

# MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION

5<sup>th</sup> Floor, Metro Plaza, Bittan Market, Bhopal - 462 016



## **Determination of True-Up of Aggregate Revenue Requirement (ARR) for FY 2021-22 for MPIDC [erstwhile MPAKVN(I)L] for Electricity Distribution Business of Special Economic Zone**

**Petition No. 82 of 2022**

**PRESENT:**

**S.P.S. Parihar, Chairman**

**Gopal Srivastava, Member (Law)**

**P.K Chaturvedi, Member (Technical)**

**IN THE MATTER OF:**

**Determination of True-up of Aggregate Revenue Requirement (ARR) for FY 2021-22 based on the True-up Petition filed by MPIDC (Madhya Pradesh Industrial Development Corporation).**

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## **List of Abbreviations**

A&G	Administrative and General Expenses
ARR	Aggregate Revenue Requirement
CSD	Consumer Security Deposit
Discom	Distribution Company
EA 2003	Electricity Act, 2003
FY	Financial Year
GFA	Gross Fixed Asset
GoI	Government of India
GoMP	Government of Madhya Pradesh
GST	Goods and Service Tax
HT	High Tension
IND-AS	Indian Accounting Standards
kV	kilo Volt
kW	kilo Watt
kWh	kilo Watt hour
LT	Low Tension
MD	Maximum Demand
MP	Madhya Pradesh
MPAKVN(I)L	Madhya Pradesh Audyogik Kendra Vikas Nigam (Indore) Limited
MPIDC	Madhya Pradesh Industrial Development Corporation
MPERC	Madhya Pradesh Electricity Regulatory Commission
MPPGCL	Madhya Pradesh Power Generation Company Limited
MPPMCL	MP Power Management Company Limited
MPPTCL or MP Transco	Madhya Pradesh Power Transmission Company Limited
MU	Million Unit
MVA	Mega Volt Ampere
MW	Mega Watt
MYT	Multi-Year Tariff
TP	Tariff Policy
O&M	Operation & Maintenance
PGCIL	Power Grid Corporation of India Ltd.
PPA	Power Purchase Agreement
R&M	Repair & Maintenance
RBI	Reserve Bank of India
RoE	Return on Equity
RPO	Renewable Purchase Obligation
SBI	State Bank of India
SEZ	Special Economic Zone
SLDC	State Load Dispatch Centre

## **1. ORDER**

*(Passed on this 29<sup>th</sup> Day of March, 2023)*

- 1.1 This order is in response to the Petition no. 82 of 2022, filed by Madhya Pradesh Industrial Development Corporation (MPIDC), erstwhile Madhya Pradesh Audyogik Kendra Vikas Nigam (Indore) Ltd., (hereinafter referred as the Petitioner or the Distribution Licensee), a Company incorporated under the Companies Act, 1956 (Now Companies Act, 2013) having its registered office at 1<sup>st</sup> Floor, Atulya IT Park, Near Crystal IT Park, Khandwa Road, Indore, before Madhya Pradesh Electricity Regulatory Commission (hereinafter referred to as MPERC or the Commission). The Petitioner is a deemed distribution licensee under the fifth Provision to Section 14 of the Electricity Act, 2003. The area of supply of the Petitioner is SEZ Indore (Pithampur) within the State of Madhya Pradesh (MP). This petition has been filed under Section 61 and Section 62 (1) (d) of the Electricity Act, 2003 for True up of ARR of FY 2021-22, under tariff principles laid down in the Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Supply and Wheeling of Electricity and Methods and Principles for Fixation of Charges) Regulations, 2015 as amended from time to time (hereinafter referred to as MYT Regulations).
- 1.2 The Commission had issued the Retail Supply Tariff Order for FY 2021-22 on 03<sup>rd</sup> September, 2021, in accordance with MPERC (Terms and conditions for determination of tariff for supply and wheeling of Electricity and methods and principles for fixation of charges) Regulations, 2015 and its 3<sup>rd</sup> Amendment (herein referred to as MYT Regulations, 2015 and amendments thereof or Tariff Regulations).
- 1.3 The Petitioner vide letter dated 25<sup>th</sup> November, 2022, filed its true up Petition for FY 2021-22. Thereafter, the Commission held the motion hearing on 06<sup>th</sup> December, 2022 and admitted the Petition.
- 1.4 Based on the analysis of the Petition, the Commission communicated additional data requirement vide letter dated 29<sup>th</sup> December, 2022. The Petitioner submitted additional information to fill data gaps vide letter dated 23<sup>rd</sup> January, 2023.
- 1.5 The public notices were approved by the Commission on 29<sup>th</sup> December, 2022 for publication by the Petitioner in Hindi and English newspapers for inviting comments

/objections/ suggestions from various stakeholders, which were published in the newspapers Nai Dunia and Free Press Journal, Indore. Last date for inviting comments / suggestions / objections was 19<sup>th</sup> January, 2023.

### **Disclaimer for Rounding**

- 1.6 In this Order certain numbers as a whole, upto several decimal places have been rounded up or down. Therefore, there may be discrepancies between the totals of the individual numbers shown in the tables upto 2 decimal places and numbers given in the corresponding analysis in the text of this order.
- 1.7 Summary of the Aggregate Revenue Requirement and Revenue Gap / Surplus submitted by the Petitioner for true up of FY 2021-22 is shown below:

**Table 1: Summary of ARR and Revenue Gap/(Surplus) claimed in True-Up for FY 2021-22 (Rs. Crore)**

<b>Sr. No.</b>	<b>Particulars</b>	<b>FY 2021-22</b>
1	Power Purchase Cost	167.41
2	Intra State Transmission charges	16.60
3	SLDC and Other Charges	0.03
4	Employee expenses	4.21
5	R&M expenses	2.14
6	A&G expenses	2.04
7	MPERC and MPPMCL Fees & others	0.04
8	Depreciation	0.82
9	Interest and Finance Charges	1.85
10	Return on Equity (RoE)	0.83
11	Lease Rent	2.19
12	Income Tax	0.00
<b>13</b>	<b>Gross ARR</b>	<b>198.16</b>
14	Less: Other Income	0.02
15	Revenue Gap of MP Transco True-up of FY 2018-19	2.56
<b>16</b>	<b>Net ARR</b>	<b>200.70</b>
17	Revenue from Sale of Power	204.09
<b>18</b>	<b>Revenue Gap / (Surplus) (Sr. No. 16- Sr. No. 17)</b>	<b>(3.40)</b>

### **Public Hearing**

- 1.8 The Commission held public hearing on the True-up petition for FY 2021-22 through video conferencing on 31<sup>st</sup> January, 2023.
- 1.9 The Commission has ensured transparency with regard to public participation and meticulously observed the same at every stage. Adequate opportunity was given to all

stakeholders to file as well as present their objections/comments/suggestions on the petition. The Commission has observed that one (1) stakeholder has submitted suggestions/ comments / objections on the Petition within stipulated time and made representation during the Public Hearing. Detail of stakeholder comments are annexed to this Order as Annexure-1.

