Maintenance	15.88
4	Interest and Finance Charges	19.73
5	Interest on Working Capital	2.77
6	Gross ARR	88.72
7	Non-Tariff Income	0.00
8	Net ARR	88.72
9	Add: Gap/(Surplus) approved in FY 2023-24	262.40
10	ARR after adjustment of Gaps	351.12

The Commission approves ARR for NUHEP of Rs. 351.12 Crore for the period FY 2025-26.

5. Determination of revised Aggregate Revenue Requirement for FY 2025-26 for Lakroh MHP

5.1. Gross Fixed Assets (GFA) and Capitalization

Petitioner's Submission

- 5.1.1. The Petitioner has considered the closing GFA of FY 2023-24 as the opening GFA for FY 2024-25. Additionally, the subsequent addition has been considered by the Petitioner as per the approved business plan for fourth control period
- 5.1.2. The movement of GFA during FY 2025-26 as submitted by the Petitioner period is detailed in the table below.

Table 44: GFA for Lakroh Mini HEP claimed for FY 2025-26 (Rs. Cr.)

Sl. No	Particulars	FY 2022-23 (Approved)	FY 2023-24	FY 2024-25	FY 2025-26
1	Opening GFA	22.68	22.74	22.87	23.47
2	Net Additional Capitalization	0.05	0.13	0.60	1.14
3	Closing GFA	22.74	22.87	23.47	24.61

Respondents' submission in this regard

- 5.1.3. BIA has argued that the closing Gross Fixed Asset (GFA) for FY 2023-24 is still pending approval by the Commission and that the Petitioner's revised ARR should only be approved subject to the true-up of expenses, considering BIA's submissions and objections on the matter.

MePGCL's Response to Respondent:

- 5.1.4. The Petitioner has submitted that detailed justifications for the additional capitalization claimed for FY 2023-24, along with the funding pattern, have already been provided to the Commission and addressed in the true-up sections of the Petition.

Commission's Analysis

- 5.1.5. The Closing GFA approved in the true-up order for FY 2023-24 has been considered as the opening balance for FY 2024-25. This approach is consistently applied till FY 2025-26.
- 5.1.6. It is observed that the Petitioner has claimed the additional capitalisation as outlined in the MYT order for generation business dated 24.10.2024. For projection purposes, the addition to the GFA for FY 2025-26 has been approved as per claim.
- 5.1.7. Accordingly, the Commission has approved the GFA for FY 2025-26 as follows:

Table 45: Approved GFA for Lakroh Mini HEP for FY 2025-26 (Rs. Cr.)

Sl. No	Particulars	FY 2023-24	FY 2024-25	FY 2025-26
1	Opening GFA	22.73	22.86	23.46
2	Net Additional Capitalization	0.13	0.60	1.14
3	Closing GFA	22.86	23.46	24.60

The Commission approves GFA at Rs. 24.60 Crore for Lakroh MHP for the period FY 2025-26.

5.2. Grants and Funding Pattern

Petitioner's Submission

- 5.2.1. The Petitioner has stated that the funding pattern for capitalization, as accounted for in the submitted petition, aligns with the approved Business Plan for the fourth control period.
- 5.2.2. Accordingly, the movement of grants in fourth control period for Lakroh Mini HEP as proposed by the Petitioner has been tabulated below:

Table 46: Movement of Grants claimed for Lakroh MHP (Rs. Cr.)

S No.	Funding Pattern	True Up of FY 2022-23 Approved	True Up of FY 2023-24 Claimed	FY 2024-25	FY 2025-26
1	Opening GFA	22.68	22.73	22.86	23.46
2	Addition of GFA	0.05	0.13	0.60	1.14
3	Retirement of GFA	0	0	0.00	0.00
4	Closing GFA	22.73	22.86	23.46	24.60
5	Average GFA	22.705	22.79	23.16	24.03
6	Opening Grant	11.75	11.75	11.75	11.75
7	Add Cap Funded through Grant	0.00	0.00	0.00	0.00
8	Closing Grant	11.75	11.75	11.75	11.75
9	Average Grants	11.75	11.75	11.75	11.75
10	Addition of Fresh Loan for CY Add Cap	0.035	0.09	0.42	0.80
11	Addition of Fresh Equity for CY Add- Cap	0.015	0.04	0.18	0.34

Respondents' submission in this regard

- 5.2.3. BIA has contended that the Petitioner's proposed capital structure is based on the movement of grants as per the funding pattern approved in the Business Plan for the fourth Control Period. However, since the claimed capital structure

for FY 2023-24 is still pending approval by the Commission, the revised ARR should only be allowed subject to the true-up of expenses after considering BIA's objections.

MePGCL's Response to Respondent:

5.2.4. The Petitioner has submitted that BIA's concerns primarily relate to the grants and funding pattern for the additional capital expenditure of FY 2023-24. The Petitioner has replied that they have already provided detailed responses to the queries raised by the Commission & the Respondents w.r.t the True Up petition and has prayed for consideration of the same as responses to the contentions or objections raised by BIA w.r.t movement of grants.

Commission's Analysis

5.2.5. The Commission has noted the Respondent's suggestion and MePGCL's response to the same which is observed to be consistent for all stations of MePGCL, i.e. MLHEP, NUHEP, Lakroh, old stations including Sonapani.

5.2.6. As per grant adjustment outlined in para 3.2.6 above, the Commission has approved the grant for Lakroh MHP as tabulated below:

Table 47 : Approved Grants and funding pattern for Lakroh Mini HEP for FY 2025-26 (Rs. Cr.)

Sl. No.	Particulars	True-up of FY 2023-24 (Approved)	FY 2024-25	FY 2025-26
1	Opening GFA	22.73	22.86	23.46
2	Addition of GFA	0.13	0.60	1.14
3	Deletion of GFA	0.00	0.00	0.00
4	Closing GFA	22.86	23.46	24.60
5	Average GFA	22.79	23.16	24.03
6	Opening Grant	11.75	11.75	11.75
7	Add-cap funded through grant	-	-	-
8	Closing Grant	11.75	11.75	11.75
9	Average Grant	11.75	11.75	11.75
11	Addition of fresh equity for current year add-cap	0.09	0.42	0.80
12	Addition of fresh loan for current year add-cap	0.04	0.18	0.34

The Commission approves the average grant of Rs. 11.75 Crore for Lakroh Mini HP for the period FY 2025-26.

5.3. Depreciation

Petitioner's Submission

5.3.1. The Petitioner has considered the calculation of Depreciation based on the average Gross Fixed Assets (GFA) and the GFA movement as considered in the

GFA table “GFA for Lakroh Mini HEP claimed for FY 2025-26 (Rs. Cr.)” above . Additionally, asset-wise additions, as approved by the Commission in the MYT Order for the fourth control period, have also been taken into account by the Petitioner, for the computation of depreciation.

5.3.2. The detailed calculation of depreciation as shared by the Petitioner, is presented below.

Table 48: Depreciation for Lakroh Mini HEP claimed for FY 2025-26 (Rs. Cr.)

Sl. No.	Particular	Opening GFA of 2025-26	Addition	Deletion	Asset value at the end of the year	Average Assets	90% of the Assets	Dep Rate	Depreciation
1	Land	0.00	0.00	0.00	0.00	0.00	0.00	0.00%	-
2	Buildings	2.46	0.00	0.00	2.46072	2.46	2.21	3.34%	0.07
3	Hydraulic Works	9.37	0.00	0.00	9.37	9.37	8.43	5.28%	0.45
4	Other Civil Works	2.19	0.00	0.00	2.18665	2.19	1.97	3.34%	0.07
5	Plant & Machinery	7.89	1.14	0.00	9.03	8.46	7.61	5.28%	0.40
6	Lines & cables	1.54	0.00	0.00	1.53782	1.54	1.38	5.28%	0.07
7	Vehicles	0.00	0.00	0.00	0.00	0.00	0.00	9.50%	0.00
8	Furniture	0.01	0.00	0.00	0.01	0.01	0.01	6.33%	0.00
9	Office Equipment	0.01	0.00	0.00	0.01119	0.01	0.01	6.33%	0.00
	Total	23.47	1.14	0.00	24.61	24.04	21.63		1.06
	Weighted Average Rate of Depreciation								4.91%
	90% of Average Grants in GFA								11.75
	Depreciation on Average Grants								0.58
	Net Depreciation								0.48

MePGCL has requested the Commission to approve the net Depreciation of Rs 0.48 Cr. for the period FY 2025-26.

Respondents’ submission in this regard

5.3.3. BIA has objected that the Petitioner has computed the Depreciation on the average GFA taking the GFA movement as proposed in the Petition and further that the asset-wise addition as approved by this Commission has been considered for the computation. BIA has claimed that the Petitioner has understated the Depreciation amount because of an incorrect approach to accounting for grants. The Petitioner has not properly considered 90% of the

average grant on GFA (Gross Fixed Assets) for all plants except for the old plant. Instead, the Petitioner has considered the total average grant on GFA, leading to an understated Depreciation figure.

MePGCL's Response to Respondent:

- 5.3.4. The Petitioner has replied that they have already provided detailed responses to the queries raised by the Commission & the Respondents w.r.t the True Up petition and has prayed for consideration of the same as responses to the contentions or objections raised by BIA w.r.t calculation of Depreciation.

Commission's Analysis

- 5.3.5. In line with Regulation 33.1 of the MSERC (Multi Year Tariff) Regulations, 2014, the Commission has prudently deducted consumer contributions, capital subsidies, and grants from the GFA before calculating depreciation. The relevant portion of the regulation, which guides this approach, is as follows:

"33.1 For the purpose of tariff determination, depreciation shall be computed in the following manner:

The asset value for the purpose of depreciation shall be the historical cost of the assets as approved by the Commission where:

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

The salvage value of the assets shall be considered at 10% and depreciation shall be allowed up to maximum of 90 % of the capital cost of the asset.

