

**MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION**

**5<sup>th</sup> Floor, "Metro Plaza", E-5, Arera Colony, Bittan Market, Bhopal - 462016**



**Petition No. 58/2017**

**PRESENT:**

**Dr. Dev Raj Birdi, Chairman  
Mukul Dhariwal, Member  
Anil Kumar Jha, Member**

**IN THE MATTER OF:**

**True-up of Transmission Tariff of MPPTCL Jabalpur determined by M P Electricity Regulatory Commission for FY 2016-17 vide Multi Year Tariff order dated 10<sup>th</sup> June' 2016**

**M. P. Power Transmission Co. Ltd., Jabalpur - Petitioner**

**Versus**

- (i) M. P. Poorv Kshetra Vidyut Vitaran Co. Ltd., Jabalpur**
- (ii) M. P. Madhya Kshetra Vidyut Vitaran Co. Ltd., Bhopal**
- (iii) M. P. Paschim Kshetra Vidyut Vitaran Co. Ltd., Indore**
- (iv) M. P. Audyogik Kendra Vikas Nigam, (SEZ), Indore**
- (v) West Central Railways, Jabalpur**

**Respondents**

**ORDER**

*(Passed on this day of 4<sup>th</sup> May, 2018)*

1. Madhya Pradesh Electricity Regulatory Commission (hereinafter referred to as “the Commission” or “MPERC”) heard the petitioner namely, M. P. Power Transmission Company Ltd., Jabalpur (hereinafter referred to as “MPPTCL” or “Transmission Licensee”) and other stakeholders on **13<sup>th</sup> March’ 2018**, at Bhopal in the matter of true up of Transmission Tariff for FY 2016-17. The Commission considered the documents available on record and orders issued by the Government of Madhya Pradesh (Energy Department) on 31<sup>st</sup> May’ 2005 making the Transfer Scheme Rules effective from 1<sup>st</sup> June’ 2005, (order No.3679/FRS/18/13/2002 dated 31.05.2005) and 3<sup>rd</sup> June’ 2006 making the Madhya Pradesh Electricity Reforms Transfer Scheme Rules, 2006. The Commission also considered the Final Opening Balance sheets (as on 31.05.2005) notified by the State Government on 12<sup>th</sup> June’ 2008 and reallocation of generating capacity to MPPMCL by the State Government vide order dated 21<sup>th</sup> March’ 2016.
2. The Multi-Year Transmission Tariff (MYT) order for FY 2016-17 to FY 2018-19 was issued by the Commission on 10<sup>nd</sup> June’ 2016 in accordance with the MPERC (Terms & Condition for determination of Transmission Tariff)(Revision-III) Regulations, 2016 (RG-28 (III) of 2016) (hereinafter referred to as “Regulations”).
3. On **15<sup>th</sup> November’ 2017**, MPPTCL filed the subject petition for true-up of its Transmission Tariff determined by the Commission for **FY 2016-17**. MPPTCL also submitted the Asset Depreciation Register for **FY 2016-17**.
4. Motion hearing in the matter was held on **19<sup>th</sup> December’ 2017**. Vide daily order dated **19<sup>th</sup> December’ 2017**, the petition was admitted and petitioner was directed to serve copies of the petition on all Respondents in the matter. Respondents were also directed to file their response if any, on the petition by **17<sup>th</sup> January’ 2018**.
5. Subsequently, vide Commission’s letter 1851 dated **22<sup>nd</sup> December’ 2017**, the information gaps and the requirement of additional details/ data/ documents were communicated to the petitioner seeking its reply along with draft public notice (on the gist of the petition) by **15<sup>th</sup> January’ 2018**.
6. Vide letter No. 04-01/CRA-Cell/F-114 / 560 dated **15<sup>th</sup> January’ 2018**, MPPTCL confirmed service of copies of the petition to all the respondents in the matter.

7. Vide Commission's letter No. 297 dated **19<sup>th</sup> February' 2018**, MPPTCL was asked to publish the public notice on the gist of subject petition in newspapers in English and Hindi version. The public notice was published on **20<sup>th</sup> February' 2018** in English and Hindi newspapers.
8. Subsequently, vide 04-01/CRA/F-114 / 2522 dated **12<sup>th</sup> March' 2018**, MPPTCL informed that it has received no comments/ suggestions in the matter from any of the stakeholders/public/respondents.
9. Public hearing in the matter was held on **13<sup>th</sup> March' 2018** in court room of the Commission. The Commission received no comments/ suggestions in this matter from any respondent/ stakeholder. Only the representatives of MPPTCL appeared in the public hearing.
10. MPPTCL claimed the following true-up amount in its petition.

<b>A) True-up for FY 2016-17</b>				(Amount Rs. Crores)
<b>S. No.</b>	<b>Particulars</b>	<b>As per ARR approved by order dated 10.06.16</b>	<b>As filed in this petition based on Audited Accounts</b>	<b>True-up Amount (Col. 4 – Col 3)</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	O&M Expenses	407.66	<b>408.76</b>	1.10
2	<b>Terminal Benefits -</b>			
2(i)	Cash expenses	1047.09	1552.28	505.19
2(ii)	Provisioning	0.00	62.33	62.33
2	<b>Total -</b>	<b>1047.09</b>	<b>1614.61</b>	<b>567.52</b>
3	Depreciation	320.14	<b>336.78</b>	16.64
4.i.	Interest on Loan & Bank Charges	121.33	191.73	70.40
4.ii.	Interest on Working Capital	61.63	76.14	14.51
4.iii.	Interest on Normative Loan	0.00	0.00	0.00
4	<b>Total Interest -</b>	<b>182.96</b>	<b>267.87</b>	<b>84.91</b>
5	Return on Equity	340.19	<b>356.24</b>	<b>16.05</b>
6	Taxes and Fee	1.22	<b>2.59</b>	<b>1.37</b>
7	PPP Unitary Charges	37.80	<b>38.15</b>	<b>0.35</b>
8	<b>TOTAL -</b>	<b>2337.06</b>	<b>3025.00</b>	<b>687.94</b>
9	Less Non-Tariff Income	19.00	27.99	8.99
<b>10</b>	<b>GRAND TOTAL -</b>	<b>2318.06</b>	<b>2997.01</b>	<b>678.95</b>

<b>B) True-up regarding Prior Period Expenses (FY 2012-13 to FY 2015-16) –</b> (Amount Rs. Crores)				
1	Revised Interest Charges & Interest on Working Capital amended thereof	<b>101.29</b>		
<b>GRAND TOTAL - A+B:</b>		<b>2318.06</b>	<b>3098.30</b>	<b>780.24</b>

**C) Sharing of True-Up Amount -**

The above claimed True-up amount is to be shared by the Discoms, SEZ and West Central Railways as given below:

(Rs. in Crores)

S. N.	Customer	Capacity to be Allocated (MW)	Amount as per filing in this petition	Amount as per MYT Orders	True-up to be shared
1	MP Poorv KVVCL	4569.93	904.47	681.72	222.75
2	MP Madhya KVVCL	5140.01	1017.30	726.2	291.10
3	MP Paschim KVVCL	5704.59	1129.04	873.58	255.46
4	MPAKVN for SEZ	40	7.92	6.09	1.83
5	Railways (WCR)	200	39.58	30.47	9.11
<b>TOTAL -</b>		<b>15654.53</b>	<b>3098.30</b>	<b>2318.06</b>	<b>780.24</b>

**D) Transmission Charges for Non-Conventional Energy Source Based Generating Units connected on 132 KV & above voltage –**

MPPTCL has submitted that the Commission has approved the Transmission Charges for FY 2016-17 in respect of the above mentioned category indicated in MYT order dtd. 10.6.2016. The Transmission charge for non-conventional energy sources based Generating Units connected on 132 KV and above voltage has been worked out on Energy Based Pooled for FY 2016-17 as given in the table hereunder;

S. No.	Particulars	Unit	Order	True-up
			FY 2016-17	FY 2016-17
1	Annual Fixed Cost as per Tariff	Rs. Crores	2318.06	2997.01
2	Transmission System capacity	MW	15213.62	15654.5

3	Transmission charges per MW per Annum	Rs. Lacs / MW	15.24	19.14
4	Capacity of Non-conventional Energy based Plants	MW	2366.9	2155.3
5	<b>Total Pooled Capacity -</b>	MW	17580.52	17809.82
6	Pooled Cost Addition	Rs. Crores	0	0
7	Total Pooled Cost	Rs. Crores	2318.06	2997.015
8	Energy expected to be transmitted	MU	60939	60797.3
9	Energy generated by Non-conventional Energy based Plant at 20% CUF with MW capacity	MU	4146.81	3776.09
10	Total Energy Handled	MU	65085.81	64573.37
11	Transmission Charges per Unit	Rs. / Unit	0.36	0.46
<b>Difference in paise -</b>		<b>0.10 paise</b>		

11. With the above submission, MPPTCL prayed the following:

*“Approve the True-up of Annual Fixed Cost for year FY 2016-17, as mentioned in Para 13.1, and allow True-up amount to be recovered from the Distribution Licensees and other Long Term Open Access customers as per Para 13.2 and Transmission charges for Non Conventional Energy Source based Generating Units connected on 132 KV or above voltage as per Para 13.3. Hon’ble Commission, as per Clause 15.2, may also permit to recover from the Beneficiaries, within six months from the date of determination of final Tariff under these Regulations along with simple interest at the rate equal to the Bank rate as on 01.04.2016.”*

12. MPPTCL filed its reply on **20<sup>th</sup> January’ 2018** to the issues/ infirmities in the petition communicated to it vide Commission’s letter dated **22<sup>nd</sup> December’ 2017**. Issue-wise response filed by MPPTCL in its letter dated **20<sup>th</sup> January’ 2018** is as given below:-

**Issue (i) :-**

**In the financial statement for FY 2016-17 filed by MPPTCL with the Commission on 15<sup>th</sup> November’ 2017, the independent auditor has drawn the attention of the company on several issues including the following:**

*“there is frequent changes in terms & conditions of EOI, extensions in time limits of works and projects even after proposed completion dates and waiver of penalties has effected efficiency of the company and company is suffering financial loss due to lack of planning and monitoring as well”*

**In view of the above, MPPTCL is required to submit its response on the above**

**observations and also to inform the impact of the above observations on account of cost & time overrun if any, on the true-up amount claimed in the subject petition.**

**Response: -**

*“Regarding the observation made by Hon’ble Commission in the matter on which attention has been drawn by the Independent Auditor, it is submitted that the same was a general observation and despite **request for specific occurrence no case was informed by them.** Therefore specific comment is not possible, however the following reply given below was submitted as the Management’s reply to the Auditor’s Report;*