1.10 As per the provisions of the Electricity Act, 2003 and relevant regulations notified in this regard, the Commission has finalized this order.

**Allowable Revenue Gap / Surplus of MPIDC**

1.11 Based on the scrutiny of various cost components under tariff principles laid down in the prevailing Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Supply and Wheeling of Electricity and Methods and Principles for Fixation of Charges) Regulations,2015 and amendments thereof, regarding revenue income and expenditure of Petitioner, the Commission has considered following Revenue gap / (Surplus) for FY 2021-22 for adjustment through Retail Supply Tariff in future:

**Table 2: Revenue Gap/(Surplus) admitted by the Commission for FY 2021-22 (Rs. Crore)**

Sr. No.	Particulars	Admitted in Tariff Order	Claimed	Admitted in this True Up Order
1	Power Purchase Cost	165.24	167.41	165.25
2	Intra State Transmission charges	10.61	16.60	16.60
3	SLDC Charges	0.05	0.03	0.03
4	O&M Expenses	5.66	8.43	7.85
5	Depreciation	0.45	0.82	0.32
6	Interest and Finance Charges	1.42	1.85	1.17
7	Return on Equity	0.87	0.83	0.60
8	Lease Rent	0.00	2.19	0.00
9	Bad and Doubtful Debt	0.00	0.00	0.00
10	Income Tax	0.00	0.00	0.00
<b>11</b>	<b>Total Expenses</b>	<b>184.29</b>	<b>198.16</b>	<b>191.82</b>
12	Less: Other Income	3.10	0.02	2.84
<b>13</b>	<b>Net Aggregate Revenue Requirement</b>	<b>181.19</b>	<b>198.14</b>	<b>188.98</b>
14	Revenue Gap / (Surplus) of True-up of FY 2018-19	2.56	2.56	0.00
<b>15</b>	<b>Total Aggregate Revenue Requirement</b>	<b>183.75</b>	<b>200.70</b>	<b>188.98</b>
16	Revenue from Sale of Power	188.58	204.09	203.83
17	<b>Revenue Gap/ (Surplus) (Sr. No. 15- Sr. No. 16)</b>	<b>(4.83)</b>	<b>(3.40)</b>	<b>(14.85)</b>

1.12 The Commission has admitted the Revenue Surplus of Rs. 14.85 Crore, as indicated in the table above, on the true up of FY 2021-22.

1.13 Ordered as above, read with the detailed reasons, grounds and conditions annexed herewith.

**Sd/-  
P.K Chaturvedi  
Member (Technical)**

**Sd/-  
Gopal Srivastava  
Member (Law)**

**Sd/-  
S. P. S. Parihar  
Chairman**

Dated: 29<sup>th</sup> March, 2023

Place: Bhopal.



## 2. TRUE UP OF AGGREGATE REVENUE REQUIREMENT FOR FY 2021-22

### Sales

#### Petitioner's Submission

- 2.1 The actual category-wise sales (in MU) for FY 2021-22 is 468.80 MU as against the sales of 440.83 MU approved in the Tariff Order for FY 2021-22.

#### Commission's Analysis

- 2.2 The Commission has verified the actual sales from the R-15 statement and audited accounts submitted by the Petitioner. Accordingly, the Commission has admitted the sales as reflected in the R-15 statement and audited accounts for FY 2021-22. The claimed sales and admitted sales for FY 2021-22 is as shown below:

**Table 3: Category wise sales admitted by the Commission for FY 2021-22 (MU)**

Sr. No.	Consumer category	Claimed	Admitted
<b>1</b>	<b>LT Consumers</b>		
2	Non-Domestic	0.08	0.08
3	Public Water Works and Street Light	0.08	0.08
4	Industrial	0.21	0.21
<b>5</b>	<b>Total LT Sale</b>	<b>0.37</b>	<b>0.37</b>
<b>6</b>	<b>HT Consumers</b>		
7	Industrial	468.43	468.43
8	Non-Industrial	0.00	0.00
<b>9</b>	<b>Total HT Sale</b>	<b>468.43</b>	<b>468.43</b>
<b>10</b>	<b>Total LT+HT Sale</b>	<b>468.80</b>	<b>468.80</b>

### Power Purchase

#### Petitioner's Submission

- 2.3 The Petitioner has claimed actual distribution loss of 1.39% for FY 2021-22.
- 2.4 The Petitioner has met its entire power requirement for FY 2021-22 from MPPMCL. Considering the actual distribution losses and intra-State transmission losses of 2.48%, energy requirement claimed by the Petitioner for FY 2021-22 is 487.49 MU.

### Commission's Analysis

- 2.5 The Commission has followed the same approach as adopted in previous true-up order and approved the actual distribution loss of 1.39% for FY 2021-22 as claimed by the Petitioner.
- 2.6 For computing the energy requirement for FY 2021-22, the Commission has admitted the actual MPPTCL loss of 2.63% for FY 2021-22 as per the regulatory compliance report submitted by MPPTCL.
- 2.7 The energy balance / power purchase requirement on basis of the sales and losses admitted by the Commission for the Petitioner for FY 2021-22 is shown in the following table:

**Table 4: Energy Requirement admitted by the Commission for FY 2021-22**

Sr. No.	Particulars	Claimed	Admitted
1	Sales (MU)	468.80	468.80
2	Distribution Loss (%)	1.39%	1.39%
3	Distribution Loss (MU)	6.61	6.61
4	Input at MPIDC boundary (MU)	475.41	475.41
5	Intra-State Transmission Loss (%)	2.48%	2.63%
6	Intra-State Transmission Loss (MU)	12.08	12.84
7	<b>Energy Requirement (MU)</b>	<b>487.49</b>	<b>488.25</b>

### Power Purchase Cost & Transmission charges

#### Petitioner's Submission

- 2.8 The Petitioner had executed a long-term power purchase agreement with MPPMCL for a quantum of 40 MW with effect from 1<sup>st</sup> April, 2015 on 29<sup>th</sup> March, 2016. The Petitioner had also signed supplementary agreements with MPPMCL on 31<sup>st</sup> March, 2017, 1<sup>st</sup> August, 2018, 28<sup>th</sup> August, 2020 and 1<sup>st</sup> July, 2021 for enhancement of contracted capacity to 45 MW, 50 MW, 55 MW and 60 MW respectively. Based on these power purchase agreements the Petitioner has met its entire power requirement from MPPMCL for FY 2021-22. Net Power purchase expense from MPPMCL during FY 2021-22 amounted to Rs. 167.41 Crore, including MPPMCL's power trading margin of Rs. 1.90 Crore and rebate on power sales of Rs. 0.26 Crore.