Depreciation shall be calculated annually as per straight-line method at the rates specified in CERC (Terms and Conditions of Tariff) Regulations, 2009 as may be amended from time to time."

- 5.3.6. The Commission noted that while computing the average rate of Depreciation, MePGCL has considered the average Gross Fixed Assets (GFA) instead of 90% of the GFA excluding the value of land, as mandated by the MSERC (Multi Year Tariff) Regulations, 2014. The Commission has computed the allowable Depreciation based on the methodology outlined in the relevant provisions, applying a reduction to account for 90% of the grant considered for Lakroh Mini HP, as detailed in table "Approved Grants and funding pattern for Lakroh Mini HEP for FY 2025-26 (Rs. Cr.)" above. The weighted average rate of depreciation as calculated by the Commission is 4.91% for FY 2025-26.
- 5.3.7. Accordingly, the depreciation approved by the Commission for FY 2025-26 are as follows:

Table 49: Approved Depreciation for Lakroh Mini HEP for FY 2025-26 (Rs. Cr.)

Sl. No	Particulars	Value of Assets at the beginning of the year	Additions during the year	Asset Value at the end of the year	Average Assets	90% of the Assets	Dep. Rate (%)	Depreciation
1	Land	0.00	0.00	0.00	0.00	0.00	0.00%	0.00
2	Buildings	2.46	0.00	2.46	2.46	2.21	3.34%	0.07
3	Hydraulic Works	9.37	0.00	9.37	9.37	8.43	5.28%	0.45
4	Other Civil Works	2.18	0.00	2.18	2.18	1.96	3.34%	0.07
5	Plant & Machinery	7.29	1.14	8.43	7.86	7.07	5.28%	0.37
6	Lines & cables	2.14	0.00	2.14	2.14	1.92	5.28%	0.10
7	Vehicles	0.00	0.00	0.00	0.00	0.00	9.50%	0.00
8	Furniture	0.01	0.00	0.01	0.01	0.01	6.33%	0.00
9	Office Equipment	0.01	0.00	0.01	0.01	0.01	6.33%	0.00
10	Total	23.46	1.14	24.60	24.03	21.62		1.06
11	Average rate of depreciation (1.06/21.62) *100							4.91%
12	90% of Avg. Grants					10.58		
13	Less: Depreciation on Grants							0.52
14	Net Depreciation for True up (sl. no 10-13)							0.54

The Commission approves Depreciation at Rs.0.54 Crore for Lakroh Mini HEP for the period FY 2025-26.

5.4. Return on Equity (RoE)

Petitioner's Submission

5.4.1. The Petitioner has taken the closing equity of FY 2023-24 as the opening equity for FY 2024-25. Additionally, the Petitioner has considered the additions to equity in accordance with the funding pattern of the capitalization submitted by the Petitioner.

5.4.2. Accordingly, the Return on Equity (RoE) as calculated by the Petitioner is presented in the table below.

Table 50: Return on Equity claimed for Lakroh Mini HEP for FY 2025-26 (Rs. Cr.)

S No	Particular	True Up FY 2022-23 (Approved)	True Up of FY 2023-24 (Claimed)	FY 2024-25	FY 2025-26
1	Opening GFA	22.68	22.73	22.86	23.46
2	Addition to GFA	0.05	0.13	0.60	1.14
3	Retirement	0.00	0.00	0.00	0.00
4	Closing GFA	22.73	22.86	23.46	24.60
5	Average GFA	22.71	22.79	23.16	24.03

S No	Particular	True Up FY 2022-23 (Approved)	True Up of FY 2023-24 (Claimed)	FY 2024-25	FY 2025-26
6	Less Average Grants	11.75	11.75	11.75	11.75
7	Net Average GFA (not funded through grants)	10.96	11.04	11.41	12.28
8	70% of the Debt Components	7.67	7.73	7.98	8.59
9	30% of the Equity Component	3.29	3.31	3.42	3.68
10	Rate of Return on Equity	14%	14%	14%	14%
11	Return on Equity	0.46	0.46	0.48	0.52

MePGCL has requested the Commission to approve the Return on Equity of Rs 0.52 Cr. for Lakroh Mini HEP for the period FY2025-26.

Commission's Analysis

- 5.4.3. The Return on Equity shall be computed as per Regulation 31 read with Regulation 27 of MSERC (Multi Year Tariff) Regulations, 2014. The relevant Regulations is reproduced as under.

"31 Return on Equity

31.1 Return on equity shall be computed on the equity base determined in accordance with regulation 27 and shall not exceed 14%.

Provided any grant obtained for execution of the project shall not be considered as a part of capital structure for the purpose of debt-equity ratio."

- 5.4.4. The Commission has allowed Return on Equity (RoE) at 14% on the normative equity, calculated based on the approved average GFA by considering opening GFA as approved in True-up order for FY 2023-24. This approach is consistently applied in FY 2025-26 excluding the average grants and contributions as outlined in table "*Approved Grants and funding pattern for Lakroh Mini HEP for FY 2025-26 (Rs. Cr.)*" above.
- 5.4.5. The approved equity and RoE for Lakroh Mini HP as approved by the Commission for FY 2025-26 are as follows:

Table 51: Approved Return on Equity for Lakroh Mini HEP for FY 2025-26 (Rs. Cr.)

Sl. No.	Particulars	FY 2023-24	FY 2024-25	FY 2025-26
1	Opening GFA	22.73	22.86	23.46
2	Addition	0.13	0.60	1.14
3	Retirements	0.00	0.00	0.00
4	Closing GFA	22.86	23.46	24.60
5	Average GFA	22.79	23.16	24.03
6	Less: Average Grants	11.75	11.75	11.75
7	Net Assets	11.04	11.41	12.28
8	70% Debt component	7.73	7.98	8.59
9	30% Equity	3.31	3.42	3.68
10	Return on Equity @ 14%	0.46	0.48	0.52

The Commission approves Return on Equity of Rs. 0.52 Crore for Lakroh MHP for the period FY 2025-26.

5.5. Interest on Loan (IoL)

Petitioner's Submission

- 5.5.1. MePGCL has adopted the methodology for computation of the ARR components as approved by the Commission in the True-Up Order for FY 2022-23. The closing loan balance for FY 2023-24 is considered the opening loan for FY 2024-25, with additions aligned to the approved funding pattern.
- 5.5.2. Since the actual weighted average rate of interest will be available at the time of True-Up, the Petitioner has considered the rate of FY 2023-24 for FY 2024-25 and FY 2025-26. MePGCL has requested the Commission to allow claiming the actual rate during the True-Up process for FY 2025-26.
- 5.5.3. The calculation of interest on loan as represented by the Petitioner is presented below.

Table 52: Interest on Loan for Lakroh Mini HEP claimed for FY 2025-26 (Rs. Cr.)

Sl. no	Particulars	True Up FY 2022-23 (Allowed)	True Up FY 2023-24 (Claimed)	FY 2024-25	FY 2025-26
1	Opening Loan	4.55	3.58	3.13	3.11
2	Addition of Loan	0.03	0.09	0.42	0.80
3	Repayment of Loan	1.00	0.54	0.45	0.48
4	Closing Loan	3.58	3.13	3.11	3.42
5	Average Loan	4.07	3.36	3.12	3.26
6	Weighted Average Rate of Interest	10.18%	9.99%	9.99%	9.99%
7	Interest on Loan	0.41	0.34	0.31	0.33

MePGCL has requested the Commission to approve the Interest on loan of Rs 0.33 Cr for Lakroh Mini HEP project for the period FY2025-26

Commission's Analysis

- 5.5.4. The Commission has allowed the interest on loans by considering the closing loan balance from the approved true-up order for FY 2023-24 as the opening loan balance for FY 2024-25 and subsequent addition as per table "Approved Grants and funding pattern for Lakroh Mini HEP for FY 2025-26 (Rs. Cr.)" above till FY 2025-26 as mentioned under the current year debt addition for the additional capitalization for respective years.
- 5.5.5. Loan repayment value has been considered as per minimum of approved depreciation or the sum of opening loan and loan addition for the respective year. Interest rate have been provisionally considered equal to those approved

by the Commission in the true-up for FY 2023-24 since, the actual weighted average rate will be determined based on actuals rates at the time of True-Up for each year, in line with the Commission's principle as followed in the prior true-up orders.

- 5.5.6. The calculation of Interest on loan as approved by the Commission is tabulated below:

Table 53: Approved Interest on Loan for Lakroh Mini HEP for FY 2025-26 (Rs. Cr.)

Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26
1	Normative Opening Loan	3.58	3.18	3.10
2	Addition to Loan	0.09	0.42	0.80
3	Repayment	0.49	0.50	0.54
4	Closing Loan	3.18	3.10	3.36
5	Average Loan	3.38	3.14	3.23
6	Weighted Average Rate of Interest (WAROI)	9.99%	9.99%	9.99%
7	Interest on Loan	0.34	0.31	0.32

The Commission approves Interest and Loan of Rs. 0.32 Crore for Lakroh MHP for the period FY 2025-26.

5.6. O&M Expenses

Petitioner's Submission

- 5.6.1. MePGCL has not sought for any revision in O&M expenses for the period FY 2025-26, accordingly the O&M expenses approved by the Commission in the Order dated 24.10.2024 in Case No. 30 of 2023 have been proposed by the Petitioner.

Respondents' submission in this regard:

- 5.6.2. BIA has argued that any revision in O&M expenses should be based on the true-up of FY 2023-24 and the Petitioner should apply the escalation rate of 5.77% per annum thereon.

MePGCL's Response to Respondent's submissions:

- 5.6.3. The Petitioner has replied that they have already provided detailed responses to the queries raised by the Commission & the Respondents w.r.t the True Up petition and has prayed for consideration of the same as responses to the contentions or objections raised by BIA w.r.t calculation of O&M expenses.