*“As far as some relaxation in terms of payment / pro-rata adjustment of advance is concerned, whenever such relaxation is given, the discount has been availed to protect the financial interest of the Company. Projects have been delayed mainly due to ROW issues and therefore, it cannot be stated that the Company has suffered financial losses in terms of cost of borrowing. All relaxations/ time extensions have been given after due diligence and competent approvals. Such decisions are to be taken by the management in the interest of Company’s work.”*

**Issue (ii) :-**

**The contention of MPPTCL regarding leasehold asset of Rs. 313.19 Crores for the PPP project and adjustment of Rs. 195.75 Crores under head of Consumer Contribution is not clear in the subject petition. Therefore, the clarification on the same with support of relevant documents be submitted.**

**Response :-**

*“Hon’ble MPERC has desired information regarding contention of MPPTCL regarding Leasehold Asset of Rs.313.19 Crores for the PPP Project. It is submitted that M/s ASA & Associates, LLP, IND-AS Consultants has reviewed lease agreement of M/s Kalpatru Satpura Transco (P) Ltd. with MPPTCL and which is envisaged as;*

- *The MPPTCL has the option to purchase transmission system at a price to be calculated as per agreement if there is no further extension;*
- *The lease term is for 25 years and there is an extension of further 10 years i.e. the major part of the life of the asset.*
- *Upon expiry of extended termination period, transmission system will be transferred to MPPTCL without making any termination payment.*
- *The leased assets are of such a specialized nature i.e. for transmission system that only the lessee can use them without major modifications.*

- *MPPTCL is paying monthly unitary charges in lieu of transmission services received under the agreement, treated as Operating Lease, which are being claimed as transmission income in the tariff Rs.. After completion of above mentioned period, the company will have absolute title over the assets created after completion of lease period. This lease agreement is to be treated as Finance Lease under IND AS 17.*

*Based on the above facts and analysis, M/s ASA & Associates, LLP, IND-AS Consultants suggested that MPPTCL may record the assets in its books lower of fair value and present value of minimum lease payments and can book the financial lease obligation at fair value as liability. The same have been classified as Finance Lease and treated accordingly in the year FY 16-17 and FY 2015-16. In this regard following supporting documents are attached.*

- *Impact Study Report, where the treatment of M/s Kalpataru is given in Annexure-A.*
- *Copy of Note-2 of Financial Statement (FY 2016-17) with its disclosures is submitted as Annexure-B.*
- *Detail Working is submitted as Annexure-C.*
- *As desired details of adjustment of Rs.195.75 Crores under head of consumer contribution is submitted as Annexure D".*

**Issue (iii) :-**

**The original scope of work under each project indicating the competent authority from whom the approval was accorded for all works be mentioned.**

**Response :-**

*“MPPTCL has submitted the list of the works capitalized in FY 2016-17 in Annexure-V of the Petition. In the matter of approval by competent authority, it is to be submitted that there is a system for sanctioning of estimates, whereby an officer can only sanction those estimates that are within the financial sanctioning competencies of the post he is holding. The execution of any work is limited to the extent of these sanctioned estimates. Thus, all the works capitalized in FY 2016-17 have been sanctioned by competent authorities.”*

**Issue (iv) :-**

**It needs to be mentioned whether the projects/ works shown as capitalized in FY 2016-17 are new works or a part of some existing projects or under any R&M scheme. The aforesaid details are required to be furnished in terms of the relevant Regulations 17, 18 and 19 of MPERC (Terms and Conditions for determination of Transmission Tariff) (Revision-III) Regulations, 2016.**

**Response :-**

*“It is hereby intimated that the works capitalized in FY 2016-17 are new works only.”*

**Issue (v) :-**

**The scheduled date of commissioning of each project listed in Annexure V be submitted.**

**Response:-**

*“The scheduled date of commissioning of works as per plan for the works capitalized in FY 2016-17 are indicated in Col. 10 of Statement-I, enclosed with this reply. It is also submitted that the plans are need based, thus some of the works may have to be rescheduled as per requirement”.*

**Issue (vi) :-**

**If the commissioning of any project has been done beyond its scheduled date, the reasons for delay along with penalty/ liquidated damage if any, imposed on the contractor/ vendor be submitted.**

**Response :-**

*“The relevant details, concerning penalty, are also submitted in Col. 11 & 12 of Statement-I”.*

**Issue (vii) :-**

**In some of the works, partial amount is shown as capitalized against the estimated amount of works. The reasons for non capitalization of the complete estimated amount be submitted.**

**Response :-**

*“It is humbly submitted that, Capitalization of some part or whole of the works gets delayed due to a few unavoidable reasons such as;*

- *Delay in finalization & issue of orders of compensation related to forest or farmers on account of cumbersome process and involvement of multiple authorities of Revenue / Forest Departments.*
- *Delay in issue of NOC from Forest Department and fixation for crop/ tree compensation.*
- *Delay due to Court cases, Arbitration cases etc.*
- *Delay in final accounting of the material consumed by the Contractor due to multifarious reasons like return of material to Stores, completion of Stores formalities, wastage, damage*



*etc.*

- *Multiple agencies involved in execution.*
- *Court cases filed by Cultivators / owners of land / any other person against the compensation fixed by the Revenue authorities.*

*As a result of such circumstances only a part of the works may get capitalized. It is once again prayed that efforts are made by Transco to capitalize major portions timely.”*

**Issue (viii) :-**

**It is mentioned in the petition that the works capitalized during FY 2016-17 are as per the 12<sup>th</sup> Capex Plan whereas, no reference is given against each work as provided by MPPTCL with the additional submission in its earlier true-up petition. All such references be submitted.**

**Response :-**

*“The reference of the approved Capex Plan of the relevant works capitalized in FY 2016-17 is submitted in Statement-I (Col. 9) attached with this letter for the kind consideration of the Hon. Commission please.”*

**Issue :-**

**In the Annexure V submitted with the petition, the executed amount of works shown at S. No. 39, 55, 71,72, 90, 96, 117, 119, 122, 123, 132, 137, 145, 169, 173, 179 and 305 are shown as negative.**

**Response :-**

*“The capitalized amount of works at S. No. 39, 55,71, 72,90, 96, 117, 119, 122, 123, 132, 137, 145, 169, 173, 179 & 305 are shown as negative, here it is to submit that the minus value appears due to return of excess / balance material to Stores or return of augmented unit - after completion of work”.*

**Issue (ix) :-**

**In the annexure V submitted with the petition, the estimate amount of works shown at S. No. I (35, 68, 69, 70, 82, 111, 117, 121, 155, 156, 157, 158, 159 and 160) are shown as zero.**

**Response :-**

*“The correct estimated amount of the said entries are submitted as Statement-II”.*

**Issue (x) :-**

**In the Annexure V submitted with the petition, the estimated amount is not shown in many of the works under Consumer Contribution and Direct Booking category.**

**Response :-**

*“The correct estimated amount of the said entries are submitted as Statement-III”.*

**Issue (xi) :-**

**In the Annexure V submitted with the petition, the estimate No. and estimated amount is not shown and the executed amount is negative for the work at S. No. DB 202. The reasons for the aforesaid discrepancies be submitted.**

**Response :-**

*“Regarding entries in S. No. DB 202, it has been observed by the Hon. MPERC that estimate No. and estimated amount is not shown and the executed amount is negative, in this context it is begged to submit that estimate No. against referred S. No. is 40-001-8888-13-0002. The executed amount against it is Rs. 168540/- as is also indicated in S. No. DB 202 in Annexure-V”.*

**Issue (xii) :-**

**In para 8.3 of the petition, it is submitted that the assets of Rs.4.75 Cr. have been withdrawn/de-capitalized during the year. The details like nature of assets, date of commissioning, date of withdrawal, original cost, cost withdrawn /decapitalised along with reason of withdrawal and depreciation charged be submitted.**

**Response :-**

*“Regarding the Assets withdrawn, of worth Rs. 4.75 Crores, details in respect of Nature of assets, Date of withdrawal, Gross cost and Cost withdrawn are enclosed as Statement-IV of this reply. While, the depreciation amount is given in the Asset Register submitted along with the Petition. The above is submitted for the kind consideration of the Hon. Commission”.*

**Issue:-**

**First proviso of Regulation 17.2 of MPERC (Terms and Conditions for determination of Transmission Tariff) (Revision-II) Regulations, 2012, provides that:**

*“Provided that prudent check of capital cost may be carried out based on the benchmark norms to be specified by the Central Commission from time to time.”*

**MPPTCL is required to demonstrate that the capital cost incurred on each project is at par with the benchmark norms specified by CERC.**

**Response :-**

*“In the matter of prudent check of capital cost based on benchmark norms specified by CERC from time to time, it is submitted that the Capital cost of the projects completed by MPPTCL are normally within the figures indicated in Investment Plan approved by Hon’ble MPERC. On its part, the Company carries out prudent checks of the Capital cost of projects through its carefully prepared Schedule of Rates which facilitate working out the correct project costs in the initial stage, secondarily checks are also imposed by way of working out the rate reasonability in every tender forming part of the project which subsequently falls under the scrutiny of Audit too. Further, to the extent known to this Company, Hon’ble CERC has determined benchmark Capital cost for the Sub-stations associated with 400 / 765 KV Transmission System and not for 132 / 220 KV system, which are the major constituents of the Assets Capitalized, as indicated in Annexure-V of Petition”.*

**Issue (xiii) :-**

**It needs to be confirmed on affidavit that the claim towards O&M expenses have been worked out only on the works capitalized or completed and no CWIP has been considered for this purpose.**

**Response :-**

*“O&M Expenses are based on the Norms fixed by the Hon’ble Commission and the same are worked out only on the completed works i.e. Lines in Ckt. KMs and number of bays. It is confirmed that CWIP are not considered for this purpose”.*

**Issue (xiv) :-**

**Details of the balance amount to be paid against wage revision be submitted.**

**Response :-**

*“It is to submit that no amount has been paid against wage revision during FY 2016-17 or balance to be paid in subsequent year (revision due to Sixth Pay Commission).”*

**Issue (xv) :-**

**It needs to be confirmed that whether the amount of Rs. 101.29 Crores has been actually paid with regard to the claim or it is provisioning?**

**Response :-**

“ In the matter of prior interest, it is submitted that as per Clause 24.5 of the prevailing regulation pertaining to that period, the interest amount pertaining to a year is not on actual loans but on the basis of weighted average rates on principal not due method. In the Petition also the same methodology has been applied to determine the weighted rate of interest and the difference has been claimed. The amount of Rs. 101.29 Crores is not on actual basis but as submitted above is on the principal of weighted average rates. The above said methodology depicted at Para. 9.10 of the True-up Petition.”