- 2.9 The Petitioner has submitted that it has not incurred any Inter-state transmission charges as the entire power requirement has been met from MPPMCL during FY 2021-22.
- 2.10 The Petitioner has incurred intra-state transmission charges of Rs. 16.60 Crore and SLDC charges of Rs. 0.03 Crore during FY 2021-22.

**Commission's Analysis**

- 2.11 The Commission has considered total power purchase cost for FY 2021-22 as per the audited accounts.
- 2.12 The Commission has observed that the Petitioner has claimed trading margin of Rs. 1.90 Crore for FY 2021-22. On analysis of the audited accounts, it is observed that Note 2.15 of audited accounts for FY 2021-22 clearly mentions that in absence of Commission's approval of trading margin, only provisioning is being done and no actual payment of trading margin is being made to MPPMCL. As the Commission has not approved recovery of any trading margin by MPPMCL, expense towards the trading margin has not been allowed to the Petitioner in this order. Trading margin can be considered in future only after an appropriate petition in that regard is decided by the Commission.
- 2.13 The Commission has also observed that the petitioner has added rebate of Rs. 0.26 Crore on power sales given to consumers during FY 2021-22 to power purchase cost in its claim. On analysis, it was observed that the rebate which the petitioner has provided to its consumers on power sales, pertains to revenue from sale of power. Therefore, the Commission considers it appropriate not to add this amount in power purchase cost, but reduce the same from revenue from sale of power.
- 2.14 The Petitioner has claimed Intra-State transmission charges of Rs. 16.60 Crore. The Petitioner has also claimed Rs. 2.56 Crore towards Revenue Gap of MP Transco true-up for FY 2018-19. However, on exercising prudence check the Commission observed that the Petitioner has claimed Rs.2.56 Crore, once under head of Intra State Transmission charges and again under head of Revenue Gap of MP Transco True-up of FY 2018-19. Therefore, the Commission has not considered the Petitioner's claim of Rs.2.56 Crore against MP Transco true-up separately as it is already included in Intra State Transmission charges of Rs. 16.60 Crore.

2.15 The Commission has considered the actual Intra-State transmission charges of Rs. 16.60 Crore (inclusive of MP Transco true-up amount of Rs. 2.56 Crore) and SLDC charges of Rs. 0.03 Crore paid by the Petitioner as per audited accounts for FY 2021-22.

2.16 Accordingly, the admitted power purchase cost for FY 2021-22, is as shown below:

**Table 5: Power Purchase Cost (including Intra -State Transmission and SLDC Charges) admitted by the Commission for FY 2021-22 (Rs. Crore)**

<b>Sr. No.</b>	<b>Particulars</b>	<b>Claimed</b>	<b>Admitted</b>
1	Power Purchase from MPPMCL	165.25	165.25
2	Trading Margin	1.90	0.00
3	Rebate on Power Sale	0.26	0.00
4	Total Power Purchase Cost	167.41	165.25
5	Intra-State Transmission Charges	16.60	16.60
6	SLDC Charges	0.03	0.03
7	<b>Total Power Purchase Cost and Intra State Transmission Charges including SLDC Charges</b>	<b>184.04</b>	<b>181.88</b>

### **Gross Fixed Assets (GFA) and Capitalisation**

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

2.17 The opening value of the GFA for FY 2021-22 has been considered as per the closing value of GFA for FY 2020-21.

2.18 The addition to assets has been considered as per the actual capitalisation for FY 2021-22. The actual GFA capitalisation of the Petitioner pertaining to power business for FY 2021-22 is Rs. 0.01 Crore.

#### **Commission's Analysis**

2.19 The Commission has considered the closing balance of GFA admitted in True-up order of FY 2020-21 as the opening balance of GFA for FY 2021-22.

2.20 The Commission has observed that the GFA addition of Rs. 0.01 Crore is towards office equipment (i.e., computers). Accordingly, GFA addition of Rs. 0.01 Crore has been admitted by the Commission for FY 2021-22, which is as follows.

**Table 6: GFA Capitalisation admitted by the Commission for FY 2021-22 (Rs. Crore)**

Sr. No.	Particulars	Claimed	Admitted
1	Computers	0.01	0.01
2	<b>Total</b>	<b>0.01</b>	<b>0.01</b>

2.21 The Commission has observed that Closing GFA for FY 2020-21 was Rs. 32.86 Crore. The Same has been considered as Opening GFA for FY 2021-22. Petitioner has wrongly claimed Rs. 24.79 Crore as Opening GFA for FY 2021-22. The GFA admitted for FY 2021-22, based on the Capitalisation admitted by the Commission, is as below:

**Table 7: GFA Admitted by the Commission for FY 2021-22 (Rs. Crore)**

Sr. No.	Particulars	Claimed	Admitted
1	Opening GFA	24.79	32.86
2	Addition during the Year	0.01	0.01
3	Adjustment during the Year	0.00	0.00
4	Closing GFA	24.80	32.87

### **Funding of Capitalisation**

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

2.22 The Petitioner has submitted that, for FY 2021-22, the consumer contribution is more than the total capitalisation, thus no additional debt and equity has been considered.

#### **Commission's Analysis**

2.23 Regulation 21.1 of the MYT Regulations, 2015 and amendments thereof specifies that debt-equity ratio shall be 70:30 for calculation of interest on loan and for return on equity. Further, equity addition is to be limited to 30% of the net GFA and equity in excess of 30% is to be considered as normative loan.

2.24 The Commission observed that the Petitioner has not utilised any equity or availed any loan and rather has funded the capitalization entirely through consumer contribution. The Petitioner has received consumer contribution of Rs. 0.23 Crore in FY 2021-22. Accordingly, the Commission has admitted consumer contribution of Rs. 0.23 Crore and reduced the same from GFA addition during the year of Rs. 0.01 Crore to arrive at the net capitalization of nil and remaining balance consumer contribution of Rs. 0.22 Crore shall be considered in the subsequent year true ups.

2.25 As the total GFA has been considered to be funded through consumer contribution, debt and equity addition for the year has been considered as nil. The funding of the capitalisation approved for FY 2021-22 is shown as follows:

**Table 8: Admitted funding of Capitalisation for FY 2021-22 (Rs. Crore)**

<b>Sr. No.</b>	<b>Particulars</b>	<b>Claimed</b>	<b>Admitted</b>
1	Total Capitalisation	0.01	0.01
2	Consumer Contribution and Grants for FY 2021-22	0.23	0.23
3	Net Capitalisation	0.00	0.00
4	Normative Debt	0.00	0.00
5	Normative Equity	0.00	0.00

### **Operations and Maintenance Expenses**

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

2.26 The Operations and Maintenance (O&M) Expenses consist of the following elements as per Regulation 34.1 of the MYT Regulations, 2015 and amendments thereof:

- Employee Expenses
- Repairs and Maintenance (R&M) Costs
- Administrative and General (A&G) Expenses
- MPERC Expenses

#### **Employee Expenses**

2.27 The employees of Petitioner's various departments like planning, commercial, technical, legal, financial & accounts, administration etc. are involved in activity of power business. The actual employee expenses for FY 2021-22 as incurred by the Petitioner based on the audited accounts are Rs. 4.21 Crore, including DA and terminal benefits.