Commission's Analysis

- 5.6.4. The Commission has allowed operation and maintenance for Lakroh MHP as per Regulation 56 of MSERC Tariff Regulations, 2014 provides for Operation and Maintenance Expenses and is reproduced as under:

“56 (7) “In case of hydro generating stations declared under commercial operation on or after 01/04/2009, O&M expenses shall be fixed at 2% of the original project cost (excluding cost of rehabilitation and resettlement works) and shall be subject to annual escalation at 5.72% for the subsequent years.”

- 5.6.5. The Commission has approved the Operation and Maintenance (O&M) expenses for FY 2023-24 in accordance with the applicable regulations and have been escalated at an annual rate of 5.72% to determine the O&M expenses for FY 2025-26. The details of the O&M expenses are presented in the table below:

Table 54: O&M Expenses for Lakroh Mini HEP for FY 2025-26 (Rs. Cr.)

Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26
1	Operation and Maintenance	0.54	0.57	0.60

The Commission approves O&M expenses for Lakroh Mini HP at Rs. 0.60 for the period FY 2025-26.

5.7. Interest on Working Capital (IoWC)

Petitioner’s Submission

- 5.7.1. As per Regulation 34.1(iii) of 2014 Tariff Regulations:

*“In case of hydro power generating stations, working capital shall cover:
Operation and maintenance expenses for one (1) month;
Maintenance spares at the rate of 15% of O & M expenses escalated at 6% from the date of commercial operation; and
Receivables equivalent to two (2) month of fixed cost:
Provided that in case of own generating stations, no amount shall be allowed towards receivables, to the extent of supply of power by the Generation Business to the Retail Supply Business, in the computation of working capital in accordance with these Regulations. “*

- 5.7.2. The SBI Advance Rate as on 01.04.2023 comes out to be Rs. 14.85%. Accordingly, the calculation of interest on working capital is tabulated below:

Table 55: Interest on Working Capital for Lakroh Mini HEP for FY 2025-26 (Rs. Cr.)

Sl. no	Particulars	FY 2025-26
1	O&M Expenses	0.05
2	Maintenance Spares	0.10
3	Receivables	0.34

4	Total Working Capital	0.50
5	Rate of Interest	14.85%
6	Interest on Working Capital	0.07

Respondents' submission in this regard:

- 5.7.3. BIA pointed out an error in the calculation of one-month O&M expenses for working capital, showing a variance between their figures and the Petitioner's. Based on revised figures, BIA recalculates the IoWC for FY 2025-26 and suggests adjusting it in line with any revisions to O&M expenses and ARR.

MePGCL's Response to Respondent's submissions:

- 5.7.4. The Petitioner has acknowledged the objection and has submitted that the observations from the BIA may be accepted; however, this is subject to the outcome of the review petition filed by the Petitioner.

Commission's Analysis

- 5.7.5. As per Regulation 34.1 (iii) of the MSERC (Multi Year Tariff) Regulations, 2014, the components of working capital will be:

*"34 Interest on Working Capital
34.1(iii) In case of hydro power generating stations, working capital shall cover:
Operation and maintenance expenses for one (1) month;
Maintenance spares at the rate of 15% of O & M expenses escalated at 6% from the date of commercial operation; and
Receivables equivalent to two (2) month of fixed cost:
Provided that in case of own generating stations, no amount shall be allowed towards receivables, to the extent of supply of power by the Generation Business to the Retail Supply Business, in the computation of working capital in accordance with these Regulations."*

- 5.7.6. The Commission has allowed the Interest on Working Capital (IoWC) as per Regulation 34.1 (iii) of the MSERC (Multi Year Tariff) Regulations, 2014. The rate of interest is considered as per SBI Advanced rate as on 01.04.2023. Accordingly, the Commission considers IoWC as depicted in the table below for FY 2025-26.

Table 56: Interest on Working Capital for Lakroh Mini HEP for FY 2025-26 (Rs. Cr.)

Sl. no	Particulars	FY 2025-26
1	O&M Expenses	0.05
2	Maintenance Spares	0.10
3	Receivables	0.34
4	Total Working Capital	0.49
5	Rate of Interest	14.85%
6	Interest on Working Capital	0.07

The Commission approves Interest on Working Capital (IoWC) of Rs. 0.07 Crore for Lakroh MHP for the period FY 2025-26.

**5.8. Summary of ARR
Petitioner's Submission**

5.8.1. The summary of ARR as submitted by the Petitioner for FY 2025-26 for Lakroh Mini HEP is as shown below.

Table 57: Summary of claimed ARR for Lakroh Mini HEP for FY 2025-26 (Rs. Cr.)

S No	Particular	Allowed by Commission in Tariff Order	Revised ARR for FY 2025-26
1	Depreciation	0.54	0.48
2	Return on Equity	0.51	0.52
3	O&M Expenses	0.60	0.60
4	Interest and Finance Charges	0.32	0.33
5	Interest on Working Capital	0.07	0.07
6	SLDC Charges	0.00	0.00
7	Prior Period Expenses	0.00	0.00
	Total AFC	2.04	2.00
8	Less Non- Tariff Income	0.00	0.00
	Net AFC	2.04	2.00
9	Add Gap for True UP FY 2023-24		3.29
10	Gross ARR for FY 2025-26	2.04	5.29

MePGCL has requested the Commission to approve the ARR of Rs. 5.29 Cr. for Lakroh MHP for the period FY 2025-26.

Commission's Analysis

5.8.2. The summary of ARR as approved by the Commission for FY 2025-26 for Lakroh Mini HEP is as shown below:

Table 58: Summary of approved ARR for Lakroh Mini HP for FY 2025-26 (Rs. Cr.)

Sl. No	Particulars	FY 2025-26
1	Depreciation	0.54
2	Return on Equity	0.52
3	Operation and Maintenance	0.60
4	Interest and Finance Charges	0.32
5	Interest on Working Capital	0.07
6	Gross ARR	2.05
7	Non-Tariff Income	0.00
8	Net ARR	2.05
9	Add: Gap/(Surplus)	3.18

	approved in FY 2023-24	
10	ARR after adjustment of Gaps	5.23

The Commission approves ARR for Lakroh Mini HP of Rs. 5.23 Crore for the period FY 2025-26.

6. Determination of revised Aggregate Revenue Requirement for FY 2025-26 for Old Stations (including Sonapani)

6.1. Gross Fixed Assets (GFA) and Capitalization

Petitioner's Submission

- 6.1.1. The Petitioner has considered the closing GFA of FY 2023-24 as the opening GFA as on 01.04.2024. Additionally, the subsequent addition has been considered by the Petitioner as per the approved business plan for fourth control period.
- 6.1.2. The movement of GFA during FY 2025-26 as proposed by the Petitioner is detailed in the table below.

Table 59: Claimed GFA for Old Stations including Sonapani for FY 2025-26 (Rs. Cr.)

Sl. No.	GFA	FY 2022-23 Approved	FY 2023-24 True Up	FY 2024-25 Revised	FY 2025-26 Revised
1	Opening GFA	50.46	51.74	75.18	75.18
2	Addition	1.3	23.44	0.00	0.00
3	Deletion	0.02	0	0.00	0.00
4	Closing GFA	51.74	75.18	75.18	75.18

Respondents' submission in this regard

- 6.1.3. BIA has argued that the closing Gross Fixed Asset (GFA) for FY 2023-24 is still pending approval by the Commission and that the Petitioner's revised ARR should only be approved subject to the true-up of expenses, considering BIA's submissions and objections on the matter.

MePGCL's Response to Respondent:

- 6.1.4. The Petitioner has submitted that detailed justifications for the additional capitalization claimed for FY 2023-24, along with the funding pattern, have already been provided to the Commission and addressed in the true-up sections of the Petition.

Commission's Analysis

- 6.1.5. The Closing GFA approved in the true-up order for FY 2023-24 has been considered as the opening balance for FY 2024-25. This approach is consistently applied till FY 2025-26.
- 6.1.6. It is observed that the petitioner has claimed the additional capitalisation as outlined in the MYT order for generation business dated 24.10.2024. For

projection purposes, the addition to the GFA for FY 2025-26 has been approved as per claimed.

- 6.1.7. Accordingly, the GFA for FY 2025-26, as approved by the Commission is tabulated below:

Table 60: Approved GFA for Old Stations including Sonapani for FY 2025-26 (Rs. Cr.)

Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26
1	Opening GFA	51.74	75.06	75.06
2	Addition	23.44	0.00	0.00
3	Deletion	0.12	0.00	0.00
4	Closing GFA	75.06	75.06	75.06

The Commission approves GFA at Rs. 75.06 Crore for Old Station including Sonapani for the period FY 2025-26.

6.2. Grants and Funding Pattern

Petitioner's Submission

- 6.2.1. The Petitioner has stated that the funding pattern for capitalization, as accounted for in the submitted petition, aligns with the approved Business Plan for the fourth control period.
- 6.2.2. Accordingly, the movement of grants as considered by the Petitioner for the period of FY 2025-26 for Old Station including Sonapani has been tabulated below:

Table 61: Movement of Grants claimed for Old stations including Sonapani (Rs. Cr.)

S No.	Funding Pattern	True Up of FY 2022-23 Approved	True Up of FY 2023-24 Claimed	FY 2024-25	FY 2025-26
1	Opening GFA	50.46	51.74	75.18	75.18
2	Addition of GFA	1.3	23.44	0.00	0.00
3	Retirement of GFA	0.02	0.12	0.00	0.00
4	Closing GFA	51.74	75.06	75.18	75.18
5	Average GFA	51.1	63.40	75.18	75.18
6	Opening Grant	22.46	22.46	43.16	43.16
7	Add Cap Funded through Grant	0.00	20.70	0.00	0.00
8	Closing Grant	22.46	43.16	43.16	43.16
9	Average Grants	22.46	32.81	43.16	43.16
10	Addition of Fresh Loan for CY Add Cap	0.896	1.83	0.00	0.00

S No.	Funding Pattern	True Up of FY 2022-23 Approved	True Up of FY 2023-24 Claimed	FY 2024-25	FY 2025-26
11	Addition of Fresh Equity for CY Add- Cap	0.384	0.78	0.00	0.00

Respondents' submission in this regard

6.2.3. BIA has contended that the Petitioner's proposed capital structure is based on the movement of grants as per the funding pattern approved in the Business Plan for the fourth Control Period. However, since the claimed capital structure for FY 2023-24 is still pending approval by the Commission, the revised ARR should only be allowed subject to the true-up of expenses after considering BIA's objections.