**Issue (xvi) :-**

**Whether this amount of Rs. 101.29 Crores is recorded in Annual Audited Account for FY 2016-17. If so, the concerned Note of Audited Account be mentioned.**

**Response :-**

“Rs. 101.29 Crore claimed in the Petition is a part of the Total Finance Cost of Rs. 374.79 Crore as per the Note 29 of the financial statement of FY 2016-17. Further, net impact due to retrospectively revision of interest rates vides GoMP Order No. F/5-15/2014/XIII dated 31/03/2017 of JICA & ADB 3066 Loans by State Govt. is Rs. 129.15 Crore which is also depicted at Para 36.40 of the Financial Statements of FY 2016-17, the same is summarised as under:-

S. No	Funding Agency	Accounted upto FY 2015-16 Withdrawn	Revised amount Accounted for upto FY 2015-16	Difference Accounted in FY 2016-17
A	B	C	D	E=D-C
1	JICA ID-217	15.33	122.60	107.27
2	ADB 3066	4.54	26.42	21.88
	<b>TOTAL -</b>	<b>19.87</b>	<b>149.02</b>	<b>129.15</b>

**Issue (xvii) :-**

**On perusal of the information filed for additional RoE, it is observed that the capitalized amount shown in Annexure VIII is much less than the estimated amount. It is also observed that some works already completed before 1<sup>st</sup> April' 2016 are also included in the list. The reasons for aforesaid observations alongwith modified Annexure VIII be submitted.**

**Response :-**

“Regarding the observation made on Additional RoE, it is submitted for kind consideration

that, the Addl. RoE is claimed for the qualifying Assets only against the G-Form capitalized in that particular year only. As mentioned earlier also, these G-Forms may be a part of the total project cost & may not reflect full or final cost. Thus if G-Forms capitalized are partial in nature the claim also is based on that portion only. Here it is also to be mentioned that care is taken for avoidance of double capitalization. Annexure-VIII of True-up Petition is also enclosed herewith for kind perusal please”.

**Issue (xviii) :-**

**The petitioner has claimed the fee paid to MPERC/CERC as Regulatory fee during FY 2016-17. The details of fee paid to MPERC only for determination of tariff /true-up for FY 2016-17 be submitted.**

**Response :-**

“The details of fee paid to MPERC / CERC in FY 2016-17 are given below for your kind consideration, please;

S. No	PARTICULARS	DD/ RTGS No. & DT.	AMOUNT (in Rs.)	Sent To
1.	Fee to MPERC for filling of True-up Petition for Transmission Tariff for FY 2015-16.	UBINH16316089487 dated 11.11.2016	1,00,000/-	Commissi on Secretary, MPERC, Bhopal
2.	Fee to MPERC for filling of application for reallocation of Transmission Capacity under MYT Order for FY 2016-17 to FY 2018-19 on account of allocation of 200 MW to Indian Railway.	UBINH16344254797 dated 09.12.2016	10,000/-	
3.	Fee paid to CERC for filling of Rs. for determination of Yearly Transmission Charges of 400 KV Seoni-Sarni & 400 KV Seoni-Bhilai(up to MP Border).	UBINH16363467552 dated 28.12.2016	3,00,000/-	Commissi on Secretary, CERC New Delhi
4	Fee to MPERC for allowing billing / recovery of Transmission Charges in respect of control period FY 2016-17 to FY 2018-19 and beyond from Long Term Open Access Customers, on the basis of capacity recorded beyond allocated capacity, subject to True-up, with a view to remove difficulties in judicious allocation	UBINH17010599375 dated 10.01.2017	90,000/-	Commissi on Secretary, MPERC, Bhopal

S. No	PARTICULARS	DD/ RTGS No. & DT.	AMOUNT (in Rs.)	Sent To
	of capacity.			
5	Balance Fee paid to CERC for filling of Rs. for determination of Yearly Transmission Charges of 400 KV Seoni-Sarni & 400 KV Seoni-Bhilai(up to MP Border).	YESBR520170215501 86050 dated 15.02.2017	10,07,000/-	Commission on Secretary, CERC New Delhi
6	Fee paid to CERC for filling of Petition for determination of Yearly Transmission Charges of 11 Nos. ISTS lines of MPPTCL for the Control period of FY 2014-15 to FY 2018-19.	YESBR520170317505 23860 dated 17.03.2017	85, 83,000/-	Commission on Secretary, CERC New Delhi
<b>TOTAL - Rs.</b>			<b>1,00,900,00/-</b>	

The above amount is also shown in Note-32 under the heading of “Fees & Other Charges Paid to MPERC” of the Annual Accounts, apart from the above under the head “Rates & Taxes”, Rs. 1.58 Crores have also been paid independently. The same is also depicted in Note-32 separately. Thus, keeping in line with Clause-37.1 of the Regulations, a total of Rs. 1.01 Crores (fee) + Rs. 1.58 Crores (Rates & Taxes) = Rs. 2.59 Crores has been claimed.”

**Issue (xix) :-**

**The bad debts of Rs. 471.81 Cr. are shown as written off in Form TUT 10. Details of these debts, alongwith the reason for considering these as bad debts and their impact on tariff be submitted.**

**Response :-**

“The amount of Rs. 471.81 Crore, indicated in TUT-10, has been written-off of under receivables from Discoms, as per the Energy Dept., GoMP Order No 7045/R 4197/2015/XIII, dated 06<sup>th</sup> Nov 2017. A copy of this order is placed as Annexure-E.

The above does not constitute as an element of the Annual Revenue Requirement. As such, the same shall have no impact on the True-up Rs. submitted, more so considering that the same is sacrifice of surplus made by the Equity Holder (GoMP)”.

13. On perusal of the response filed by the petitioner, the Commission observed that the response of the petitioner on certain issues was still lacking clarity. Vide Commission’s letter No. 297

dated **19<sup>th</sup> February' 2018**, the observations on the above response of MPPTCL were communicated and its response was sought by **05<sup>th</sup> March' 2018**.

14. Vide letter No. 04-01/CRA Cell/F-114/2277 dated **05<sup>th</sup> March'2018**, MPPTCL submitted its point-wise reply. Issues-wise response submitted by M.P. Power Transmission Co. Ltd., Jabalpur is as below:-

**Issue (i) : -**

**With regard to leasehold assets of Rs. 313.19 Crores for PPP purchase and adjustment of Rs. 195.75 Crores under the head of consumer contribution, the contention of MPPTCL treating monthly unitary charges is operating licensee and claiming the same as transmission income needs detailed clarification. Further, the contention of MPPTCL for recording the assets in its books of accounts at certain value under the financial lease obligation and classification of the same in FY 2015-16 and FY 2016-17 also needs full clarity in light of the documents enclosed as Annexure A to Annexure D of the reply.**

**Response : -**

*“In respect of lease hold asset of Rs. 313.19 Crores for the PPP Project, it is to submit that MPPTCL has entered into Transmission Agreement with M/s Kalpataru Power Transmission Limited (KPTCL) under PPP mode. M/s KPTCL has started its commercial operation from April 2015 and payment were made to M/s KPTCL towards Unitary Charges during FY 2015-16, considering the executed Agreement as operating lease. However, as per IND-AS, issued by Ministry of Corporate Affairs applicable w.e.f 1<sup>st</sup> April 2016, the same has been categorized as Finance Lease. The Unitary Charges are still being paid to M/s KPTCL per month as adopted/approved by Hon'ble Commission. It is mention that financial Assets and financial liability is being created in the Books of Accounts recognizing at lower fair value and present value of minimum lease payments for 25 years (extendable of further 10 years) from FY 2015-16 onwards, conforming to IND-AS.*

*However, the above has been done to fulfill the requirements of Indian Accounting Standard (IND-AS), accordingly, Depreciation and Interest Cost on the Finance Lease Assets has not been considered and only Unitary Charges as approved by Hon'ble Commission has been claimed in True-up Petition of FY 2016-17.*

*With respect to observation made by Hon'ble Commission regarding adjustment of Rs. 195.75 Crores under head of consumer contribution, it is to submit that in FY 2015-16 Assets created against Consumer Contribution were inadvertently Capitalized for Rs. 217.50 Crores*



instead of Rs. 21.75 Crores. The above said mistake has since been rectified and the effect of over Capitalization has been negated in the Books of Accounts by suitable adjustment entries being the Consumer Contribution works. **Further, the Assets under question have not been considered either in Tariff or in the True up Petition, as such the above said exercise does not carry any effect on the True up claim.**

**Issue (ii) : -**

**With regard to claim of Rs. 101.29 Crores on account of retrospective revision of interest rate of JICA and ADB 3066 loans by State Government, the methodology for computing impact on the subject petition needs to be further clarified.**

**Response : -**

*“Regarding claim of Rs.101.29 Crores on account of retrospective revision of Rate of Interest of JICA and ADB 3066 loans by State Government, it is to submit that, the GoMP vide letter dt. 31.03.2017 has revised the Interest Rate on ADB 3066 and JICA loan from 1.50% to 12% retrospectively from the date of loan disbursement. The impact are given in Profit and Loss account and shown under Finance Cost under Note No. 29 and disclosure in Note No 36.40 in financial statement FY 2016-17. The methodology for working out the interest of Rs. 101.29 Crores has been elaborated in Para 9.10 Chapter-IX of the True up Petition, however, same is summarized in tables and submitted herewith as Annexure-A for kind perusal please. This has been worked out by evaluating the Weighted Average Rate of Interest applied on Principal Not Due for different years i.e FY 2012-13 to FY 2015-16”.*

**Issue (iii) : -**

**The details of all such works wherein the booking limit has crossed 5% of the estimated amount and the estimates were revised/ to be revised need to be submitted.**

**Response : -** *“In respect of all such works wherein the booking limit has crossed 5% of the estimated amount and the estimates were/ are to be revised; it is to submit that the list of the works capitalized in FY 2016-17 has been enclosed as Annexure-V of the Petition. In this regard, it is to submit that booking limit of none of works in the list of works Capitalized in FY 2016-17 submitted as Annexure-V with True up Petition FY 2016-17, have crossed 5% of estimated amount.”*

**Issue (iv) : -**

**It is observed that penalty has been recovered from contractors in several projects. It needs to be clarified whether the amount of penalty deducted from contractors has been**



**appropriately considered in the project cost capitalized during the year. All relevant documents in support of treatment of penalty/ liquidated damages in the capital cost be submitted.**

**Response :** - *“Regarding the matter of recovery of penalty from contractors, it is to submit that penalty/ liquidated damages, imposed/ recovered from the contractors is deducted from the cost of the Assets capitalized during the year. This fact is also mentioned at Point No. (iv) of the Note -2 titled “Significant Accounting Policies” of the Financial Statements of FY 2016-17 (Annual Audited Accounts)”.*

*In this matter copy of the Point No. (iv) of the Note-2 titled “Significant Accounting Policies” of Annual Audited Accounts and the Journal Voucher depicting above fact is enclosed as Annexure-B(i) & B(ii) respectively.*

**Issue (v) :** -

**Under what provision of applicable MPERC (Terms & Conditions for determination of Transmission Tariff ) (Revision-III) regulations, 2016, the claim of Rs. 101.29 Crores towards revised interest and interest charges on working capital has been made in para 9.10 of the subject petition whereas, the true up orders for FY 2012-13 to FY 2015-16 have been issued by the Commission.**

**Response :** -

*“With respect to the observation on the claim of Rs. 101.29 Crores, it is to submit that Rate of Interest applicable for a particular Financial Year shall be Weighted Average Rate of Interest, which has also been mentioned at Clause No. 24.5 of “Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Transmission Tariff) (Revision –III) Regulations, 2016 {RG-28 (III) of 2016}. Accordingly, revised Weighted Average Rate of Interest and revised interest on Working Capital have been calculated due to change in rate of interest of JICA and ADB 3066 loan and methodology for computation of the same is enclosed as Annexure-A.*

*In regard to applicable provisions of MPERC Regulations for the aforesaid change of Rate of Interest, it is to submit that Clause No. 8.4 of “Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Transmission Tariff) (Revision – III) Regulations, 2016 {RG-28 (III) of 2016}” states that “The Hon’ble Commission shall carry out trueing up of Tariff of Transmission Licensee based on the performance of following uncontrollable Parameters;*

- (i) Force Majeure; and
- (ii) Change in law.