#### **A&G Expenses**

2.28 The Petitioner has submitted that actual A&G expenses incurred for FY 2021-22 is Rs. 2.04 Crore, which are lower than the normative A&G expenses specified by the Commission in the MYT Regulations, 2015 and amendments thereof.

## R&M Expenses

- 2.29 The Petitioner submitted that it has entered into an agreement with MPPKVVCL, Indore dated 26<sup>th</sup> March, 2013 to carry out all R&M Expenses of its Electrical Network situated in the Special Economic Zone Phase I and Phase II in Pithampur area of the Dhar District and to provide consultancy services in various techno-commercial matters related to the distribution and supply of electricity in the Special Economic Zone area for an initial period of 3 years from the effective date. For first six months of FY 2016-17, MPPKVVCL was carrying out all R&M activities. Subsequently, MPIDC has entered into an agreement with PTC India Ltd. on 29<sup>th</sup> September 2016 for R&M activities of its electrical network and other consultancy services at lower rates.
- 2.30 The Petitioner has submitted that the Commission had considered this expenditure in its earlier Tariff Orders for the FY 2013-14, FY 2014-15 and FY 2015-16. The relevant extracts of the Tariff Order for FY 2013-14 dated 10 September, 2013 has been reproduced below:

*“2.47 The Commission noticed that the petitioner has filed O&M expenses as per the Regulations and has also filed the expenses as per the agreement signed with MPPKVVCL, Indore dated March 26, 2013. The petitioner has requested that the expenses in accordance with the agreement executed by them with MPPKVVCL be allowed. MPPKVVCL has to undertake all activities related to O&M expenses and also to provide consultancy services in various techno-commercial matters relating to the distribution and supply of electricity in the SEZ area. The Commission is of the view that looking at the difficulties faced by the petitioner in the past related to its power business, it would be prudent to consider the contract between the petitioner and MPPKVVCL, Indore in the interest of the consumers. **MPPKVVCL is a State owned Distribution Licensee and has expertise in operation and maintenance of power distribution system. [Emphasis Added]**”*

- 2.31 With PTC India managing R&M activities, various distribution of power related aspects has improved considerably, including:
- The loss levels have reduced significantly, and hard efforts are being pushed to reduce it further;

- The Petitioner has successfully upgraded its connectivity levels to grid from 33 kV to 132 kV voltage level;
- Quality of supply has improved considerably, with minimum tripping and uninterrupted supply of power;
- Scheduling practices have been optimized resulting into effective procurement;
- Number of incoming and outgoing feeders have been optimized and increased resulting into redundant supply, appropriate loading levels, load bifurcation and further reduction of distribution losses.
- Consumer satisfaction level has improved with implementation of 24x7 call center and expeditious resolution of network and supply related issues.

2.32 The Petitioner has also submitted that a part of R&M expenses of Rs. 2.14 Crore incurred for FY 2021-22 is reflected as part of Power Purchase Cost in the audited accounts. However, for the purpose of filing of this Petition, the Petitioner has re-classified the same as a part of the R&M expenses. The Petitioner has requested the Commission to approve actual R&M Expenses of Rs. 2.14 Crore for FY 2021-22.

#### **MPERC Fees**

2.33 The Petitioner has submitted that the actual MPERC Fees for FY 2021-22 is Rs. 0.04 Crore.

#### **Commission's Analysis**

2.34 Operation and Maintenance expenses comprise of the following heads:

- Employee Expenses which includes the salaries, dearness allowance, dearness pay, other allowances and retirement benefits paid to the staff;
- Repair and Maintenance (R&M) Expenses, which include all expenditure incurred on the maintenance and upkeep of transmission and distribution assets; and
- Administrative and General Expenses, which include all expenditure incurred in operating a business.
- MPERC Fees, is the fees payable to the MPERC as per Regulations.



- 2.35 It is observed that the Petitioner has claimed the Employee and Administrative & General Expense as per actuals, whereas the Repair & Maintenance Expenses have been claimed as per the agreement with PTC.
- 2.36 As per MYT Regulations, 2015 and amendments thereof, basic salary of employee is allowable as per the norms specified in the Regulations, whereas terminal benefits and arrears are allowable as per actuals. With regard to A&G Expenses, it is allowable in accordance with the norms specified in the Regulations, whereas MPERC fees is to be allowed on actuals. As per MYT Regulations, 2015 and amendments thereof, R&M Expenses are allowable on normative basis i.e. 5% of the opening GFA for the year.
- 2.37 On analysis of O&M Expenses, it is observed that the actual A&G expenses are lower than the normative expenses allowable as per Regulations, whereas actual Employee and R&M Expenses are higher than the normative expense allowable as per Regulations. Comparison of Actual and Normative O&M Expenses is shown below:

**Table 9: Comparison of Actual and Normative Employee Expenses for FY 2021-22 (Rs. Crore)**

Sr. No.	Particulars	Claimed	Actual	Normative
1	Salary	-	1.48	1.33
2	Dearness Allowance	-	1.70	1.70
3	Terminal Benefits	-	1.01	1.01
4	Arrears	-	0.02	0.02
<b>5</b>	<b>Total</b>	<b>4.21</b>	<b>4.21</b>	<b>4.06</b>

**Table 10: Comparison of Actual and Normative A&G Expenses for FY 2021-22 (Rs. Crore)**

Sr. No.	Particulars	Claimed	Actual	Normative
1	A&G Expenses	2.04	2.04	2.11
2	MPERC Fees	0.04	0.04	0.04
<b>3</b>	<b>Total A&amp;G Expenses</b>	<b>2.08</b>	<b>2.08</b>	<b>2.15</b>

**Table 11: Comparison of Actual and Normative R&M Expenses for FY 2021-22 (Rs. Crore)**

Sr. No.	Particulars	Claimed	Actual	Normative
1	R&M Expenses	2.14	2.14	1.64

2.38 As the actual O&M expenses are higher than the normative O&M expenses, the Commission has allowed normative O&M expenses as per the provisions of the Regulations.

2.39 Accordingly based on above, the admitted O&M expenses admitted by the Commission for FY 2021-22 are shown in the table below:

**Table 12: O&M Expenses admitted by the Commission for FY 2021-22 (Rs. Crore)**

Sr. No.	Particulars	Claimed	Actual	Normative	Admitted
1	O&M Expenses	8.43	8.43	7.85	7.85

### Depreciation

#### Petitioner's Submission

2.40 The Petitioner has submitted that the rates of depreciation as specified in the MYT Regulations, 2015 and amendments thereof have been considered for the computation of depreciation for FY 2021-22. Addition to assets have been considered as per the actual Capitalisation for FY 2021-22. Accordingly, the Petitioner has computed Depreciation for FY 2021-22 as Rs. 0.82 Crore.