MePGCL's Response to Respondent:

6.2.4. The Petitioner has submitted that BIA's concerns primarily relate to the grants and funding pattern for the additional capital expenditure of FY 2023-24. The Petitioner has replied that they have already provided detailed responses to the queries raised by the Commission & the Respondents w.r.t the True Up petition.

Commission's Analysis

6.2.5. The Commission has noted the respondent's suggestion and MePGCL's response to the same which is observed to be consistent for all stations of MePGCL i.e., MLHEP, NUHEP, Lakroh, old stations including Sonapani.

6.2.6. As per grant adjustment outlined in para 3.2.6 above, the Commission approved grant for old stations including Sonapani as tabulated below:

Table 62: Approved Grants for Old Stations including Sonapani for FY 2025-26 (Rs. Cr.)

Sl. No.	Particulars	True-up of FY 2023-24 (Approved)	FY 2024-25	FY 2025-26
1	Opening GFA	51.74	75.06	75.06
2	Addition of GFA	23.44	0.00	0.00
3	Deletion of GFA	0.12	0.00	0.00
4	Closing GFA	75.06	75.06	75.06
5	Average GFA	63.40	75.06	75.06
6	Opening Grant	22.46	43.16	43.16
7	Add-cap funded through grant	20.70	0.00	0.00
8	Closing Grant	43.16	43.16	43.16
9	Average Grant	32.81	43.16	43.16
11	Addition of fresh equity for current year add-cap	1.83	0.00	0.00
12	Addition of fresh loan for	0.78	0.00	0.00

Sl. No.	Particulars	True-up of FY 2023-24 (Approved)	FY 2024-25	FY 2025-26
	current year add-cap			

The Commission approves the average grant of Rs. 43.16 Crore for Old Station including Sonapani for the period FY 2025-26.

6.3. Depreciation

Petitioner's Submission

- 6.3.1. The Petitioner has considered the calculation of Depreciation based on the average Gross Fixed Assets (GFA) and the GFA movement as considered in the GFA table "Claimed GFA for Old Stations including Sonapani for FY 2025-26 (Rs. Cr.)" above. Additionally, asset-wise additions, as approved by the Commission in the MYT Order for the fourth control period, have also been taken into account by the Petitioner, for the computation of depreciation.
- 6.3.2. The depreciation calculation as submitted by the Petitioner, is provided in the table below:

Table 63: Depreciation for Old Stations including Sonapani claimed for FY 2025-26 (Rs. Cr.)

S No	Particulars	True Up FY 2022-23 Approved	True Up FY 2023-24 Claimed	FY 2024-25	FY 2025-26
1	Opening GFA	50.46	51.74	75.06	75.06
2	Addition	1.30	23.44	0.00	0.00
3	Retirement	0.02	0.12	0.00	0.00
4	Closing GFA	51.74	75.06	75.06	75.06
5	Average GFA	51.10	63.40	75.06	75.06
6	90% of Average Assets	45.99	57.06	67.55	67.55
7	Depreciation @5.28%	2.43	3.01	3.57	3.57
8	90% of Average Grants	20.21	29.53	38.85	38.85
9	Less: Dep on Grants	1.07	1.56	2.05	2.05
10	Net Depreciation	1.36	1.46	1.52	1.52

MePGCL has requested the Commission to approve the net Depreciation of Rs. 1.52 Cr. for the period FY 2025-26.

Respondents' submission in this regard

- 6.3.3. BIA objected that the Petitioner has computed the Depreciation on the average GFA taking the GFA movement as proposed in the Petition and further that the asset-wise addition as approved by this Commission has been considered for

the computation. BIA has claimed that the Petitioner has understated the Depreciation amount because of an incorrect approach w.r.t accounting of grants. The Petitioner has not properly considered 90% of the average grant on GFA (Gross Fixed Assets) for all plants except for the old plant. Instead, the Petitioner has considered the total average grant on GFA, leading to an understated Depreciation figure.

MePGCL's Response to Respondent:

6.3.4. The Petitioner has replied that they have already provided detailed responses to the queries raised by the Commission & the Respondents w.r.t the True Up petition and has prayed for consideration of the same as responses to the contentions or objections raised by BIA w.r.t calculation of Depreciation.

Commission's Analysis

6.3.5. In line with Regulation 33.1 of the MSERC (Multi Year Tariff) Regulations, 2014, the Commission has prudently deducted consumer contributions, capital subsidies, and grants from the GFA before calculating depreciation. The relevant portion of the regulation, which guides this approach, is as follows:

"33.1 For the purpose of tariff determination, depreciation shall be computed in the following manner:

The asset value for the purpose of depreciation shall be the historical cost of the assets as approved by the Commission where:

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

The salvage value of the assets shall be considered at 10% and depreciation shall be allowed up to maximum of 90 % of the capital cost of the asset.

Depreciation shall be calculated annually as per straight-line method at the rates specified in CERC (Terms and Conditions of Tariff) Regulations, 2009 as may be amended from time to time."

6.3.6. The Commission has computed the allowable depreciation based on the methodology outlined in the relevant provisions, applying a reduction to account for 90% of the grant considered for Old Station including Sonapani as detailed in table "Approved Grants for Old Stations including Sonapani for FY 2025-26 (Rs. Cr.)" above. The weighted average rate of depreciation is 5.28% for FY 2025-26.

Table 64: Approved Depreciation for Old Stations including Sonapani for FY 2025-26 (Rs. Cr.)

Sl. No.	Particulars	Amount
1	Opening GFA	75.06
2	Addition	0.00

Sl. No.	Particulars	Amount
4	Closing GFA	75.06
5	Average GFA	75.06
6	90% of Average GFA	67.55
7	Rate of Depreciation	5.28%
8	Depreciation	3.57
9	90% of Average Grants in GFA	38.85
10	Depreciation on Grants	2.05
11	Net Depreciation	1.52

The Commission approves Depreciation at Rs. 1.52 Crore for Old Stations including Sonapani for the period FY 2025-26.

6.4. Return on Equity (RoE)

Petitioner's Submission

- 6.4.1. The Petitioner has taken the closing equity of FY 2023-24 as the opening equity for FY 2024-25. Additionally, the Petitioner has considered the additions to equity in accordance with the funding pattern of the capitalization submitted by the Petitioner.
- 6.4.2. Accordingly, the Return on Equity (RoE) as proposed by the Petitioner is presented in the table below:

Table 65: Return on Equity claimed for Old Stations including Sonapani for FY 2025-26 (Rs. Cr.)

S No	Particular	True Up FY 2022-23 (Approved)	True Up of FY 2023-24 (Claimed)	FY 2024-25	FY 2025-26
1	Opening GFA	50.46	51.74	75.18	75.18
2	Addition to GFA	1.30	23.44	0.00	0.00
3	Retirement	0.02	0.00	0.00	0.00
4	Closing GFA	51.74	75.18	75.18	75.18
5	Average GFA	51.10	63.46	75.18	75.18
6	Less Average Grants	22.46	32.81	43.16	43.16
7	Net Average GFA (not funded through grants)	28.64	30.65	32.02	32.02
8	70% of the Debt Components	20.05	21.45	22.41	22.41
9	30% of the Equity Component	8.59	9.19	9.60	9.60
10	Rate of Return on Equity	14%	14%	14%	14%
11	Return on Equity	1.20	1.29	1.34	1.34

MePGCL has requested Commission to approve the Return on Equity of Rs. 1.34 Cr. for Old Stations including Sonapani for the period FY 2025-26.

Commission's Analysis

- 6.4.3. The Return on Equity shall be computed as per Regulation 31 read with Regulation 27 of MSERC (Multi Year Tariff) Regulations, 2014. The relevant Regulations is reproduced as under.

"31 Return on Equity

31.1 Return on equity shall be computed on the equity base determined in accordance with regulation 27 and shall not exceed 14%.

Provided any grant obtained for execution of the project shall not be considered as a part of capital structure for the purpose of debt-equity ratio."

- 6.4.4. The Commission has allowed a Return on Equity (RoE) at 14% on the normative equity, calculated based on the approved average GFA by considering opening GFA as approved in True-up order for FY 2023-24. This approach is consistently applied in FY 2025-26 excluding the average grants and contributions as outlined in table "*Approved Grants for Old Stations including Sonapani for FY 2025-26 (Rs. Cr.)*" above.
- 6.4.5. The approved equity and RoE for Old Stations including Sonapani for FY 2025-26 as considered by the Commission is represented in the table below:

Table 66: Approved Return on Equity for Old Stations including Sonapani for FY 2025-26 (Rs. Cr.)

Sl. No.	Particulars	FY 2023-24	FY 2024-25	FY 2025-26
1	Opening GFA	51.74	75.06	75.06
2	Addition	23.44	0.00	0.00
3	Retirements	0.12	0.00	0.00
4	Closing GFA	75.06	75.06	75.06
5	Average GFA	63.40	75.06	75.06
6	Less: Average Grants	32.81	43.16	43.16
7	Net Assets	30.59	31.90	31.90
8	70% Debt component	21.41	22.33	22.33
9	30% Equity	9.18	9.57	9.57
10	Return on Equity @ 14%	1.28	1.34	1.34

The Commission approves Return on Equity of Rs. 1.34 Crore for Old Stations including Sonapani for the period FY 2025-26.