Further, the Hon'ble Commission may kindly be pleased to accept that the Rate of Interest has been changed due to compliance of State Government's Order dated 31.3.2017. Further, it is to submit that there is express mention regarding "Change in Law" in Clause No. 4.1(i)(v) of Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Transmission Tariff) (Revision –III) Regulations, 2016 {RG-28 (III) of 2016}, which states as under:

“(v) coming into force or change in any bilateral or multilateral agreement/treaty between the Government of India and any other Sovereign Government having implication for the Transmission System regulated under these Regulations;” Therefore, it may kindly be seen that revision in Rate of Interest of loan comes under the bilateral or multilateral agreement category and same has been affirmed retrospectively and revised claims towards interest charges worked out accordingly.”

**Issue(vi) :-**

**The petitioner's contention that the negative capitalized amount is due to return of excess/ balance materials to stores needs to be clarified in details.**

**Response :-**

“With respect to negative Capitalized amount of works, it is to submit that the minus value appears due to return of excess / balance material to Stores or return of augmented units after completion of works. In this regard, the copy of the Capitalization G-Forms of the above works is enclosed for the kind perusal of the Hon'ble Commission as Annexure-C to this reply. The difference in value of G-forms and capitalized amount is attributable to Overhead/ Interest loaded at Head Office.”

**Issue (vii) :-**

**The account code for the de-capitalized assets during the year be informed so that the same may be linked with the reconciled Asset-Depreciation Register. It needs to be confirmed whether the impact of these de-capitalized assets has been considered while claiming depreciation and equity in the petition.**

**Response :-**

“Regarding withdrawal / de-capitalization of Assets of worth Rs. 4.75 Crores, it is to submit

*that no separate code is being used for such cases and the bookings are done in the mother code only. However, it is to submit that for ease of identification, the Assets withdrawn have been indicated in Annexure-V of the Petition beginning with letter WD in the S. No. column. It is also to submit that the Net Assets worth does not include the Assets withdrawn and no Equity has been claimed on the withdrawn Assets”*

15. In para 2.2 to 2.6 and Annexure III of the petition, MPPTCL filed the Transmission Capacity of **15654.52** MW for FY 2016-17 and its allocation among Discoms, SEZ and WCR. The same is considered in this true-up order.

### **CAPITAL COST AND CAPITAL STRUCTURE**

16. The petitioner filed a list of works completed during FY 2016-17 with the petition. The aforesaid list contained a break-up of about 307 works capitalized during the year along with other work-wise details like particulars of work, estimated amount, date when work completed, amount capitalized and date of capitalization etc. A certificate dated 09.11.2017 issued by the Chief Financial Officer, MPPTCL Jabalpur certifying the following was also annexed with the petition:

*“It is certified that the works of EHV Lines, Sub-Stations and other assets amounting to Rs. **759.98** Crore have been capitalized in the Financial Year 2016-17 which includes assets funded through Consumer Contribution valuing Rs. **43.15** Crore. Withdrawals/Adjustments amounting to Rs. **4.74** Crore have been done during the year. This resulted in net addition of **Rs.712.08 Crores** in the Gross Block.*

*As per the provisions of IND AS adopted by the Company this year, leasehold Asset of Rs. 313.19 Crores have also been included in the Assets by recasting w.e.f. 2015-16. Which is separate from above. An adjustment for an amount of Rs. 195.75 Crores under consumer contribution has also been made during this year”*

17. Besides, MPPTCL filed the details of transmission lines and bays commissioned in FY 2016-17 (Annexure 4 of the petition) in support of its O&M claims.

**CAPITAL COST –****(Rs. in Crores)**

S. No.	Particular	Unit	Total Assets
1	Capital cost as on 31.3.2016 as admitted vide Order dated 15.05.2017	Rs. Cr.	7572.46
2	Capital expenditure during FY16-17 based on audited accounts	Rs. Cr.	1073.16
3	Less Works capitalized through Consumer Contribution during FY 2016-17	Rs. Cr.	43.15
4	Less Recasting of leasehold assets wef 2015-16	Rs. Cr.	313.19
5	Less Assets adjusted/ withdrawn/ de-capitalized during the year	Rs. Cr.	4.74
6	<b>Net Additional Capital expenditure during FY 2016-17 (MPPTCL)</b>	<b>Rs. Cr.</b>	<b>712.08</b>
7	Total capital cost as on 31.3.2017 (net)	Rs. Cr.	8284.54
8	Less Prior Period Consumer Contribution adjustment	Rs. Cr.	195.75
9	Net capital cost as on 31.3.2017 (incl. CC)	Rs. Cr.	8088.79

MPPTCL has filed the following funding of Capital Cost:

**(Rs. in Crores)**

S. No.	Particular	Assets	Equity	Loan
1	Opening capital cost as on 01.04.2016 as per true-up order for FY2015-16	7572.46	2187.78	3526.15
2	Net-off Capitalization during the year for RoE calculations (considering normative 70 - 30 debt - equity ratio)	<b>712.08</b>	<b>213.624</b>	<b>498.456</b>
3	Closing capital cost as on 31.03.2017	8284.54	2401.404	4024.61

**18. Commission's Analysis:-**

On perusal of the contents in the subject petition with regard to true-up of the capital cost, the information gaps/ infirmities in the claims made by MPPTCL were communicated by the Commission and the response of MPPTCL on all such issues has been detailed in **paragraphs 12 to 14** of this order.

19. As per the certificate of the Chief Financial Officer, MPPTCL, Jabalpur, the assets of **Rs.43.15** Crore were funded through consumer contribution and withdrawal of **Rs.4.74** Crore was made from the Gross Block. Accordingly, addition of **Rs.712.08** Crore (out of total

capitalized amount of Rs. **759.98** Crore in FY 2016-17) is shown in the certificate. Therefore, an amount of Rs. **712.08 Crore** for the assets capitalized during FY 2016-17 is considered in this order as given below:

**Capital Cost:**

S. No.	Particular	Unit	Total Assets
1	Capital cost as on 31.3.2016 as admitted vide True up Order For FY 2015-16 dated 15.05.2017	Rs. Cr.	7572.47
2	Capital expenditure during FY16-17 based on audited accounts	Rs. Cr.	716.83
3	Less : Assets adjusted/ withdrawn/ de-capitalized during the year	Rs. Cr.	(-)4.75
4	Net Additional Capital expenditure during FY 2016-17 (2 -3)	<b>Rs. Cr.</b>	<b>712.08</b>
5	Total capital cost as on 31.3.2017 (1+4)	Rs. Cr.	8284.55

The following funding of Capital Cost as on 31.03.2017 on normative Debt : Equity ratio is considered in this order:

**FUNDING :**

**(Rs. in Crore)**

S. No.	Particular	Assets	Equity	Loan
1	Opening capital cost as on 01.04.2016 as per true-up order for FY2015-16	7572.47	2187.77	3526.16
2	Net-off Capitalization during the year for RoE calculations (considering normative 70 - 30 debt - equity ratio)	<b>712.08</b>	<b>213.62</b>	<b>498.46</b>
3	Closing capital cost as on 31.03.2017	8284.55	2401.39	4024.62

20. As per provisions under MPERC (Terms & Conditions for Determination of Transmission Tariff)(Revision-III) Regulations, 2016, the Commission has considered that the source of funding corresponding to the assets addition is 70% from loan and 30% from Equity as per normative debt- equity ratio. Thus, GFA addition of Rs. **712.08 Crore** is considered to be funded from a loan of Rs. **498.46 Crore** and Equity of Rs. **213.62 Crore** as mentioned above.

The above figures of funding are considered in this order to work out interest and finance charges and Return on Equity.

## **ANNUAL FIXED COST**

21. The Annual Fixed Cost (AFC) of a Transmission System including Communication System shall consist of the following components:

- (i) Return on Equity;
- (ii) Interest and Finance Charges on loan capital;
- (iii) Depreciation;
- (iv) Operation and Maintenance Expenses;
- (v) Interest on working capital;
- (vi) Lease/ Hire Purchase Charges

22. The component-wise analysis of the Annual Fixed Cost in this true-up order is as given below:

**(i) RETURN ON EQUITY:**

**23. Petitioner's Submission:**

The petitioner broadly submitted the following:

*"The MPERC (Terms and Conditions for Determination of Transmission Tariff - Revision-III) Regulations, 2016 notified on 15<sup>th</sup> January 2016 provides that;*

- i The Return on Equity shall be computed in rupee terms on the paid up Equity Capital.*
- ii The Return on Equity shall be computed on pre-tax basis at the base rate of 15.5% to be grossed up for tax .*

*In the Tariff order dtd. 10.06.16, Hon'ble Commission has allowed the RoE at the base rate of 15.5% on average Equity of Rs. 2191.94 Crores employed on completed Capital Works, amounting to Rs. 339.75 Crores for FY 2016-17 & Addl. RoE for works completed within specified time limit as Rs. 0.44 Crores, totaling to Rs. 340.19 Crores.*

***Equity Infused During 2016-17 –***

*The Balance Sheet incorporated in Audited Accounts for FY 2016-17, provides for following figures for Equity;*

- (i). Equity held on 31.03.2016 - Rs. 2687.70 Crores*
- (ii). Equity held on 31.03.2017 - Rs. 2687.70 Crores*

*No equity has been infused during the year, after accounting of reserves & surplus the net value comes out for the year under consideration as Rs. 2453.05 Crores.*

***Qualifying Equity For Roe –***

Eligible Equity for claim of RoE in line with the approach adopted by Hon'ble Commission in True up order for FY 2011-12 is worked out taking opening figures as per the True-up order for FY 2015-16, the same is tabulated as hereunder;

<b>S. No.</b>	<b>Particular</b>	<b>Unit</b>	<b>Amount for FY 2016-17</b>
1	Opening Equity in FY 2015-16 (closing Equity of last year as per order)	Rs. Cr.	2187.78
2	Equity addition due to capitalization considered during the year	Rs. Cr.	213.624
3	Closing Equity in FY 2015-16	Rs. Cr.	2401.40
4	Average Equity in FY 2015-16	Rs. Cr.	2294.59
5	Return on Equity base rate	%	15.5
6	Tax rate actually paid during the year	%	0
7	Rate of Return on Equity	%	<b>15.5</b>
8	<b>Return on Equity</b>	Rs. Cr.	<b>355.66</b>
9	Cumm. Additional RoE from in respect of projects completed within specified time limit	Rs. Cr.	<b>0.58</b>
10	<b>Total Return on Equity -</b>	Rs. Cr.	<b>356.24</b>

Regarding the above it is also to be submitted that, keeping in tune with the approach of Hon. Commission towards calculating RoE as indicated in the True-up orders of previous years, the Format TUT-19 covering RoE has been suitably modified.