2.41 The Petitioner further submitted that it has reduced the amortization of the assets capitalized from the consumer contribution for FY 2021-22. Accordingly, net depreciation on GFA for FY 2021-22, after reducing amortization on consumer contribution of Rs. 0.38 Crore is Rs. 0.82 Crore as follows:

**Table 13: Depreciation claimed by the Petitioner for FY 2021-22 (Rs. Crore)**

Sl. No.	Particulars	Actual
1	Depreciation	1.20
2	Less: Consumer contribution amortized	0.38
3	<b>Net Depreciation</b>	<b>0.82</b>

#### Commission's Analysis

2.42 The Commission has considered the capitalisation for FY 2021-22 in paragraphs 2.17 to 2.25 of this Order. Depreciation has been computed considering the rates of depreciation as per MYT Regulations, 2015 and amendments thereof as specified class of assets. Further, the Commission has not allowed depreciation on assets created through consumer contribution and grants. Accordingly, the computation of

depreciation rate considered by the Commission for approval of depreciation for FY 2021-22 is as shown below:

**Table 14: Computation of depreciation rate for FY 2021-22**

Sr. No.	Particulars	Depreciation Rate (%)	Opening GFA (Rs. Crore)	Net Addition during the year (Rs. Crore)	Closing GFA (Rs. Crore)	Average GFA (Rs. Crore)	Gross Depreciation (Rs. Crore)
1	Furniture & Fixtures	6.33%	0.21	0.00	0.21	0.21	0.01
2	Computers	5.28%	0.02	0.01	0.03	0.02	0.00
3	Buildings	3.34%	4.23	0.00	4.23	4.23	0.14
4	Plant & Machinery	5.28%	28.41	0.00	28.41	28.41	1.50
5	<b>Total</b>		<b>32.86</b>	<b>0.01</b>	<b>32.87</b>	<b>32.87</b>	<b>1.66</b>
6	<b>Weighted Average Depreciation Rate (%)= Gross Depreciation *100/Average GFA</b>						<b>5.04%</b>

2.43 Further, the Commission has observed that claim against depreciation by the Distribution Licensee has not been duly substantiated by the detailed Fixed Asset Register. These Register were required in the format prescribed by the Commission, so as to ensure that claims made are only against those assets, which have not been fully depreciated and that the depreciation is being charged as per the approach specified in the Regulations. Distribution Licensee in the past also did not submit these details despite repetitive directions of the Commission. Accordingly, in order to reprimand the Petitioner, the Commission in true up for FY 2021-22 has disallowed 50% of the depreciation for FY 2021-22.

2.44 Based on the depreciation rate computed above, the net depreciation admitted by the Commission for FY 2021-22 is as follows:

**Table 15: Net Depreciation admitted by the Commission for FY 2021-22 (Rs. Crore)**

Sr. No.	Particulars	Admitted
1	Net Opening GFA as on 1 <sup>st</sup> April, 2021 (as per closing net GFA approved in true up order of FY 2020-21)	12.60
2	Net addition to GFA of Consumer Contribution and Grants	0.00
3	Net Closing GFA as on 31 <sup>st</sup> March, 2022	12.60
4	<b>Average Net GFA</b>	<b>12.60</b>
5	Depreciation Rate (%)	5.04%
6	<b>Depreciation</b>	<b>0.63</b>
7	<b>50% Depreciation disallowed on account of Non-Submission of FAR in the format provided by the Commission</b>	<b>0.32</b>
8	<b>Net Depreciation Allowed</b>	<b>0.32</b>

## **Interest and Finance Charges**

### **Interest on Project Loans**

#### **Petitioner's submission**

- 2.45 The Petitioner has submitted that for assessing interest charges on loans for FY 2021-22, the opening balance of loan has been considered to be equal to closing loan balance of the same for the previous year. As the consumer contribution received during FY 2021-22 is more than the asset capitalized during the year, there is no loan addition during FY 2021-22.
- 2.46 The repayment of the loan during the year has been considered equal to depreciation charged for the financial year as per clause 31.3 of the MYT Regulations, 2015 and amendments thereof. Since the Petitioner does not have actual loans, the weighted average rate of interest of three State Discoms of 6.94%, as admitted by the Commission in its Retail Supply Tariff Order for the FY 2021-22 has been considered, in line with the approach adopted by the Commission in its earlier Tariff Orders in approving the Interest and finance charges.

#### **Commission's Analysis**

- 2.47 The Commission has considered the opening net loan for FY 2021-22 as per the closing net loan for FY 2020-21 as approved in true up order for FY 2020-21 which is Rs. 5.23 Crore. However, the petitioner has wrongly claimed Rs. 12.11 Crore as opening loan for FY 2021-22.
- 2.48 As the consumer contribution received during FY 2021-22 is more than capitalization the net loan addition during the year is nil. Further, the repayment has been considered equivalent to admitted depreciation for the year.
- 2.49 Interest on loan has been computed considering interest rate of 7.54%, as admitted by the Commission in true up of State DISCOMs of FY 2021-22, dated 20<sup>th</sup> March, 2023. The interest on loans as admitted by the Commission for FY 2021-22 is shown below:

**Table 16: Interest and finance charges admitted by the Commission for FY 2021-22 (Rs. Crore)**

<b>Sr. No.</b>	<b>Particulars</b>	<b>Claimed</b>	<b>Admitted</b>
1	Net Opening Loan as on 1 <sup>st</sup> April, 2021	12.11	5.23

<b>Sr. No.</b>	<b>Particulars</b>	<b>Claimed</b>	<b>Admitted</b>
2	Addition to net loan during the year	0.00	0.00
3	Repayment during the year	0.82	0.32
4	Total net loan as on 31 <sup>st</sup> March, 2022	11.29	4.92
<b>5</b>	<b>Average Net Loan</b>	<b>11.70</b>	<b>5.08</b>
<b>6</b>	<b>Interest Rate (%)</b>	<b>6.94%</b>	<b>7.54%</b>
<b>7</b>	<b>Interest on Loans</b>	<b>0.81</b>	<b>0.38</b>

### **Interest on Security Deposit**

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

2.50 The Petitioner has submitted that the actual interest paid on consumer security deposit for FY 2021-22 is Rs. 0.78 Crore as per the annual accounts.

#### **Commission's Analysis**

2.51 The Commission for true-up of ARR for FY 2021-22, has admitted the actual interest on consumer security deposit of Rs. 0.78 Crore as per the Audited Accounts.

### **Interest on Working Capital**

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

2.52 The Petitioner has submitted that the Interest on working capital has been calculated on basis of normative parameters as provided in the Clause 22.1 of the MYT Regulations, 2015 and amendments thereof.