6.5. Interest on Loan (IoL)

Petitioner's Submission

- 6.5.1. MePGCL has adopted the methodology for computation of the ARR components as approved by the Commission in the True-Up Order for FY 2022-23. The closing loan balance for FY 2023-24 is considered as the opening loan for FY 2024-25, with additions aligned to the approved funding pattern.
- 6.5.2. Since the actual weighted average rate of interest will be available at the time of True-Up, the rate for FY 2023-24 has been used for FY 2024-25 and FY 2025-

26. MePGCL requests the Commission to allow claiming the actual rate during the True-Up process.

6.5.3. The detailed calculation of the interest on loan as proposed the Petitioner is tabulated below.

Table 67: Claimed Interest on Loan for Old Stations including Sonapani for FY 2025-26 (Rs. Cr.)

S No	Particular	True Up FY 2022-23 (Allowed)	True Up FY 2023-24 (Claimed)	FY 2024-25	FY 2025-26
1	Opening Loan	0.00	0.21	0.67	-0.85
2	Addition of Loan	0.89	1.91	0.00	0.00
3	Repayment of Loan	0.68	1.46	1.52	1.52
4	Closing Loan	0.21	0.67	-0.85	-2.37
5	Average Loan	0.11	0.44	-0.09	-1.61
6	Weighted Average Rate of Interest	4.68%	10.36%	10.36%	10.36%
7	Interest on Loan	0.01	0.05	0.00	0.00

MePGCL has requested the Commission to approve the Interest on loan of Rs. 0 for Old Stations Including Sonapani project as tabulated above.

Commission's Analysis

6.5.4. The Commission has allowed the interest on loans by considering the closing loan balance from the approved true-up order for FY 2023-24 as the opening loan balance for FY 2024-25 and subsequent addition as per table "Approved Grants for Old Stations including Sonapani for FY 2025-26 (Rs. Cr.)" above till FY 2025-26 as mentioned under the current year debt addition for the additional capitalization for respective years.

6.5.5. Loan repayment value has been considered as per minimum of approved depreciation or the sum of opening loan and loan addition for the respective year. Interest rates have been provisionally considered equal to those approved by the Commission in the true-up for FY 2023-24 since, the actual weighted average rate will be determined based on actuals during the truing up for each year, in line with the Commission's principle as followed in the prior true-up orders.

6.5.6. The calculation of Interest on loan, as considered by the Commission is tabulated below:

Table 68: Approved Interest on Loan for Old Stations including Sonapani for FY 2025-26 (Rs. Cr.)

Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26
1	Normative Opening Loan	0.21	0.59	0.00
2	Addition to Loan	1.83	0.00	0.00
3	Repayment	1.45	0.59	0.00
4	Closing Loan	0.59	0.00	0.00

Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26
5	Average Loan	0.40	0.30	0.00
6	Weighted Average Rate of Interest (WAROI)	10.36%	10.36%	10.36%
7	Interest on Loan	0.042	0.03	0.00

The Commission approves Interest on Loan as <NIL> for Old Stations including Sonapani for the period FY 2025-26.

6.6. O&M Expenses

Petitioner's Submission

- 6.6.1. MePGCL has not sought for any revision in O&M expenses for the period FY 2025-26, accordingly the O&M expenses approved by the Commission in the Order dated 24.10.2024 in Case No. 30 of 2023 have been proposed by the Petitioner.

Respondents' submission in this regard:

- 6.6.2. BIA has argued that any revision in O&M expenses should be based on the true-up of FY 2023-24 and the Petitioner should apply the escalation rate of 5.77% per annum thereon.

MePGCL's Response to Respondent's submissions:

- 6.6.3. The Petitioner has replied that they have already provided detailed responses to the queries raised by the Commission & the Respondents w.r.t the True Up petition and has prayed for consideration of the same as responses to the contentions or objections raised by BIA w.r.t calculation of O&M expenses.

Commission's Analysis

- 6.6.4. The Commission has allowed operation and maintenance for Old Stations including Sonapani as per Regulation 56 of MSERC Tariff Regulations, 2014 provides for Operation and Maintenance Expenses and is reproduced as under:

"56 (7) "In case of hydro generating stations declared under commercial operation on or after 01/04/2009, O&M expenses shall be fixed at 2% of the original project cost (excluding cost of rehabilitation and resettlement works) and shall be subject to annual escalation at 5.72% for the subsequent years."

- 6.6.5. The Commission has approved the Operation and Maintenance (O&M) expenses for FY 2023-24 in accordance with the applicable regulations and have been escalated at an annual rate of 5.72% to determine the O&M expenses for FY 2025-26. The details of the O&M expenses are presented in the table below:

Table 69: Approved O&M Expenses for Old Stations including Sonapani for FY 2025-26 (Rs. Cr.)

Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26
1	Operation and Maintenance	37.78	39.95	42.23

The Commission considers O&M expenses for Old Station of Rs. 42.23 crore for the period FY 2025-26.

6.7. Interest on Working Capital (IoWC)

Petitioner's Submission

6.7.1. As per Regulation 34.1(iii) of 2014 Tariff Regulations:

*"In case of hydro power generating stations, working capital shall cover:
Operation and maintenance expenses for one (1) month;
Maintenance spares at the rate of 15% of O & M expenses escalated at 6% from the date of commercial operation; and
Receivables equivalent to two (2) month of fixed cost:
Provided that in case of own generating stations, no amount shall be allowed towards receivables, to the extent of supply of power by the Generation Business to the Retail Supply Business, in the computation of working capital in accordance with these Regulations. "*

6.7.2. The SBI Advance Rate as on 01.04.2023 comes out to be Rs. 14.85%. Accordingly, the calculation of interest on working capital is tabulated below:

Table 70: Interest on Working Capital for Old Stations including Sonapani for FY 2025-26 (Rs. Cr.)

Sl. no	Particulars	FY 2025-26
1	O&M Expenses	3.34
2	Maintenance Spares	6.74
3	Receivables	8.96
4	Total Working Capital	19.05
5	Rate of Interest	14.85%
6	Interest on Working Capital	2.83

Respondents' submission in this regard:

6.7.3. BIA point out an error in the calculation of one-month O&M expenses for working capital, showing a variance between their figures and the Petitioner's. Based on revised figures, BIA recalculates the IoWC for FY 2025-26 and suggests adjusting it in line with any revisions to O&M expenses and ARR.

MePGCL's Response to Respondent's submissions:

6.7.4. The Petitioner has acknowledged the objection and has submitted that the observations from the BIA may be accepted; however, this is subject to the outcome of the review petition filed by the Petitioner.

Commission's Analysis

- 6.7.5. As per Regulation 34.1 (iii) of the MSERC (Multi Year Tariff) Regulations, 2014, the components of working capital will be:

"34 Interest on Working Capital

34.1(iii) In case of hydro power generating stations, working capital shall cover:

Operation and maintenance expenses for one (1) month;

Maintenance spares at the rate of 15% of O & M expenses escalated at 6% from the date of commercial operation; and

Receivables equivalent to two (2) month of fixed cost:

Provided that in case of own generating stations, no amount shall be allowed towards receivables, to the extent of supply of power by the Generation Business to the Retail Supply Business, in the computation of working capital in accordance with these Regulations."

- 6.7.6. The Commission has allowed Interest on Working Capital (IoWC) as per Regulation 34.1 (iii) of the MSERC (Multi Year Tariff) Regulations, 2014. The rate of interest is considered as per SBI Advance rate as on 01.04.2023. Accordingly, the Commission considers IoWC as depicted in the table below for FY 2025-26.

Table 71: Interest on Working Capital for Old Stations including Sonapani for FY 2025-26 (Rs. Cr.)

Sl. no	Particulars	FY 2025-26
1	O&M Expenses	3.52
2	Maintenance Spares	6.71
3	Receivables	7.68
4	Total Working Capital	17.91
5	Rate of Interest	14.85%
6	Interest on Working Capital	2.66

The Commission approves Interest on Working Capital (IoWC) of Rs. 2.66 Crore for Old Station including Sonapani for the period FY 2025-26.

6.8. SLDC Charges

Commission's Analysis

- 6.8.1. The Commission observed that the Petitioner has projected the SLDC Charges as approved in MYT order dated 24.10.2024. The petitioner has not claimed any revised ARR for SLDC for FY 2025-26, Commission decides that the SLDC charges applicable for FY 2024-25 vide MYT order dated 24.10.2024 will continue to be considered for projection purposes for FY 2025-26. The SLDC expenses towards connectivity charges as determined by the Transmission licensee shall be allowed for the ARR as per the Regulations.

"Regulation 59.1 of MSERC MYT Regulations 2014 specifies that Connectivity charges

and SLDC charges as determined by the Commission shall be considered as expenses. SLDC and transmission charges paid for energy sold outside the state shall not be considered as expenses for determining generation tariff.”

- 6.8.2. Accordingly, Commission approves SLDC charges for revised ARR for FY 2025-26 as follows:

Table 72: Computation of SLDC Charges (Rs. Cr.)

Sl. No.	Particulars	FY 2025-26
1	SLDC Charges	3.46

Commission considers SLDC charges at Rs. 3.46 Crore for FY 2025-26.

6.9. Non-Tariff Income

Commission’s Analysis

- 6.9.1. The petitioner has claimed Non-tariff Income (NTI) at Rs. 5.15 Crore for FY 2025-26 in line with the MYT order dated 24.10.2024. For projection purposes, the Commission considers NTI as claimed by the petitioner subject to truing up in FY 2025-26
- 6.9.2. Accordingly, Commission approves NTI for revised ARR for FY 2025-26 as follows:

Table 73: Non-Tariff and other Income for FY 2025-26 (Rs. Cr.)