#### **Projects Completed Within Specified Time Limit –**

Proviso of Clause 23.2 of Transmission Tariff Regulations provides that, in case of projects commissioned on or after 1<sup>st</sup> April 2009/ 2013, an additional return of 0.5% shall be allowed if such projects are completed within the time line specified in Appendix-I of the Regulations. Format TUT-18 attached to this Petition indicates the required information related to works completed during FY 2016-17. It is submitted that although the works may have been completed within time line specified in Appendix-I of the Regulations, Capitalization of specifically the big works generally take time, and only small works are Capitalized in the same year i.e. the year of completion. The details of works which were eligible for additional incentive in previous year have been submitted with the earlier True-up petitions, a summary of the same is tabulated in Table-A to B below. The eligible works from those capitalized during FY 2016-17 and which were completed from the year 2009-10 to 2016-17 are shown in Annexure-VIII attached with this Petition. For other works claim will be lodged in subsequent True-up, on Capitalization of works. From Annexure-VIII the claim for this year



is shown in Table-A & B below;

From Works Capitalized In Previous Years -

S No	Addl. RoE already allowed in Previous Years through True-up	Rs. Crores
1	For Works Capitalized In FY 2009-10	0.005
2	For Works Capitalized In FY 2010-11	0.100
3	For Works Capitalized In FY 2011-12	0.120
4	For Works Capitalized In FY 2012-13	0.020
5	For Works Capitalized In FY 2013-14	0.120
6	For Works Capitalized In FY 2014-15	0.070
7	For Works Capitalized In FY 2015-16	0.070
<b>A</b>	<b>TOTAL -</b>	<b>0.505</b>

From Works Capitalized In FY 2016-17 -

(i)	Value of G-forms of qualifying works	Rs. 54.92 Crores
(ii)	Equity employed with 70:30 ratio	Rs. 16.48 Crores
(iii)	0.5% Additional RoE	Rs. 0.07 Crores
	<b>(B) Claim lodged this Year =</b>	<b>Rs. 0.07 Crores</b>

Total of (A) + (B) = Rs. 0.505 + 00.070 Crores = Rs. 0.575 Crores

**Say Rs. 0.58 Crores**

**Normative Loan –**

If the average Equity is more than the eligible Equity, the same is to be treated as Normative Loan, and this “Normative loan” is eligible for interest at the rate 8.089% as indicated in Para 9.4 covering overall Weighted Average Rate of Interest for Year 2016-17. On the basis of Chapter-IX & X, formulated on lines of True up order for FY 2011-12, with opening figures based on True up Order for FY 2015-16, the following is obtained;

**(Amount Rs. in Crores)**

S No	Interest on Normative Loan	
a	Gross Block of Assets as on 01.04.2016	7572.46
b	Gross Block of Assets as on 31.03.2017 Net of Consumer Contribution	8284.54
c	Gross Block of Assets (Average)	7928.50
d	Maximum Qualifying Equity (30%) with 70:30 Debt : Equity ratio	2378.55



<i>e</i>	<i>Equity at the beginning of the year employed on Capitalized Works</i>	2187.78
<i>f</i>	<i>Equity at the end of the year employed on Capitalized Works</i>	2171.99
<i>g</i>	<i>Average Equity employed on Capitalized Works</i>	2179.89
<i>h</i>	<i>Qualifying Equity</i>	2378.55
<i>i</i>	<i>Available equity</i>	2687.70
<i>j</i>	<i>Normative Loan component only if (g)&gt;(h)</i>	Nil

**True-Up of ROE For FY 2016-17 –****(Amount Rs. in Crores)**

<i>(i)</i>	<i>RoE Eligibility as per True-up claimed above</i>	355.66
<i>(ii)</i>	<i>Additional RoE as per Para 10.4 above</i>	0.58
<i>(iii)</i>	<i>Total RoE claimed</i>	356.24
<i>(iv)</i>	<i>RoE allowed in MYT order for 2016-17</i>	340.19
<i>(v)</i>	<b><i>True-up amount</i></b>	<b>16.05</b>

**24. Provisions under Regulations:**

The provisions under Clause 23 of MPERC (Terms & Conditions for determination of Transmission Tariff) (Revision-III) Regulation, 2016 provide that,

23.1. “Return on equity shall be computed in rupee terms, on the paid up equity capital determined in accordance with Regulation 20.

23.2. Return on equity shall be computed at the base rate of 15.5% to be grossed up as per clause 23.3 of this Regulation:

*Provided that:*

(i) *in case of Projects commissioned on or after 1<sup>st</sup> April, 2016, an additional return of 0.5% shall be allowed if such projects are completed within the timeline specified in **Appendix-I**:*

(ii) *the additional return of 0.5% shall not be admissible if the Project is not completed within the timeline specified above for reasons whatsoever:*

(iii) *additional RoE of 0.5% may be allowed if any element of the transmission project is completed within the specified timeline and it is certified by the competent authority that commissioning of the particular element will benefit the system operation in the regional/national grid:*

- (iv) *the rate of return of a new project shall be reduced by 1% for such period as may be decided by the Commission, if the Transmission System is found to be declared under Commercial Operation without commissioning of any of the data telemetry and Communication System up to Load Dispatch Centre or protection system:*
- (v) *as and when any of the above requirements are found lacking in a Transmission System based on the report submitted by SLDC, RoE shall be reduced by 1% for the period for which the deficiency continues:*

23.3. *The base rate of return on equity as allowed by the Commission under Regulation 23.2 shall be grossed up with the effective tax rate of the respective financial year. For this purpose, the effective tax rate shall be considered on the basis of actual tax paid in the respective financial year in line with the provisions of the relevant Finance Acts by the concerned Transmission Licensee, The actual income tax on other income stream including deferred tax (i.e., income of non transmission business) shall not be considered for the calculation of “effective tax rate”.*

23.4. *Rate of return on equity shall be rounded off to three decimal points and be computed as per the formula given below:*

$$\text{Rate of pre-tax return on equity} = \text{Base rate} / (1-t)$$

*Where t is the effective tax rate in accordance with clause 23.3 of this Regulation, and shall be calculated at the beginning of every financial year based on the estimated profit and tax to be paid estimated in line with the provisions of the relevant Finance Act applicable for that financial year to the company on pro-rata basis by excluding the income of or non-transmission business, as the case may be, and the corresponding tax thereon. In case of Transmission Licensee paying Minimum Alternate Tax (MAT), “t” shall be considered as MAT rate including surcharge and cess.*

***Illustration.-***

- (i) *In case of the Transmission Licensee paying Minimum Alternate Tax (MAT) say, @ 20.96% including surcharge and cess:*

$$\text{Rate of return on equity} = 15.50 / (1-0.0.2096) = 19.610\%$$

- (ii) *In case of the Transmission Licensee paying normal corporate tax including surcharge and cess:*
  - (a) *Estimated Gross Income from transmission business for FY 2016-17 is Rs 1000 Crore.*
  - (b) *Estimated Advance Tax for the year on above is Rs 240 Crore*
  - (c) *Effective Tax Rate for the year 2016-17 = Rs 240 Crore/Rs 1000 Crore = 24%*
  - (d) *Rate of return on equity =  $15.50 / (1 - 0.24) = 20.395\%$*

*The Transmission Licensee shall true up the grossed up rate of return on equity at the end of every financial year based on actual tax paid together with any additional tax demand including interest thereon, duly adjusted for any refund of tax including interest received from the income tax authorities pertaining to the tariff period FY 2016-17 to FY 2018-19 on actual gross income of any financial year. However, penalty, if any, arising on account of delay in deposit or short deposit of tax amount shall not be claimed by the Transmission Licensee. Any under-recovery or over-recovery of grossed up rate on return on equity after truing up, shall be recovered or refunded to the Long Term Transmission Customers on year to year basis.”*

25. **Commission’s Analysis:**

The information gaps/ infirmities regarding this issue were communicated to the petitioner and the petitioner’s response on all such issues have been discussed in **paragraphs 12 to 14** of this order.

26. MPPTCL claimed an additional return of 0.5% on the Equity of such projects which were completed within the time limit specified in Appendix 1 of the Regulations. It is observed from the reply filed by MPPTCL that the details of projects completed within the time limit specified in Appendix I of MPERC (Terms and Conditions for determination of Transmission Tariff) Regulation, 2016 have been submitted as Annexure VIII. The aforesaid details are for 18 works having total capitalized amount of Rs. **13.70** Crore. The additional return on Equity of Rs. **0.07 Crores** as claimed by MPPTCL is considered in this order. Accordingly, the total additional RoE is worked out as  $\text{Rs.}(0.47 + 0.07) = \text{Rs.}0.54$  Crores.

27. In the last true-up order for FY 2015-16 the closing equity of FY 2014-15 was considered as equity employed on capital cost at the beginning of year. The equity infusion during FY

2015-16 was also considered only for the assets created and capitalized during that year. Similarly, the equity amount of Rs. **2187.77** Crore at the end of FY 2015-16 is considered as opening equity in this true-up order. The equity infusion of **Rs. 213.62 Crore** during FY 2016-17 is considered as per preceding **para 20** of this order. Accordingly, the Return on Equity for FY 2016-17 is worked out as under:

**Return on Equity:**

Sr. No.	Particular	Unit	Amount for FY 2016-17
1	Opening Equity as on 01.04.2016(as per True up order of FY 2015-16- closing Equity of previous year)	Rs. Cr.	2187.77
2	Addition due to additional capital expenditure during the year	Rs. Cr.	213.62
3	Closing Equity as on 31.03.2017	Rs. Cr.	2401.39
4	Average Equity	Rs. Cr.	2294.58
5	Return on equity base rate	%	15.5
6	Tax rate actually paid during the year (No Tax Paid)	%	-
7	Applicable Rate of return on Equity	%	15.5
<b>8</b>	<b>Return on equity</b>	Rs. Cr.	<b>355.66</b>
9	Additional RoE from FY09-10 to FY16-17 in respect of projects completed within specified time limit	Rs. Cr.	<b>0.54</b>
<b>10</b>	<b>Total return on equity worked out (8+9)</b>	<b>Rs. Cr.</b>	<b>356.20</b>

28. In view of the above, the Commission has allowed the total Return on Equity of Rs. **356.20 Crore** including additional return on Equity of Rs. **0.54 Crore** in this order.