2.53 The rate of interest considered is the State Bank Advance Rate (SBAR) as on 1<sup>st</sup> April, 2021 i.e., 12.30% as provided in Regulation 36 of the MYT Regulations, 2015 and amendments thereof.

#### **Commission's Analysis**

2.54 The MYT Regulations specify that the Working capital for supply activity of the licensee shall consist of:

- i. Receivables of two months of average billing reduced by power purchase cost of one month and any consumer security deposit,
- ii. O&M expenses for one month, and
- iii. Inventory (meters, metering equipment, testing equipment are particularly

relevant in case of supply activity) for 2 months based on annual requirement for previous year.

2.55 Working capital for wheeling activity of the licensee shall consist of:

- i. O&M expenses for one month, and
- ii. Inventory (excluding meters, etc. considered part of supply activity) for 2 months based on annual requirement considered at 1% of the gross fixed assets for previous year.

2.56 As per the Regulations, the rate of interest on working capital shall be equal to the State Bank of India Advance Rate as on 1<sup>st</sup> of April 2021, i.e., 12.15% has been considered. The Commission has considered the same for computing the interest on working capital for FY 2021-22.

2.57 The summary of interest on working capital admitted by the Commission for FY 2021-22 is shown in the table below:

**Table 17: Interest on Working Capital admitted by the Commission for FY 2021-22 (Rs. Crore)**

Sr. No.	Particulars	Claimed	Admitted
<b>For Wheeling Activity</b>			
A)	1/6th of annual requirement of inventory for previous year	0.25	0.04
B) i)	Total of O&M expenses	-	7.85
B) ii)	1/12th of total O&M Expenses	0.70	0.65
C)	Receivables		
C) i)	Annual Revenue from wheeling charges	-	0.00
C) ii)	Receivables equivalent to 2 months average billing of wheeling charges	0.00	0.00
D)	Total Working capital	0.95	0.70
E)	Rate of Interest	12.30%	12.15%
F)	<b>Interest on Working capital</b>	<b>0.12</b>	<b>0.08</b>
<b>For Retail Sale activity</b>			
A)	1/6th of annual requirement of inventory for previous year	0.00	0.01
B)	Receivables		
B) i)	Annual Revenue from Tariff and charges	-	188.98
B) ii)	Receivables equivalent to 2 months average billing	34.02	31.50
C)	Power Purchase expenses	-	165.25
C) i)	1/12th of power purchase expenses	13.77	13.77
D)	Consumer Security Deposit	19.16	18.45
E)	Total Working capital (A+B ii) - C i) - D)	1.09	(0.72)
F)	Rate of Interest	12.30%	12.15%
G)	<b>Interest on Working capital</b>	<b>0.13</b>	<b>(0.09)</b>
<b>Summary</b>			
1	<b>For wheeling activity</b>	<b>0.12</b>	<b>0.08</b>
2	<b>For Retail Sale activity</b>	<b>0.13</b>	<b>(0.09)</b>
	<b>Total Interest on working Capital</b>	<b>0.25</b>	<b>0.00</b>
	<b>Total Interest on working Capital admitted</b>	<b>0.25</b>	<b>0.00</b>

2.58 Total Interest and Finance Charges admitted by the Commission for FY 2021-22 is shown as follows:

**Table 18: Interest & Finance Charges admitted for FY 2021-22 (Rs. Crore)**

Sr. No.	Particulars	Claimed	Admitted
1	Interest on Loans	0.81	0.38
2	Interest on Security Deposit	0.78	0.78
3	Interest on Working Capital	0.25	0.00
4	<b>Total Interest and Finance Charges</b>	<b>1.84</b>	<b>1.17</b>

## Lease Rent

### Petitioner's Submission

2.59 The Petitioner has submitted that it is the SEZ developer who is responsible for providing various services to the business units who setup their factories in the SEZ premises. As a deemed licensee, the Petitioner also supplies power to the occupants of the SEZ. For this purpose, MPIDC (SEZ Developer) has provided land to power business of the Petitioner for setting up its infrastructure necessary for providing power to the industrial units. Against this land which has been allocated to the power business, the Petitioner is charging lease rent for the area allocated to the power business which is a separate business unit within the company and is a distribution licensee recognised by the Commission.

2.60 As per Clause 33 of the MYT Regulations, 2015 and amendments thereof:

*“33. Lease/ Hire Purchase charges.-*

*Lease charges for assets taken on lease by Distribution Licensee shall be considered as per lease agreement provided the charges are considered reasonable by the Commission.”*

2.61 Lease rent is a legitimate expense and should be permitted to be recovered as an expense through the ARR. The lease rent is being charged by MPIDC as it is an opportunity cost lost for the SEZ business as they could have leased out this land to some other industry and received lease rent against it.

2.62 Further, as a distribution licensee, in normal course of action, the Petitioner would have purchased this land for establishment of its power distribution infrastructure. The cost incurred for purchase of land gets capitalized and the Commission allows depreciation, interest on loan and return on equity chargeable on account of this cost as part of ARR. Accordingly, this expenditure, in the form of either lease rent

or depreciation, interest on loan and return on equity chargeable on the capital cost incurred by the Petitioner, is inevitable.

- 2.63 The Petitioner has sought lease rent in its review petition 86 of 2012 and the Commission in its Order dated 21st December, 2012 has disallowed lease rent sighting reason of non-payment. The relevant part of the same is reproduced here below for reference.

*“ii. Land Premium and Lease rent charges:*

.....

*The Commission considered the matter and observed that in the instant case since no actual payments are being made to the SEZ on account of land premium or lease rent such notional expense cannot be charged to the consumers. The claim made by the petitioner in this regard is not sustainable.”*

- 2.64 The Petitioner has submitted that as it has now made all past payments towards lease rent, the Commission is requested to approve lease rent on actual basis as incurred by the Petitioner.
- 2.65 There have been instances in other states wherein the Commission has allowed this expenditure pertaining to lease rental as a pass through in the tariff over and above the other expenses.
- 2.66 A precedence in this matter can be seen in case of approval of the Truing-up of FY 2013-14 and FY 2014-15, Provisional Truing-up of FY 2015-16, and Projection of ARR for the 3rd Control Period FY 2016-17 to FY 2019-20 for the transmission licensee MEGPTCL in Maharashtra by the MERC in Case no. 50 of 2016. In the said case, the land for Akola-II Sub-station was initially to be purchased and handed over by MSETCL to MEGPTCL, however, later on based on management decision, the land was later leased out to MEGPTCL. Accordingly, while the total capital cost of land in the overall capital cost was reduced, the corresponding increase in the lease rental for the same was factored as additional Operation and Maintenance (O&M) expenses in the ARR for the Control Period. Considering the facts of the case, the Hon’ble Commission had admitted the least rent for Akola II Sub-station over and above the normative O&M expenses of MEGPTCL prescribed in the MYT Regulations.