Particulars	FY 2025-26
Non-Tariff Income	5.15

6.10. Annual Revenue Requirement (ARR)

Petitioner’s Submission

- 6.10.1. The petitioner has submitted revised breakup of Aggregate Revenue Requirement vide letter dated 23.01.2024 seeking correction in the projected ARR table for Multi Year Tariff control period.
- 6.10.2. Based on the computation of the individual components the Aggregate Revenue Requirement of Old Stations (Including Sonapani) for fourth control period is tabulated below:

Table 74: Claimed Summary of ARR for Old Stations including Sonapani for FY 2025-26 (Rs. Cr.)

S No	Particular	Allowed by Commission in Tariff Order	Revised ARR for FY 2025-26
1	Depreciation	1.39	1.52
2	Return on Equity	1.23	1.34

3	O&M Expenses	42.24	42.42
4	Interest and Finance Charges	0.00	0.00
5	Interest on Working Capital	2.71	2.83
6	SLDC Charges	5.66	5.66
7	Prior Period Expenses	0.00	0.00
	Total AFC	53.23	53.77
8	Less Non- Tariff Income	5.15	5.15
	Net AFC	48.08	48.61
9	Add Gap for True UP FY 2023-24		-337.77
10	Gross ARR for FY 2025-26	48.08	-289.14

6.10.1. MePGCL requested the Commission to approve the ARR for Old Stations including Sonapani, as projected above.

Commission's Analysis

6.10.2. The summary of ARR as approved by the Commission for FY 2025-26 for Old Station is as shown below:

Table 75: Summary of ARR for Old Stations including Sonapani for FY 2025-26 (Rs. Cr.)

Sl. No	Particulars	FY 2025-26
1	Depreciation	1.52
2	Return on Equity	1.34
3	Operation and Maintenance	42.23
4	Interest and Finance Charges	0.00
5	Interest on Working Capital	2.66
6	SLDC Charges	3.46
7	Gross ARR	51.20
8	Non-Tariff Income	5.15
9	Net ARR	46.06
10	Add: Gap/(Surplus) Claimed in FY 2023-24	-346.62
11	ARR after adjustment of Gaps	-300.56

The Commission approves ARR for old station including Sonapani for FY 2025-26 at Rs. (-) 300.56 Crore.

7. Accrual Terminal Benefits

Petitioner's Submission

- 7.1.1. The Petitioner has claimed Rs 67.34 Cr for 2nd Instalment and 3rd Instalment of Accrued Liability of Pension.

Commission's Analysis

- 7.1.2. Based on submissions from the Petitioner and actuarial valuation report, the Commission found a total liability of Rs. 3,43,991.88 Lakhs with a cutoff date of 31.03.2023.
- 7.1.3. The Commission in its earlier Orders had declined the consideration of additional revenue requirement on account of past terminal liabilities due to non-institutionalization of the Pension Fund which was supposed to be created to take care of the terminal liability payments. However, Petitioner has submitted documentary evidence w.r.t institutionalization of the Pension trust in previous year.
- 7.1.4. As per the SOA for FY 2022-23 and the documentary evidence submitted by Petitioner, it is understood that as on the date of effectiveness of the Power Sector Reforms Transfer Scheme 2010, the Govt. of Meghalaya was supposed to contribute Rs 84,004.24 Lakhs to the said pension trust. However, the Govt. of Meghalaya has not made any contribution to the Pension trust till 2022-23. However, in the year 2023-24, Govt. of Meghalaya has contributed an amount of Rs 16,894.49 Lakhs to the Pension Trust.
- 7.1.5. Thus, considering the carrying cost of 7.35% i.e., 10 yr. G-Sec rate over the period when no contribution was provided by the Govt. of Meghalaya, Commission has independently worked out an outstanding liability of Rs 1,93,690.98 Lakhs as on 01.04.2024 against Govt. of Meghalaya towards the quoted pension trust.
- 7.1.6. After taking into consideration the total Terminal Liability as per the Actuarial Valuation report, the contribution to Pension Fund by Govt. of Meghalaya in 2023-24 and the total outstanding liability payable by Govt. of Meghalaya as on 01.04.2024, Commission has worked out an amount of Rs 1,50,209.02 Lakhs as recoverable by the 4 utilities i.e., MeECL, MePGCL, MePTCL & MePDCL as past period Terminal Liabilities through their tariffs.
- 7.1.7. The Commission is also of the considerate view that passing the whole of the balance recoverable pension amount to consumers i.e., Rs 1,50,209.02 Lakhs in a single year might lead to a huge tariff shock. Additionally, the Petitioner in its petition has also prayed for recovery of past period dues in 10 – 15 yrs.
- 7.1.8. Taking the above matters into consideration, Commission has decided to allow recovery of the balance amount of Rs 1,50,209.02 Lakhs from the consumers through an annual recovery mechanism through tariff over and above the

normal admissible ARR over a period of 10 yrs starting FY 2023-24. Also, since the amount is being recovered over a period 10 years, Commission has decided to consider an annual carrying cost of 7.35% i.e., 10 yr. G-Sec rate for computation of the annual instalment and accordingly the annual instalment is calculated to be Rs 21,733.70 Lakhs in total for all 4 utilities put together.

- 7.1.9. Taking the above into consideration commission has computed the following as the annual instalment recoverable through tariff by each of the 4 utilities:

Entity	Annual Pension recover on account of Terminal Liabilities (Rs Cr.)
MeECL	1.88
MePDCL	113.18
MePGCL	66.71
MePTCL	35.42

- 7.1.10. **Accordingly, the Commission considers Rs. 67.34 Cr (Rs. 66.71 Crore for MePGCL + 1/3rd of MeECL liability i.e., Rs. 0.63 Crore) to pass through as Accrued Terminal Liabilities in the order for FY 2025-26. Additionally, the Petitioner is directed to pursue the Govt. of Meghalaya for an early liquidation of its pending dues amounting to Rs. 1,93,690.98 Lakhs as on 01.04.2024 towards pension trust.**

- 7.1.11. The Petitioner is hereby directed to timely deposit the amount realized on account of pension through the approved ARR for the year in the Pension Trust.

8. Generation Tariff for Ganol SHP for FY 2025-26

- 8.1.1. Commission vide Case No. 01/2024 order dated 13.03.2024 approval of generic tariff for Ganol small hydro project (3x7.5 MW = 22.5MW) of MePGCL under regulation 11 of MSERC (Terms and Conditions for determination of tariff for generation from renewable energy sources) Regulations, 2014 has determined levelized tariff.

Regulation 11 of MSERC RE Regulations 2014 specifies.

- i. Generic tariff shall be determined on the petition filed by eligible RE generator for such renewable energy technologies indicated in Regulation 4.*
- ii. The Generic Tariff would be based on normative parameters as per the norms specified in these regulations for each type of renewable energy source and the year of commissioning of the plant.*
- iii. The tariff determined being normative, no true up of any parameter, including additional capitalization, for whatsoever reasons shall be taken up during the validity of the tariff; any short fall or gain due to performance or other reasons is to be borne / retained by the RE based generating stations.*

As per Regulation 4.

Eligibility Criteria

".....2 (b) Small hydro Project – located at the sites approved by State Nodal Agency / State Government using new plant and machinery and installed power plant capacity to be lower than or equal to 25 MW at single location."

- 8.1.2. Accordingly, the Commission as per review order Case No. 3/ 2024 approved levelized Tariff of Rs. 4.77/ kWh for 40 years of the lifetime of the project effective from 01.08.2023.
- 8.1.3. **Accordingly, Commission approved ARR for the period at Rs. 31.58 Crore.**

8.2. Consolidated revised ARR for MePGCL Old Plants projects including Sonapani, MLHEP, New Umtru project and Lakroh projects for FY 2025-26

8.2.1. Commission after Prudence check of the petition considering the additional information dated 24.01.2025 and 24.02.2025, the objections raised by the stakeholders, the response of the MePGCL for the objections, the minutes of the public hearing process and views of the State advisory committee, has approved revised Annual Revenue Requirement for FY 2025-26 as depicted in the table below.

Table 76: Consolidated ARR for, MLHEP, New Umtru, Lakroh projects and MePGCL Old Projects including Sonapani for FY 2025-26 (Rs. Cr.)

Sl. No.	Particulars	MLHEP		NUHEP		Lakroh		Old Station		Grand Total	
		Filed	Approved	Filed	Approved	Filed	Approved	Filed	Approved	Filed	Approved
1	Depreciation	45.28	46.21	25.67	25.72	0.48	0.54	1.52	1.52	72.96	73.98
2	Return on Equity	45.23	45.23	24.59	24.63	0.52	0.52	1.34	1.34	71.68	71.71
3	Operation and Maintenance	41.97	41.97	18.13	15.88	0.60	0.60	42.42	42.23	103.12	100.68
4	Interest on Loan	9.14	9.13	19.65	19.73	0.33	0.32	0.00	0.00	29.12	29.18
5	Interest on Working Capital	5.07	5.17	2.89	2.77	0.07	0.07	2.83	2.66	10.87	10.67
6	SLDC							5.66	3.46	5.66	3.46
7	Gross ARR	146.69	147.71	90.93	88.72	2.00	2.05	53.77	51.20	293.40	289.68
8	Less: Non-Tariff Income	0.00	0.00	0.00	0.00	0.00	0.00	5.15	5.15	5.15	5.15
9	Net ARR	146.69	147.71	90.93	88.72	2.00	2.05	48.61	46.06	288.25	284.53
10	Add: Gap/(Surplus) Claimed in FY 2023-24	136.27	135.12	262.42	262.40	3.29	3.18	-337.77	-346.62	64.21	41.92
11	ARR after adjustment of Gaps	282.96	282.82	353.36	351.12	5.29	5.23	-289.14	-300.56	352.48	326.45
	Add: Gap of Terminal Liabilities										
12	Comprehensive Income/ Expenses (Pension)									133.43	66.71
13	Comprehensive Income/ Expenses (1/3 MeECL) (Pension)									1.25	0.63

Sl. No.	Particulars	MLHEP		NUHEP		Lakroh		Old Station		Grand Total	
		Filed	Approved	Filed	Approved	Filed	Approved	Filed	Approved	Filed	Approved
14	Total ARR recoverable (including pension)									487.16	393.79

8.3. Total ARR Recoverable for FY 2025-26

- 8.3.1. Commission considering the ARR for the FY 2025-26 has computed the Revenue Gap including the True up revenue gap/ (surplus) for FY 2023-24 for determination of Generation Tariff for FY 2025-26 as detailed below.