(ii) **INTEREST AND FINANCE CHARGES ON LOAN CAPITAL:**

29. **Petitioner's submission:**

The petitioner broadly submitted the following:

*“Hon’ble Commission under order dated 10.06.2016, allowed following Interest and Finance charges to MPPTCL for year 2016-17;*

(i).	Interest & Finance Charges	Rs. 121.33 Crores
(ii)	Interest on Working Capital	Rs. 61.63 Crores
<b>TOTAL -</b>		<b>Rs. 182.96 Crores</b>

**Loans Transferred Through Opening Balance Sheet -**

*The Govt. of M.P. has notified the final Opening Balance Sheet on 12<sup>th</sup> June 2008, as referred in Chapter 1 of this Petition. Loan liabilities of Rs. 1313.21 Crores are indicated in the*

Balance Sheet and a liability of **Rs. 5.53 Crores** is indicated in the footnote as loan from MP Power Generating Company Ltd., making a total of **Rs.1318.74 Crores**. Details of these are mentioned hereunder;

(Amount **Rs.** in Lacs )

S. No.	Particulars	Opening Balance at the beginning of the year			
		Principal Not Due	Principal Due	Interest overdue	TOTAL
1	Loan from PFC - Unsecured	30990.54	0.00	0.00	30990.54
2	Loan from PFC - Secured	0.00	0.00	0.00	0.00
3	Loan from Canara Bank	0.00	0.00	0.00	0.00
4	Loan from SADA Gwalior	720.00	480.00	302.80	1502.80
5	Bonds & Debentures	29692.14	7655.06	11545.70	48892.90
6	MP Genco	553.00	0.00	0.00	553.00
7	Direct Loans	0.00	0.00	0.00	0.00
8	ADB	20844.32	0.00	0.00	20844.32
9	NABARD	7619.10	1215.02	0.00	8834.32
10	General Loans	2876.59	214.78	0.00	3091.37
11	Market Bonds	15964.95	1200.55	0.00	17165.50
	<b>TOTAL -</b>	<b>109260.64</b>	<b>10765.41</b>	<b>11848.50</b>	<b>131874.55</b>

A Statement showing the position of the above mentioned liabilities as on FY 2016-17 has been prepared and is a part of Annexure-VI.

#### **Weighted Average Rate of Interest -**

Hon'ble Commission has desired that the Rate of Interest for each category of loans such as PFC, ADB, State Govt. etc. should be worked out by considering rate of interest of various loan installments applicable during the year. Accordingly, the computation of interest for each category for FY 2016-17 is done and enclosed as Annexures numbered X to XIV, details of which are tabulated hereunder;

S. No.	Loan Scheme	Weighted Average Rate of Interest	Remarks
1	PFC Secured	12.44%	Ref. Anx- X a
2	PFC Unsecured	12.44%	Ref. Anx- X b
3	GoMP JICA IDP-217	12.00%	Ref. Anx- X c
4	State Govt. - General	16.50%	Ref. Anx- XI a
5	Market Bonds	8.30%	Ref. Anx- XI b
6	ADB 1869	10.60%	Ref. Anx- XII a
7	ADB 3066	12.00%	Ref. Anx- XIII a
8	ADB 2323	2.49%	Ref. Anx- XIII b

9	ADB 2346	2.49%	Ref. Anx- XIII c
10	SCSP	16.50%	Ref. Anx- XIV a
11	TSP	16.50%	Ref. Anx- XIV b

*Note: i. The 'Weighted Average Rate of Interest' worked out in above mentioned Annexures are based on 'Principal Not Due' only, therefore, may differ from loan portfolio.*

**Overall Weighted Average Rate of Interest for FY 2016-17**

Clause 24.5 of the Transmission Tariff Regulations says;

*“The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio after providing appropriate accounting adjustment or interest capitalized.”*

*Accordingly, the Weighted Rate of Interest is worked out on the basis of the principal not due outstanding at the end of the year, and on the rate of interest against various loans as worked out in Para 9.3 above. The working is shown in the following table:-*

**(Rs. in Crores)**

S. No.	Particulars	Principal not due as on 31.03.2016	Rate of interest (%)	Interest
1	PFC Secured	138.15	12.44%	17.19
2	PFC Unsecured	12.02	12.44%	1.50
3	GoMP JICA IDP-217	633.92	12.00%	76.07
4	State Govt. - General	30.44	16.50%	5.02
5	Market Bonds	4.57	8.30%	0.38
6	ADB 1869	190.71	10.60%	20.22
7	ADB 3066	293.47	12.00%	35.22
8	ADB 2323	371.99	2.49%	9.26
9	ADB 2346	551.56	2.49%	13.71
10	SCSP	8.38	16.50%	1.38
11	TSP	10.30	16.50%	1.70
<b>TOTAL -</b>		<b>2245.50</b>	<b>-</b>	<b>181.64</b>

$$\begin{aligned} \text{Weighted Rate of Interest} &= \frac{181.64}{2245.50} \times 100 \\ &= 8.089\% \end{aligned}$$

**Eligibility of Interest for Year 2016-17 -**

Clause 24.2 and 24.3 of the Transmission Tariff Regulations notified on 15.01.16 states the following;

“24.2 The normative loan outstanding as on 01-04-2016 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.03.2016 from gross normative loan.

24.3 The repayment for each year of the Tariff period FY 2016-17 to FY 2018-19 shall be deemed to be equal to the depreciation allowed for that year.”

In accordance with the above, the position of loans up to 31.03.2016 has been worked out in Annexure-VI, considering the actual loan repayments during each year. The repayment of loan is deemed as equal to Depreciation being claimed in the True-up Petition for FY 2016-17. Further, Hon’ble Commission vide its order dtd. 12.12.2013 has directed to adopt its approach regarding the True up order for FY 2011-12. In line with the approach & True up order for FY 2011-12 & also FY 2012-13 to FY 2015-16, the interest claim for FY 2016-17 is worked out as hereunder”:

**Interest on Loan –**

<b>S. No.</b>	<b>Particular</b>	<b>Unit</b>	<b>Amount claimed for FY 2016-17</b>
1	Opening Loan	Rs. Cr.	2289.37
2	Loan component added for Capitalization considered during the year	Rs. Cr.	498.456
3	Repayment equal to depreciation during the year	Rs. Cr.	336.78
4	Closing Loan	Rs. Cr.	<b>2451.046</b>
5	Average Loan	Rs. Cr.	<b>2370.208</b>
6	Wt. average rate of interest as claimed	%	8.089%
7	<b>Interest on Loan</b>	Rs. Cr.	<b>191.73</b>

**Interest during Construction V/S Interest Capitalized -**

The worksheet for Interest During Construction (IDC) and IDC capitalized is enclosed as Annexure-VII of the Petition.



**Net Interest Claimed for FY 2016-17 based on Para 9.5**

i.	Gross Interest claim as per Para 9.5	-	191.73
ii.	Interest allowed in order dtd. 10.06.17	-	121.33
iii.	True up claimed for interest (i-ii)	-	<b>70.40 Crores</b>

**Interest on Working Capital –**

The Interest on Working Capital is to be worked out on normative basis as per Clause 28 and 38 of the Transmission Tariff Regulations. The working is given in Format TUT -16 and summarized in the following table;

**Working capital requirement for FY 2016-17**

i.	O&M expenses for one month (Rs. 408.76 Crores / 12)	Rs. 34.06 Crores
ii.	Maintenance spares @ 15% of the O&M expenses	Rs. 61.31 Crores
iii.	Receivables equivalent to 2 months Transmission charges	Rs. 499.90 Crores
<b>Total Working Capital --</b>		<b>Rs. 595.27 Crores</b>
iv.	Interest on working capital @ 12.8 % i.e. SBI's Base rate of 9.3% as on 01.04.2016 plus 3.5%	Rs. 76.19 Crores

**True Up of Interest Charges for FY 2016-17 -**

S. No.	Particulars	As allowed in Tariff order	As per this petition	True Up
1	Interest on loans	121.33	191.73	70.40
2	Interest on working capital	61.63	76.19	14.56
<b>NET TRUE UP Rs. in Crores -</b>				<b>84.96</b>

**Prior Period True Up of Interest & Finance Charges -**

The State Government vide its Order No. F 5- 15/2014 / 13 Dated 31.3.2017 has revised the rate of interest to 12% with retrospective effect starting from the date of drawl of loan for the loans solicited through JICA & ADB 3066. The same is indicated at point (ii) of the said State Government order. This State Government order is placed as Annexure- XV to this petition.

The drawl through loans pertaining to JICA began from FY 2012-13 and the corresponding effect of interest as per the Regulation started from FY 2013-14. Likewise, the drawl from ADB 3066 began from 2014-15 and the corresponding effect of interest as per the regulation started from FY 2015-16.



The claims against these loans were made through the respective truing up petitions at the rates prevalent at that period of time.

Now, as the rates have been modified by the State Government from a retrospective date, it has become necessary for claiming the difference of what has been permitted earlier to that which is calculated now as prior period expenses.

The year-wise change in loan rates and its effect on the claim of interest on loan beginning from FY 2013-14 onwards are submitted as below;

<b>a) FY 2012 – 13</b>			
<b>S. No.</b>	<b>Loan Scheme</b>	<b>Weighted Average Rate of Interest</b>	<b>Earlier rate</b>
1	PFC Secured	12.36%	
2	PFC Unsecured	11.55%	
3	<b>GoMP JICA IDP-217</b>	<b>12.00%</b>	1.50%
4	State Govt. - General	14.50%	
5	Market Bonds	8.34%	
6	ADB 1869	10.61%	
7	<b>ADB 3066</b>	NA	NA
8	ADB 2323	1.76%	
9	ADB 2346	1.76%	
10	SCSP	14.50%	
11	TSP	14.50%	
12	MP Genco	9.70%	
13	State Govt. – Direct	10.50%	
14	Nabard	10.50%	

<b>S. No.</b>	<b>Particulars</b>	<b>Principal not due as on 01.04.2012</b>	<b>Rate of interest (%)</b>	<b>Interest Amount</b>
1	PFC Unsecured	131.862	11.55%	15.23
2	PFC Secured	260.97	12.36%	32.26
3	MP Genco	5.526	9.70%	0.54
4	State Govt. - Direct	2.327	10.50%	0.24
5	ADB 1869	300.68	10.61%	31.90
6	Nabard	1.24	10.50%	0.13
7	State Govt. - General	176.23	14.50%	25.55
8	Market Bonds	18.534	8.34%	1.55
9	ADB 2323	418.823	1.76%	7.37

10	ADB 2346	589.774	1.76%	10.38
11	TSP	30.8	14.50%	4.47
12	SCSP	46.2	14.50%	6.70
13	<b>GoMP JICA IDP-217</b>	0	12.00%	0.00
14	ADB 3066	0	-	0.00
<b>TOTAL -</b>		<b>1982.97</b>	<b>-</b>	<b>136.31</b>
<b>Weighted Avg. Rate</b>				<b>6.874%</b>

**Inference:** Loan from JICA has been drawn during the year only. As there was no amount under principle not due category at the beginning of the year there is **NO CHANGE** in the Weighted Avg. Rate of interest that was claimed under true-up Petition for FY 2012-13.