- 2.67 The Petitioner has requested the Commission to allow lease rent of Rs. 2.19 Crore charged to MPIDC to the power business as a legitimate expenditure as part of the ARR for FY 2021-22.

### **Commission's Analysis**

- 2.68 The Commission in its Regulations has clearly defined the expenses and costs that can be passed on to the consumers in its ARR. The expense in form of lease rent has not been considered as legitimate expense to be passed on in the ARR.
- 2.69 The recovery of asset utilization in form of depreciation, return on equity and interest on debt has been defined on premise of adequate cost recovery after detailed deliberation and stakeholder consultation. Whereas there is no reliable basis of the amount of lease rental being claimed by the Petitioner.
- 2.70 Further, the submission of the Petitioner that it has paid the lease rent is also not correct. Such expense has not been paid in actuals and is only a book entry from one department of Petitioner Company to another, which cannot be called as expense for passing it to ARR. The Commission in provisional true up for FY 2010-11 and FY 2011-12 had not allowed the lease rent, which was upheld by the Hon'ble APTEL also in Appeal No. 71 of 2013 filed by the Petitioner. Aggrieved by the same the Petitioner has filed an Appeal before the Hon'ble Supreme court of India, which is sub judice.
- 2.71 Accordingly, with respect to the view taken by the Commission in order for provisional true up of FY 2010-11 and FY 2011-12, the Commission has not admitted the lease rent as claimed by the Petitioner as the matter is sub-judice before Hon'ble Supreme Court. The expense in the form of lease rent has not been considered as legitimate expense to be passed on in the ARR.

### **Return on Equity**

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

- 2.72 The Petitioner has claimed Return on Equity as per Regulation 30.2 of the MYT Regulations, 2015 and amendments thereof.
- 2.73 The opening equity for FY 2021-22 is considered to be equal to closing value of the same for the FY 2020-21. Since, the Petitioner did not have any tax liability for FY 2021-22, no tax on income has been claimed by the Petitioner.

**Commission’s Analysis**

2.74 Return on Equity (RoE) has been computed on pre-tax basis @ 16% as per provisions of MYT Regulations, 2015 and amendments thereof. The opening equity for FY 2021-22 identified with the admitted GFA has been considered as per the closing equity admitted by the Commission in true up order for FY 2020-21 i.e., Rs. 3.78 Crore. However, the petitioner has wrongly claimed Rs. 5.19 Crore as Opening equity for FY 2021-22.

2.75 As the GFA addition during the year has been funded through consumer contribution, the Commission did not admit any equity addition for FY 2021-22 as per the provisions of the MYT Regulations, 2015. The total equity identified along with RoE as admitted for FY 2021-22 is shown in the table below:

**Table 19: Return on Equity admitted by the Commission for FY 2021-22 (Rs. Crore)**

<b>Sr. No.</b>	<b>Particulars</b>	<b>Claimed</b>	<b>Admitted</b>
1	Equity associated with GFA as on the beginning of the year	5.19	3.78
2	30% of addition to net GFA considered as funded through equity	0.00	0.00
3	Total equity associated with GFA at the end of the year	5.19	3.78
4	Average equity associated with GFA at the end of the year	5.19	3.78
5	Rate of Return on equity (%)	16.00%	16.00%
<b>6</b>	<b>Return on Equity</b>	<b>0.83</b>	<b>0.60</b>

**Income Tax**

**Petitioner’s Submission**

2.76 The Petitioner has not claimed any Income tax for FY 2021-22.

**Commission’s Analysis**

2.77 Since, the Petitioner has not made any payment towards income tax, the Commission has approved Income Tax as nil.

**Other Income**

**Petitioner’s Submission**

2.78 The Petitioner has submitted an amount of Rs. 0.024 Crore towards Other Income for FY 2021-22.

**Commission’s Analysis**

2.79 The Commission has observed that the Petitioner has not considered the rebate of Rs. 2.82 Crore received on power purchase in other income. However, the Commission has considered the same as part of other income in line with the approach adopted in previous true up orders, to pass on the benefit of reduction in power purchase cost to the consumers. The similar approach is also adopted by many other States. Accordingly, the other income admitted by the Commission as per audited accounts for FY 2021-22 is shown in the table below:

**Table 20: Other Income admitted by the Commission for FY 2021-22 (Rs. Crore)**

Sr. No.	Particulars	Claimed	As per Accounts	Admitted
1	Other Income	0.024	2.84	2.84

2.80 Based on the above, the ARR admitted by the Commission in true up of FY 2021-22 is shown in the following table:

**Table 21: ARR admitted by the Commission for FY 2021-22 (Rs. Crore)**

Sr. No.	Particulars	Admitted in Tariff Order	Claimed	Admitted in True Up Order
1.	Power Purchase Cost	165.24	167.41	165.25
2.	Intra State Transmission charges	10.61	16.60	16.60
3.	SLDC Charges	0.05	0.03	0.03
4.	O&M Expenses	5.66	8.43	7.85
5.	Depreciation	0.45	0.82	0.32
6.	Interest and Finance Charges	1.42	1.85	1.17
7.	Return on Equity	0.87	0.83	0.60
8.	Lease Rent	0.00	2.19	0.00
9.	Bad and Doubtful Debt	0.00	0.00	0.00
10.	Income Tax	0.00	0.00	0.00
11.	<b>Total Expenses</b>	<b>184.29</b>	<b>198.16</b>	<b>191.82</b>
12.	Less: Other Income	3.10	0.02	2.84
13.	<b>Net Aggregate Revenue Requirement</b>	<b>181.19</b>	<b>198.14</b>	<b>188.98</b>
14.	Revenue Gap of MP Transco True-up of FY 2018-19	2.56	2.56	0.00
15.	<b>Total Aggregate Revenue Requirement</b>	<b>183.75</b>	<b>200.70</b>	<b>188.98</b>

**Revenue from Sale of Power**

**Petitioner’s Submission**

2.81 The Petitioner has submitted that the revenue from sale of power for FY 2021-22 is Rs. 204.09 Crore.

**Commission’s Analysis**

2.82 The Commission has observed that the actual revenue from sale of power as per audited account is Rs. 204.09 Crore and same has been claimed by the Petitioner. However, on analysis of the audited account it is observed that the Rebate on power sales of Rs. 0.26 Crore booked under Schedule 9 (Power Purchase and Direct Expenses to Power Purchase) of the Profit and Loss Statement has not been included in Revenue from Sales of Power under Schedule 7 of Profit and Loss statement and separately claimed by the Petitioners in Power Purchase Cost. As the rebate provided by the Petitioner to its consumers is based on the various rebate allowed by the Commission in Petitioner Tariff Order, to increase revenue of the Petitioner. Therefore, impact of these rebate also needs to be considered under Revenue from Sale of Power and not as an expense.