Table 77: Total ARR Recoverable for FY 2025-26 (Rs. Cr.)

Sl. No.	Project Name	MLHEP	NUHEP	Lakroh	Old Stations	Total
1	Net ARR for FY 2025-26	147.71	88.72	2.05	46.06	284.53
2	Add: Approved Gap in FY 2023-24					41.92
3	Comprehensive Income/ Expenses (Pension) for FY 2025-26					66.71
4	Comprehensive Income/ Expenses (1/3 MeECL) (Pension) for FY 2025-26					0.63
5	Total ARR recoverable excluding Ganol					393.79
6	Total ARR recoverable including Ganol					425.37

Commission approves total ARR recoverable for FY 2025-26 at Rs. 425.37 Crore for MePGCL.

9. Generation Tariff For 2025-26 for MePGCL.

- 9.1.1. Annual Fixed charges for the FY 2025-26 for MePGCL Old Projects including Sonapani, MLHEP, New Umtru and Lakroh Projects. As per Regulation 57

“57 Computation Annual Fixed charges and Energy charges for Hydro generating stations.

57.1 Capacity Charges:

- (1) *The fixed cost of a hydro generating station shall be computed on annual basis, based on norms specified under these regulations, and recovered on monthly basis under capacity charge (inclusive of incentive) and energy charge, which shall be payable by the beneficiaries in proportion to their respective allocation in the saleable capacity of the generating station, that is to say, in the capacity excluding the free power to the home State:*

Provided that during the period between the date of commercial operation of the first unit of the generating station and the date of commercial operation of the generating station, the annual fixed cost shall provisionally be worked out based on the latest estimate of the completion cost for the generating station, for the purpose of determining the capacity charge and energy charge payment during such period.

- (2) *The capacity charge (inclusive of incentive) payable to a hydro generating station for a calendar month shall be*

$$= AFC \times 0.5 \times NDM / NDY \times (PAFM / NAPAF) \text{ (in Rupees) Where,}$$

AFC = Annual fixed cost specified for the year, in Rupees. NAPAF= Normative plant availability factor in percentage NDM = Number of days in the month

NDY = Number of days in the year

PAFM = Plant availability factor achieved during the month, in percentage

- (3) *The PAFM shall be computed in accordance with the following formula:*

$$PAFM = 10000 \times \sum DC_i / \{N \times IC \times (100 - AUX)\} \%$$

Where,

AUX = Normative auxiliary energy consumption in percentage

DC_i = Declared capacity (in ex-bus MW) for the ith day of the Month which the station can deliver for at least three (3) hours, as certified by the nodal load dispatch center after the day is over.

IC = Installed capacity (in MW) of the complete generating station

N = Number of days in the month

57.2 Energy Charges:

(1) *The Energy charge shall be payable by every beneficiary for the total energy scheduled to be supplied to the beneficiary, excluding free energy, if any, during the calendar month, on ex power plant basis, at the computed energy charge rate. Total Energy charge payable to the generating company for a month shall be:*

= (Energy charge rate in Rs. / kWh) x {Scheduled energy (ex-bus) for the month in kWh} x (100 – FEHS) / 100.

(2) *Energy charge rate (ECR) in Rupees per kWh on ex-power plant basis, for a hydro generating station, shall be determined up to three decimal places based on the following formula, subject to the provisions of clause (4):*

$$ECR = AFC \times 0.5 \times 10 / \{DE \times (100 - AUX) \times (100 - FEHS)\}$$

Where,

DE = Annual design energy specified for the hydro generating station, In MWh, subject to the provision in clause (6) below.

FEHS = Free energy for home State as fixed from time to time, by competent authority.

(3) *In case actual total energy generated by a hydro generating station during a year is less than the design energy for reasons beyond the control of the generating company, the following treatment shall be applied on a rolling basis:*

(i) *in case the energy shortfall occurs within ten years from the date of commercial operation of a generating station, the ECR for the year following the year of energy shortfall shall be computed based on the formula specified in clause (2) with the modification that the DE for the year shall be considered as equal to the actual energy generated during the year of the*

shortfall, till the energy charge shortfall of the previous year has been made up, after which normal ECR shall be applicable.

(ii) in case the energy shortfall occurs after ten years from the date of commercial operation of a generating station, the following shall apply: Suppose the specified annual design energy for the station is DE MWh, and the actual energy generated during the concerned (first) and the following (second) financial years is A1 and A2 MWh respectively, A1 being less than DE. Then, the design energy to be considered in the formula in clause (5) of this Regulation for calculating the ECR for the third financial year shall be moderated as $(A1 + A2 - DE)$ MWh, subject to a maximum of DE MWh and a minimum of A1 MWh.

(iii) Actual energy generated (e.g. A1, A2) shall be arrived at by multiplying the net metered energy sent out from the station by $100 / (100 - AUX)$.

(4) In case the energy charge rate (ECR) for a hydro generating station, as computed in sub clause (2) above, exceeds eighty paise per kWh, and the actual saleable energy in a year exceeds $\{ DE \times (100 - AUX) \times (100 - FEHS) / 10000 \}$ MWh, the Energy charge for the energy in excess of the above shall be billed at eighty paise per kWh only: Provided that in a year following a year in which total energy generated was less than the design energy for reasons beyond the control of the generating company, the energy charge rate shall be reduced to eighty paise per kWh after the energy charge shortfall of the previous year has been made up.

(5) The concerned Load Despatch Centre shall finalize the schedules for the hydro generating stations, in consultation with the beneficiaries, for optimal utilization of all the energy declared to be available, which shall be scheduled for all beneficiaries in

proportion to their respective allocations in the generating station.

Table 78: Project wise Annual Fixed Charges and Energy charges for FY 2025-26

Sl. No	Name of the Power Station	Installed Capacity (MW)	Design Generation (MU)	Net Generation (MU)	Annual Fixed Charges (AFC)	50% Capacity Charge (Rs. Cr)	Average Tariff (Rs/kWh)
1	Umiam I	36	116	114.61	41.09	20.55	3.54
2	Umiam II	20	46	45.45	22.83	11.41	4.96
3	Umiam III	60		0	68.49	34.24	-
4	Umiam IV	60	207	203.9	68.49	34.24	3.31
5	Sonapani	1.5	5	4.94	1.71	0.86	3.42
6	Sub-Total	177.5	374	368.9	202.60	101.30	5.42
7	MLHEP	126	486	478.71	143.82	71.91	2.96
8	NUHEP	40	235	231.48	45.66	22.83	1.94
9	Lakroh MHP	1.5	11.01	10.84	1.71	0.86	1.56
10	Total (without Ganol)	345	1106.01	1089.93	393.79	196.90	3.56

- a. MePGCL shall claim 50 % of the annual fixed charges in 12 monthly instalments from the beneficiary MePDCL.
- b. Energy charges shall be claimed for actual generation during the month as per Average tariff in the above table.

10. Summary of Order for MePGCL

Table 79: ARR Summary MePGCL as a whole for FY 2025-26 (Rs. Cr.)

Sl. No.	Particulars	FY 2025-26
	ARR Components	
1	Depreciation	73.98
2	Return on Equity	71.71
3	O&M Expenses	100.68
4	Interest and Finance Charges	29.18
5	Interest on working capital	10.67
6	SLDC Charges	3.46
7	Net Prior Period Items: Income (-)/ Expense	-
8	Gross ARR	289.68
9	Less: Non-Tariff Income	5.15
10	Net ARR for FY 2025-26	284.53
11	Add: Gap/(Surplus) Claimed in FY 2023-24	41.92
12	Total ARR recoverable (excluding pension)	326.45
	Add: Gap of Terminal Liabilities	
13	Comprehensive Income/ Expenses (Pension)	66.71
14	Comprehensive Income/ Expenses (1/3 rd MeECL) (Pension)	0.63
15	Total ARR recoverable (including pension) Excluding Ganol SHP	393.79
16	Total ARR recoverable (including pension) Including Ganol SHP	425.37

11. Commission's Directives

Earlier Directives

1) Assets Records and Project wise Breakup

Commission had called for the asset wise breakup for the Capital cost of Umiam stage IV being considered in the Tariff orders from FY 2013-14 at Rs. 38.60 Crore.

Status:

The Umiam-Umtru Stage-IV HEP was commissioned in the year 1992 and due to non-availability of the asset's details, the project cost of Umiam-Umtru Stage-IV HEP has been based on the projected cost as per DPR as of March 1979 at Rs. 38.79 Crore, which is much lower than the actual completions cost of the project. MePGCL, erstwhile MeSEB commissioned the project way back in 1992 but was not in position to immediately work out on the completion cost of the project as it has taken some time to dugout all the records on the expenditures made for the project. Finally, after all records have been dugout, the work out on the detail assets for Umiam-Umtru Stage-IV HEP was completed and finalized at Rs. 133.87 crore as on 31.03.2022. The details of assets have been worked out as per available records and based on the historical value of Gross Fixed Assets on commissioning along with the additional capital expenditure.

Commission's Views

Whereas the petitioner MePGCL has projected project cost of Umiam Stage IV finalized at Rs.133.87 Crore as on 31.03.2022 in their letter No. MePGCL/D/GEN/Misc-43/2008/Pt-XX/118 dated 04th August 2023.

Commission in view of the unmatched project cost direct the utility to furnish the document of approved project cost by the Commission for Rs.133.87 Crore along with the copy of the sanctioned working estimate.

Commission had in the letter dated 07th June 2023 called for the copy of approved project cost which is still awaited.