<b>b) FY 2013 – 14</b>			
<b>S. No.</b>	<b>Loan Scheme</b>	<b>Weighted Average Rate of Interest</b>	<b>Earlier rate of JICA/ ADB 3066</b>
1	PFC Secured	12.55%	
2	PFC Unsecured	11.97%	
3	<b>GoMP JICA IDP-217</b>	<b>12.00%</b>	<b>1.50%</b>
4	State Govt. - General	14.98%	
5	Market Bonds	8.30%	
6	ADB 1869	10.61%	
7	<b>ADB 3066</b>	-	<b>NA</b>
8	ADB 2323	1.60%	
9	ADB 2346	1.60%	
10	SCSP	14.86%	
11	TSP	15.07%	

<b>S. No.</b>	<b>Particulars</b>	<b>Principal not due as on 01.04.2013</b>	<b>Rate of interest (%)</b>	<b>Interest Amount</b>
1	PFC Unsecured	99.566	11.97%	11.92
2	PFC Secured	238.12	12.55%	29.88
3	ADB 1869	278.85	10.61%	29.59
4	State Govt. - General	139.58	14.98%	20.91
5	Market Bonds	7.615	8.30%	0.63
6	ADB 2323	433.07	1.60%	6.93
7	ADB 2346	621.79	1.60%	9.95
8	TSP	23.8	15.07%	3.59
9	SCSP	35.7	14.86%	5.31
10	<b>GoMP JICA IDP-217</b>	<b>123.347</b>	<b>12.00%</b>	<b>14.80</b>
11	<b>ADB 3066</b>	<b>0</b>	<b>-</b>	<b>0.00</b>

<b>TOTAL -</b>	<b>2001.438</b>	<b>-</b>	<b>133.50</b>
	<b>Weighted Avg. Rate</b>		<b>6.670%</b>

**Inference:** As there was drawl of loan under JICA scheme the Weighted Avg. Rate of interest changes from **6.0231 %** that was earlier claimed under true-up Petition for FY 2013-14 to **6.670%**.

<b>c) FY 2014 – 15</b>			
<b>S. No.</b>	<b>Loan Scheme</b>	<b>Weighted Average Rate of Interest</b>	<b>Earlier rate of JICA/ ADB 3066</b>
1	PFC Secured	12.69%	
2	PFC Unsecured	12.30%	
3	<b>GoMP JICA IDP-217</b>	<b>12.00%</b>	<b>1.50%</b>
4	State Govt. - General	15.35%	
5	Market Bonds	8.30%	
6	ADB 1869	10.61%	
7	<b>ADB 3066</b>	<b>12.00%</b>	<b>NA</b>
8	ADB 2323	1.60%	
9	ADB 2346	1.60%	
10	SCSP	15.41%	
11	TSP	15.71%	

<b>S. No.</b>	<b>Particulars</b>	<b>Principal not due as on 01.04.2013</b>	<b>Rate of interest (%)</b>	<b>Interest Amount</b>
1	PFC Unsecured	60.17	12.30%	7.40
2	PFC Secured	203.76	12.69%	25.86
3	ADB 1869	245.8	10.61%	26.08
4	State Govt. - General	153.11	15.35%	23.50
5	Market Bonds	6.47	8.30%	0.54
6	ADB 2323	418.56	1.60%	6.70
7	ADB 2346	621.89	1.60%	9.95
8	TSP	36.48	15.71%	5.73
9	SCSP	38.81	15.41%	5.98
10	GoMP JICA IDP-217	348.61	12.00%	41.83
11	ADB 3066*	52.18	0.00%	0.00
	<b>TOTAL -</b>	<b>2185.84</b>	<b>-</b>	<b>153.57</b>

**New Weighted Avg. Rate**

**7.026%**

**Inference:** As there was drawl of loan under JICA scheme the Weighted Avg. Rate of interest changes from 5.351 % that was earlier claimed under true-up Petition for FY 2014-5 to 7.026%.

<b>d) FY 2015 – 16</b>			
<b>S. No.</b>	<b>Loan Scheme</b>	<b>Weighted Average Rate of Interest</b>	<b>Earlier rate of JICA/ ADB 3066</b>
1	PFC Secured	12.60%	
2	PFC Unsecured	12.54%	
3	<b>GoMP JICA IDP-217</b>	<b>12.00%</b>	<b>1.50%</b>
4	State Govt. - General	15.46%	
5	Market Bonds	8.30%	
6	ADB 1869	10.61%	
7	<b>ADB 3066</b>	<b>12.00%</b>	<b>2.14%</b>
8	ADB 2323	2.01%	
9	ADB 2346	2.01%	
10	SCSP	15.57%	
11	TSP	15.86%	

<b>S. No.</b>	<b>Particulars</b>	<b>Principal not due</b>	<b>Rate of interest</b>	<b>Interest Amount</b>
1	PFC Unsecured	47.03	12.54%	5.90
2	PFC Secured	192.3	12.60%	24.23
3	ADB 1869	234.78	10.61%	24.91
4	State Govt. - General	127.17	15.46%	19.66
5	Market Bonds	6.09	8.30%	0.51
6	ADB 2323	411.08	2.01%	8.28
7	ADB 2346	609.12	2.01%	12.27
8	TSP	30.4	15.86%	4.82
9	SCSP	31.46	15.57%	4.90
10	GoMP JICA IDP-217	427.69	12.00%	51.32
11	ADB 3066	104.35	12.00%	12.52
<b>TOTAL -</b>		<b>2221.47</b>	<b>-</b>	<b>169.32</b>

**New Weighted Avg. Rate**

**7.622%**

**Inference:** As there was drawl of loan under JICA scheme the Weighted Avg. Rate of interest changes from 5.14 % that was earlier claimed under true-up Petition for FY 2015-6 to 7.622%.

The loan portfolio for the period FY 2012-13 to FY 2015-16 and for FY 2016-17 is given as Annexure – VI (a to e) to this petition, whereby it may kindly be observed that there is no change principle not due portion from the earlier true-up petitions. Whatever change is arrived is solely due to the change in the rate of interest of the two loans viz. JICA and ADB 3066.

The difference in loan amounts because of change in weighted average interest rates are tabulated as below;

<b>S N</b>	<b>Particulars</b>	<b>FY 2013-14</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>
i)	Earlier allowed weighted average rate of interest	6.0231%	5.351%	5.140%
ii)	<b>Revised</b> weighted average rate of interest	6.670%	7.026%	7.622%
iii)	Eligible loan amount as per True-up order	<b>1810.67</b>	<b>1989.22</b>	<b>2175.17</b>
iv)	Amount towards Interest as allowed in True-up orders	109.06	106.44	111.80
v)	Revised Amount towards Interest because of change in interest rate as per this submission	120.77	139.76	165.79
vi)	<b>Difference- above (v) - (iv)</b>	<b>11.71</b>	<b>33.32</b>	<b>53.99</b>
<b>Remarks - There is No change in the figures of FY 2012-13.</b>				

Consequent to the change in loan amount, the ARR as allowed through the respective True-up orders shall also increase to the tune of amount submitted in the Row (vi) of the above table. The change per se is summarized below for the kind consideration of the Commission;

<b>S No</b>	<b>Particulars</b>	<b>FY 2013-14</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>
1	ARR allowed in respective True-up orders	<b>1923.92</b>	<b>2138.87</b>	<b>2634.27</b>
2	Change in ARR because of revision in loan amount	<b>1935.63</b>	<b>2172.19</b>	<b>2688.26</b>
	Difference (2 – 1)	<b>11.71</b>	<b>33.32</b>	<b>53.99</b>

As there is a change in the total ARR amount, the Normative Interest on Working Capital shall also will have to be altered. The same is depicted through the workings submitted as below;

**Table 1 PRIOR PERIOD INTEREST ON WORKING CAPITAL ALLOWED Rs. in Cr.**

Sl. No.	Particulars	FY 2013-14	FY 2014-15	FY 2015-16
A) i)	Total of O&M expenses (Normative)	<u>332.77</u>	<u>386.68</u>	<u>442.18</u>
A) ii)	1/12th of total	27.73	32.22	36.85
A) iii)	Maintenance Spares	49.92	58.00	66.33
B) i)	Annual Revenue from Tariff and charges (allowed)	1923.92	2138.87	2634.27
B) ii)	Receivables equivalent to 2 months average billing	320.65	356.48	439.05
C)	Total Working capital	398.30	446.70	542.22
	Total of A) , B) ii), C) ii)			
D)	Rate of Interest taken	13.20%	13.50%	13.50%
E)	Interest on Working capital allowed	52.58	60.30	73.20

**Table 2 REVISED INTEREST ON WORKING CAPITAL Rs. in Cr.**

S. No.	Particulars	FY 2013-14	FY 2014-15	FY 2015-16
A) i)	Total of O&M Expenses (Normative)	<u>332.77</u>	<u>386.68</u>	<u>442.18</u>
A) ii)	1/12th of total	27.73	32.22	36.85
A) iii)	Maintenance Spares	49.92	58.00	66.33
B) i)	Approximate Annual Revenue from Tariff and charges after impact of increase in interest	1935.90	2172.96	2689.50
B) ii)	Receivables equivalent to 2 months average billing	322.65	362.16	448.25
C)	Total Working Capital	400.30	452.39	551.43
	Total of A) , B) ii), C) ii)			
D)	Rate of Interest taken	13.20%	13.50%	13.50%
E)	Interest on Working Capital	52.84	61.07	74.44

	Difference of IWC (Table 1 & 2 Above)	0.26	0.77	1.24
	Difference of loan amount	11.71	33.32	53.99
	Total Difference	11.98	34.09	55.23
	Total 3 years of Prior Period Rs. in Crores	101.29		

As these rate changes concerning the prior periods could not be perceived at that stage, the petitioner therefore requests the Hon'ble Commission to kindly consider the same and