2.83 In view of the above, the Commission has reduced rebate of power sales of Rs. 0.26 Crore from actual Revenue from Sale of Power as per audited account of FY 2021-22. The admitted revenue of Rs. 203.83 Crore, is shown in the following table:

**Table 22: Revenue from Sales as admitted by the Commission for FY 2021-22 (Rs. Crore)**

Sr. No.	Particulars	Claimed	Admitted
1	Revenue from the Sale of Power	204.09	203.83

**Revenue Gap/Surplus for true-up of ARR for FY 2021-22**

2.84 Based on the scrutiny of various cost components regarding revenue income and expenditures of Petitioner, the Commission has considered the following Revenue Gap / (Surplus) for FY 2021-22 for adjustment through Retail Tariffs in future:

**Table 23: Revenue Gap/Surplus admitted by the Commission for FY 2021-22 (Rs. Crore)**

Sr. No.	Particulars	Approved in Tariff Order	Claimed	Admitted
<b>1</b>	<b>ARR</b>	<b>183.75</b>	<b>200.70</b>	<b>188.98</b>
2	Revenue from Sale of Power	188.58	204.09	203.83
<b>3</b>	<b>Revenue Gap/ (Surplus)</b>	<b>(4.83)</b>	<b>(3.40)</b>	<b>(14.85)</b>

2.85 Accordingly, the Commission has admitted the net Revenue Surplus of Rs. 14.85 Crore after true up of FY 2021-22 for adjusting the revenue surplus amount in retail supply tariff to be determined by the Commission for the subsequent years.

### 3. PUBLIC SUGGESTIONS AND COMMENTS ON LICENSEE'S PETITION

- 3.1 After admission of the True-up Petition for FY 2021-22 filed by the Petitioner, the Public Notice dated 29<sup>th</sup> December, 2022 approved by the Commission comprising gist of the True-up proposal was published by Petitioner in the prominent English and Hindi newspapers (The Free Press Journal, Indore in English and Nai Dunia, Indore in Hindi Language), requesting the Stakeholders to file their objections/ comments / suggestions, latest by 19<sup>th</sup> January, 2023.
- 3.2 In response to the Public Notice, only one stakeholder has filed comments on true up Petition. Subsequently, the Commission held public hearing through video conference mode on 31<sup>st</sup> January, 2023 in which the stakeholder presented his objection/ comment /suggestion on the Petition.
- 3.3 Objection/ Comment /Suggestion received from the stakeholder related to this Petition, response of the petitioner , and the Commission's views thereon are summarized in the following paragraphs.

#### **ISSUE No. 1: Power Purchase Rate**

##### **Issue Raised by Stakeholder**

As per instant True up petition power purchase rate works out to Rs. 3.48 / kWh for FY 2021-22 (purchase of 474 MUs costing Rs 165.24 Crore) whereas in True-Up petition of MPPMCL per unit rate of MP Genco thermal power plants is Rs. 4.30 per kWh. The average cost of supply is Rs. 7 per kWh. This shows that MPPMCL is selling power at lower rate to MPIDC.

##### **Petitioner's Response:**

The petitioner submitted that it did not purchase electricity from MPPMCL at any subsidized rate and purchased electricity as per its contract with MPPMCL and further at rates of generating stations as determined by the Commission.

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

The Power Purchase Cost has been examined and admitted in this order by the Commission in accordance to the provisions under the MYT Regulations, 2015 and amendments thereof, Annual Audited Accounts of the Petitioner for FY 2021-22 and other supplementary submissions filed by the Petitioner before the Commission.

**ISSUE No. 2: Applicability of Intra-state Transmission Charges**

**Issue Raised by Stakeholder**

As per para 1.2.7 of the Petition, the petitioner has not incurred any inter-state transmission charges as the entire power requirement has been met from MPPMCL whereas as per true up petition of MPPMCL for FY 2021-22 payment of Rs. 2,792.22 Crore has been made to Power Grid towards Inter-State transmission charges and additionally approximately Rs. 800 Crore has been paid as Inter-State transmission losses.

**Petitioner's Response:**

The Petitioner submitted that it purchased electricity from MPPMCL from State thermal generating stations as per the long-term agreement between MPPMCL and MPIDC. Accordingly, MPIDC paid intra-state transmission charges to MPPTCL as per tariff determined by the Commission.

**Commission's View**

The petitioner has not claimed any inter-state transmission charges in its petition and commission had not admitted inter-state transmission charges. As the Petitioner has purchased electricity from State thermal generating stations through MPPMCL, inter-State transmission charges are not applicable.

**ISSUE No. 3: Renewable Purchase Obligation**

**Issue Raised by Stakeholder**

Petitioner in FY 2021-22 has not purchased even a single unit of renewable energy in compliance of RPO.

**Petitioner's Response:**

The Petitioner submitted that it has not purchased renewable energy against RPO obligation for FY 2021-22. The Petitioner has already replied regarding fulfilment of RPO obligation in its true-up petition.

**Commission's View**

The Commission has noted the submission of the stakeholder and response of the Petitioner. The Commission will take appropriate action separately as per the provisions of the MPERC (Cogeneration and Generation of Electricity from Renewable Sources of Energy), (Revision-II), Regulations, 2021 and amendments thereof in this regard.

**ISSUE No. 4: Excess allocation of Power**

**Issue Raised by Stakeholder**

Stakeholder stated that the State Government has not enhanced the allocation of 40 MW power to MPIDC, whereas MPPMCL is allocating and supplying in excess of 40 MW to MPIDC.

**Petitioner's Response:**

The Petitioner submitted that it purchased electricity from MPPMCL, under a long-term agreement and as per the directions of the State Government of Madhya Pradesh.

**Commission's View**

The Power Purchase Cost has been examined and admitted in this order by the Commission in accordance to the provisions under the MYT Regulations, 2015 and amendments thereof, Annual Audited Accounts of the Petitioner for FY 2021-22 and other supplementary submissions filed by the Petitioners before the Commission.

**ISSUE No. 5: Repair & Maintenance**

**Issue Raised by Stakeholder**

The entire repair and maintenance work of the 33 kV system for the petitioner is being done by M/s PTC, which is a power trading company and not having expertise in maintenance of 33 kV system. PTC is also working as consultant and being paid by MPIDC.

**Petitioner's Response:**

The Petitioner submitted that it has awarded the O&M work to PTC after conducting a transparent competitive bidding process. Further, the Petitioner has made remarkable improvements in its operational & financial efficiencies with support of PTC and the same have already been shared with the Commission in its various earlier submitted Petitions.

**Commission's View**

The Commission has noted the submission made by stakeholder and reply submitted by the petitioner. The approach adopted for admittance of R&M Expenses has been detailed in relevant portion of this Order.

**Annexure-1**

<b>Sr. No.</b>	<b>Name</b>	<b>Name and Address of the Stakeholders</b>
1.	Shri. Rajendra Agrawal	1995/A Gyan Vihar, Narmada Road, Jabalpur - 482008