The petitioner would be depriving ARR provisions in the Tariff Order as long as the information called for by the Commission is not made available.

MePGCL shall appreciate the necessity of the prime record and arrange to furnish the required information so as to validate the project cost in the ARR for FY 2024-25.

2) Regulatory Accounts

MePGCL shall maintain and file Regulatory accounts along with Tariff Petition and for True up petition as mandated in Regulation 4.2 (c) of MSERC (Multi Year Tariff) Regulations, 2014.

Status:

MePGCL has submitted the formats for proposed Regulatory Accounts on 24.11.2023 and sought for approval of the commission.

Commission's View:

Commission had already communicated the approval separately for the same.

12. Applicability of the Order

This Order shall come into effect from 1st April 2025.

The Petition of Meghalaya Power Generation Corporation Limited in Case No. 07 of 2024 stands disposed of accordingly.

Sd/-
Ramesh Kumar Soni
Member (Law)

Sd/-
Chandan Kumar Mondol
Chairman

13. Annexure-I

RECORD NOTES OF THE TWENTY-SEVENTH (27) MEETING OF THE STATE ADVISORY COMMITTEE, HELD ON 11th MARCH 2025 AT THE STATE CONVENTION CENTRE, SHILLONG AT 11:00 AM

Members Present

- 1 Shri. Chandan Kumar Mondol
Chairman, Meghalaya State Electricity Regulatory Commission
- 2 Shri. Ramesh Kumar Soni
Member (Law), Meghalaya State Electricity Regulatory Commission
- 3 Shri. Sanjay Goyal, IAS
Chairman-cum-Managing Director, Meghalaya Energy Corporation Limited.
- 4 Shri. Ronald Rikman Sangma, Tura.
- 5 Prof Nalini Prava Tripathi, Professor & Dean, Alumni, IIM, Shillong
- 6 Dr. Shaik Affijulla, Associate Professor & HoD Department of Electrical Engineering, NIT Meghalaya
- 7 Shri. Gaurav Maheshwari (Assistant Vice President – Regulatory Affairs), Indian Energy Exchange.
- 8 Shri. Shyam Sunder Agarwal, CMD (Pioneer Carbide Pvt. Ltd.)
- 7 Shri. Pawan Joshi (Finance Secretary), M/s Green Valley Cements Limited (Max Cement)
8. Shri. Eswoll Slong, Secretary MSERC, Convenor

Invitees

1. Shri B. Wahlang, Director (Generation), MePGCL
2. Shri M. Swer, Director (Transmission), MePTCL
3. Shri A. F. G. Momin, Director (Distribution), MePDCL
4. Smti P. Sun, CE (Transmission), MePTCL
5. Shri T. Gidon, SE, SLDC
6. Shri M. F. Mawlieh, SE, (Energy Management)
7. Shri D. G. Lyngdoh, SE (Transmission)
8. Shri K.W. Sohlang, EE (MOD) SLDC
9. Shri B. Samiam, EE, SLDC
10. Shri G. A. Dkhar, Senior Law Officer, MeECL
11. Shri M. Kharkongor, AAO, Energy Management
12. Shri Syed Saif Nagri, Consultant, MeECL

At the outset the Chairman welcomed the members of the State Advisory Committee and others present to the 27th Meeting. He mentioned that there is no mandatory requirement to have the meeting at the time of tariff setting, but the SAC could have

more meetings. He emphasized that the Regulator has the twin objectives, viz. consumer interest and recovery of cost with optimum investment.

In his opening address, the Chairman further highlighted the following issues.

1. The challenges are –
 - Low consumption of electricity on account of low growth;
 - Increasing cost in terms of revenue cost and capital expenditure, because of the terrain, etc.;
 - Most of the capital works are funded through grants;
 - No free power like other hydro rich states, as the hydro stations are owned by the State government;
 - High fixed cost as the major portion of power is hydro based;
 - High T & D losses on account of low population density;
 - Debarring of creation of regulatory asset by the government;
 - Addressing consumer grievances.
2. Promotion of growth through EV, electric cooking, commercial and industrial enterprises;
3. Cost optimization by contracting more low cost RE power to replace thermal power;
4. Controllable factors need to be addressed, viz. O&M cost, asset monetization, benchmarking of O&M cost, promotion of power trading/scheduling and forecasting consumer mix;
5. Emphasis on exploitation of hydro potential, recording and monitoring consumer grievances and reduction of T&D losses at various voltage levels;
6. He also informed that the Commission will be undertaking the amendment of various regulations, viz. MYT Regulation, Supply Code, etc.

Thereafter, Deloitte, the Consultant of the Commission made a presentation covering exhaustively the following issues:

1. National and State Power Snapshots
2. Sectoral Overview of State DISCOMs
3. Important issues for consideration by MePGCL, MePTCL and MePDCL
 - Under achievement of sales (MUs)
 - Inflated NTI projection through sale of surplus power
 - Low utilization of contracted demand
 - AT & C Losses
 - High proportion of Fixed Cost in Power Purchase portfolio
 - Asset accounting
 - Recovery of Fixed Charge of Power Purchase cost
 - Standardization of O&M expenses
 - Power Banking Arrangement
4. Strategic Considerations – Cross Subsidy Surcharge and Additional Surcharge
5. Key initiatives proposed by the Commission:

- Review & Amendment of Regulations for Supply Code, Standard of Performance, MYT regulations.
- Technological Interventions through Online RPO portal & Online Regulatory Information Management Systems
- Promote EV & charging infrastructure and Asset Monetization

The Chairman then invited views and suggestions from the members.

1. Shri. Sanjay Goyal, IAS, Chairman cum Managing Director, MeECL

In his address, he highlighted the following issues and the improvement measures undertaken by the MeECL.

1. Tariff optimization can be done only by optimizing the aggregate revenue requirement (ARR).
2. Business reform action plan - Consumer-oriented initiatives have been taken to facilitate ease of doing business, bringing in activities in an online portal, viz. online applications for providing connection, online information of planned shutdowns, etc. The dashboard is being monitored at the highest level of Management.
3. Upgrading the infrastructure, through different schemes (RDSS, etc) to improve the reliability and quality of supply, particularly in rural areas.
4. Project proposal to provide around 50,000 new connections.
5. Consistent reduction of AT & C losses over the years.
6. Steps undertaken by the Discom to ensure correct billing.
7. Improvement in integrated ranking issued by PFC.
8. Reduction of interest burden.
9. He emphasized that there should be no tariff shock to the consumers and further stated that if the Corporation survive, everybody survives, whether it be industrial, commercial or other consumers.

2. Presentation By the MeECL – The MeECL in its presentation highlighted the following:

1. State Distribution Profile, Consumer Mix, Power Portfolio
2. Energy Requirement and Peak Demand
3. Trajectory of AT&C and T&D Losses
4. Growth in Connected Load and Sales and Load Factor
5. Status of Schemes under implementation and future prospects (GENCO, TRANSCO and DISCOM)
6. Additional Infrastructure created, in all the sectors
7. Energy Availability vis-à-vis Energy Requirement and Challenge in Power Portfolio Management
8. Installation of check meters, setting up of vigilance cell, zero defect billing, Grievance Redressal Mechanism, etc
9. Asset Monetization
10. Areas of Concern

3. Prof Nalini Prava Tripathi, Professor & Dean, Alumni, IIM

She sought clarification and information on the following items and to which the MeECL and Commission provided the same:

- Billing of bulk consumers with a mix load of domestic and non-domestic to reduce the power bill;
- Installation of, smart meters and pre-paid meters;
- Possibilities for coal-based power plants, solar power, wind energy, pump storage and other sources of RE energy in Meghalaya;
- Possibility of availing nuclear energy for the State;
- Long term planning on loans and interest on loan and working capital.

4. Shri Shyam Sunder Agarwal, CMD, Pioneer Carbide Private Limited

He informed that the Ferro Alloy industries were set up in Meghalaya because there was surplus power in the state. However, many of the industries closed down because the major raw material, power, became unaffordable. Some of the industries set up their own captive power plant or availed power through open access.

Since 2018, a separate tariff was determined for Ferro Alloys, which was lower than the industrial tariff. However, now the tariff has increased and it is also not viable to avail power from the exchange through open access. It was also mentioned that the load factor of Ferro Alloys which is above 78% is higher than all other categories of consumers.

He proposed that the MeECL set up an Advisory Committee, comprising members from the different categories of consumers and from different areas. This will provide a forum for direct interaction with the consumer and consumer representatives to address various issues. The members would also be able to clarify issues directly to the consumers in their areas.

5. Shri. Ronald Rikman Sangma, Member

In his address, the member highlighted and suggested the following:

- Prevention of power outages through maintenance, regular inspection, upgrading transformers and other equipment can prevent failures;
- Villages in many areas of Garo Hills that are yet to be provided power;
- Expediting new connections;
- Regular transfer of officers and staff to ensure transparency and efficient performance particularly at the field level;
- Ensuring safety of electrical lines and equipments to prevent accidents;
- Replacement of defective meters, old poles and transformers;
- Public hearings at different locations to facilitate public participation;
- Online bill payment facility;
- Fluctuation of power supply, particularly during the rainy season.

6. Dr. Shaik Affijulla, Associate Professor & HoD Department of Electrical Engineering, NIT Meghalaya

He enquired about the steps taken to reduce T & D losses and to which MeECL clarified. He offered that the NIT could provide technical solutions towards reduction of these

losses and the availability of power system software developed by the NIT for loss analytics, etc. He extended an invitation to visit the NIT where these solutions could be viewed.

7. Shri. Gaurav Maheshwari (Assistant Vice President – Regulatory Affairs) Indian Energy Exchange

He informed about the facilities available in the exchange for Real Time Green Market, REC for surplus power over the RPO met, etc. The CMD requested him to provide all the details to the Utility.

The meeting ended with a vote of thanks by the Member (Law).