*provide relief under its powers by kindly allowing the above claim.”*

**30. Provisions of Regulations:**

Clause 24 of MPERC (Terms & Conditions for Determination of Transmission Tariff) (Revision-III) Regulations, 2016 provides that,

24.1. *“The loans arrived at in the manner indicated in Regulation 20 shall be considered as gross normative loan for calculation of interest on loan.*

24.2. *The normative loan outstanding as on 1.4.2016 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.3.2016 from the gross normative loan.*

24.3. *The repayment for each year of the tariff period FY 2016-17 to FY 2018-19 shall be deemed to be equal to the depreciation allowed for the corresponding year/period. In case of de-capitalization of assets, the repayment shall be adjusted by taking into account cumulative repayment on a pro-rata basis and the adjustment should not exceed cumulative depreciation recovered upto the date of decapitalization of such asset.*

24.4. *Notwithstanding any moratorium period availed by the Transmission Licensee, the repayment of loan shall be considered from the first year of commercial operation of the project and shall be equal to the annual depreciation allowed.*

24.5. *The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio after providing appropriate accounting adjustment or interest capitalized*

*Provided that if there is no actual loan for a particular year but normative loan is still outstanding, the last available weighted average rate of interest shall be considered.*

*Provided further that if the Transmission System, does not have actual loan, then the weighted average rate of interest of the Transmission Licensee as a whole shall be considered.*

24.6. *The interest on loan shall be calculated on the normative average loan of the year by applying the weighted average rate of interest.*

24.7. *The Transmission Licensee shall make every effort to re-finance the loan as long as it results in net savings on interest and in that event the costs associated with such re-financing shall be borne by the Beneficiaries and the net savings shall be shared between the Beneficiaries and the Transmission Licensee, in the ratio of 2:1.*

24.8. *The changes to the terms and conditions of the loans shall be reflected from the date of such re-financing.*

24.9. *In case of dispute, any of the parties may make an application in accordance with the MPERC (Conduct of Business) Regulation, 2004, as amended from time to time:*

*Provided that the Transmission Customers shall not withhold any payment on account of the interest claimed by the Transmission Licensee during the pendency of any dispute arising out of re-financing of loan.”*

31. **Commission’s Analysis**

The information gaps/ infirmities regarding this issue were communicated to the petitioner and the petitioner’s response on all such issues has been discussed in detail in **paragraphs 12 to 14** of this order.

32. In the para 9.10 of the petition, MPPTCL has also claimed an amount of Rs. 101 29 Crores for prior period (FY 2012-13 to FY 2015-16) on account revision of interest rates for 1.5% and 2.14% to 12% in respect of JICA and ADB 3066 Loans with retrospective effect starting from the date of drawl of loan for the loans solicited through JICA & ADB 3066. MPPTCL has also submitted the State Government Order No. F 5- 15/2014 / 13 dated 31.3.2017 regarding revision of the rate of interest. With regard to aforesaid claim, some clarifications were sought from MPPTCL. The clarification filed by MPPTCL on this claim are as below:

**Issue:-**

**MPPTCL was asked to confirm whether the amount of Rs. 101.29 Crores has been actually paid with regard to the claim or it is provisioning?**



**Response :-**

“ In the matter of prior interest, it is submitted that as per Clause 24.5 of the prevailing regulation pertaining to that period, the interest amount pertaining to a year is not on actual loans but on the basis of weighted average rates on principal not due method. In the Petition also the same methodology has been applied to determine the weighted rate of interest and the difference has been claimed. The amount of Rs. 101.29 Crores is not on actual basis but as submitted above is on the principal of weighted average rates. The above said methodology depicted at Para. 9.10 of the True-up Petition.”

**Issue:-**

**Whether this amount of Rs. 101.29 Crores is recorded in Annual Audited Account for FY 2016-17. If so, the concerned Note of Audited Account be mentioned.**

**Response :-**

“Rs. 101.29 Crore claimed in the Petition is a part of the Total Finance Cost of Rs. 374.79 Crore as per the Note 29 of the financial statement of FY 2016-17. Further, net impact due to retrospectively revision of interest rates vides GoMP Order No. F/5-15/2014/XIII dated 31/03/2017 of JICA & ADB 3066 Loans by State Govt. is Rs. 129.15 Crore which is also depicted at Para 36.40 of the Financial Statements of FY 2016-17, the same is summarised as under:-

<b>S. No</b>	<b>Funding Agency</b>	<b>Accounted upto FY 2015-16 Withdrawn</b>	<b>Revised amount Accounted for upto FY 2015-16</b>	<b>Difference Accounted in FY 2016-17</b>
<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E=D-C</b>
1	JICA ID-217	15.33	122.60	107.27
2	ADB 3066	4.54	26.42	21.88
	<b>TOTAL -</b>	<b>19.87</b>	<b>149.02</b>	<b>129.15</b>

**Issue: -**

**With regard to claim of Rs. 101.29 Crores on account of retrospective revision of interest rate of JICA and ADB 3066 loans by State Government, the methodology for computing impact on the subject petition needs to be further clarified.**

**Response : -**

“Regarding claim of Rs.101.29 Crores on account of retrospective revision of Rate of Interest of JICA and ADB 3066 loans by State Government, it is to submit that, the GoMP vide letter dt. 31.03.2017 has revised the Interest Rate on ADB 3066 and JICA loan from 1.50% to 12% retrospectively from the date of loan disbursement. The impact are given in Profit and Loss

account and shown under Finance Cost under Note No. 29 and disclosure in Note No 36.40 in financial statement FY 2016-17. The methodology for working out the interest of Rs. 101.29 Crores has been elaborated in Para 9.10 Chapter-IX of the True up Petition, however, same is summarized in tables and submitted herewith as Annexure-A for kind perusal please. This has been worked out by evaluating the Weighted Average Rate of Interest applied on Principal Not Due for different years i.e FY 2012-13 to FY 2015-16”.

**Issue : -**

**MPPTCL was asked to submit the document for change in the interest rate between the Government of India and State Government by means of any bilateral or multilateral agreement between the two in light of provisions under Regulation 4.1(i) ( v) as provided in MPERC (Terms and Conditions for determination of Transmission Tariff) regulations’ 2016.**

**Response : -**

“It is to submit that Govt. of MP has decided to convert the project cost of JICA and ADB (Loan No. 3066) in the debt equity ratio of 70 : 30 in order to make the projects financial viable. Therefore, the interest on externally aided projects was revised to 12% with retrospective effect and 30% equity would be provided by the Govt. of MP. The above said decision of the Govt. of MP was conveyed by the Energy Dept. Govt. of MP vide letter No. F5-15/2014/13 Bhopal dated 31.03.2017. Pursuant to the above decision, the Govt. of MP have infused equity amounting to Rs. 43.16 Crores during FY 2017-18 as equity under JICA. The copies of Govt. of MP orders regarding release of equity amount dated 29.11.2017, 24.01.2018 and 20.03.2018 are enclosed herewith. Further, the company does not have any information about any change in the interest rate between the Govt. of India and Govt. of MP, as such the earlier submission in this regard made vide letter dated 05.03.2018 is highly regretted which may kindly be considered by the Hon’ble Commission.

In compliance to the above said directions of the Govt. of MP, dated 31.03.2017, the interest charges has been calculated from retrospective effect and its total financial commitment worked out to Rs. 101.29 Crore which has been conveyed with calculation details vide this office letter No. 04-01/CRA Cell/F-114/2277 dated 05.03.2018. Since the financial commitment due to revision of interest charges from retrospective effect is in nature of expenses by the MPPTCL and the Transmission Tariff is decided on cost plus basis, it is requested that the Hon’ble Commission may kindly be pleased to allow the same in the True-up charges for the FY 2016-17 as per the Petition.”

33. **Commission's Analysis:**

On examination of the reply/ clarification filed by MPPTCL to the queries of the Commission, it is noted that the amount of Rs. 101.29 Crores is not on actual basis and this has been worked out by evaluating the weighted average rate of interest considering retrospective revision of interest rate in respect of JICA and ADB 3066 Loans by State Government. The amount of Rs. 101.29 Crores claimed in the petition pertains to prior period of FY 2012-13 to FY 2015-16. It has been further clarified by MPPTCL that the company does not have any information about any change in the interest rate between the State Government and the Government of India/ lending agencies. MPPTCL has further clarified that it has calculated the interest charges retrospectively and Rs. 101.29 Crores is worked out as total financial commitment however, the same has not been actually paid. In view of the aforesaid submission/ clarification by MPPTCL the revision of total weighted average interest rate on account of change in interest rate of JICA and ADB 3066 Loans and its consequential claim of Rs. 101.29 Crores for prior period is not considered in this order in terms of Regulation 4.1(i) (v) of MPERC (Terms and Conditions for determination of Transmission Tariff) Regulations' 2016.

(Rs. In Crore)

S. No.	Loan Scheme	Principal not due as on 31.03.2016	Weighted Average Rate of Interest	Interest
1	PFC Secured	138.15	12.44%	17.19
2	PFC Unsecured	12.02	12.44%	1.50
<b>3</b>	<b>GoMP JICA IDP-217</b>	<b>633.92</b>	<b>1.50%</b>	<b>9.51</b>
4	State Govt. - General	30.44	16.50%	5.02
5	Market Bonds	4.57	8.30%	0.38
6	ADB 1869	190.71	10.60%	20.22
<b>7</b>	<b>ADB 3066</b>	<b>293.47</b>	<b>2.14%</b>	<b>6.28</b>
8	ADB 2323	371.99	2.49%	9.26
9	ADB 2346	551.56	2.49%	13.73
10	SCSP	8.38	16.50%	1.38
11	TSP	10.30	16.50%	1.70
<b>Total</b>		<b>2245.51</b>		<b>86.17</b>

$$\text{Weighted average rate of Interest} = \frac{86.17 \times 100}{2245.51}$$

= 3.84 %

34. Accordingly, the Commission has allowed Rs. **91.02** Crores against Interest and Finance charges for FY 2016-17 in this order as given below:

Sr. No.	Particular	Unit	Amount for FY 2016-17
1	Opening Loan	Rs. Cr.	<b>2289.37</b>
2	Loan addition for additional Capitalisation considered	Rs. Cr.	498.46
3	Repayment equal to depreciation during the year	Rs. Cr.	336.78
4	Closing Loan	Rs. Cr.	<b>2451.05</b>
5	Average Loan	Rs. Cr.	<b>2370.21</b>
6	Wt. average rate of interest as claimed	%	3.84%
<b>7</b>	<b>Interest on Loan</b>	Rs. Cr.	<b>91.02</b>

(iii) **DEPRECIATION:**

35. **Petitioner's submission:**

The petitioner has broadly submitted the following:

**“Opening Balance Sheet:**

*The Government of Madhya Pradesh has notified the final Opening Balance Sheet on 12<sup>th</sup> June 2008 in the position of 31.05.2005. The fixed assets transferred are shown as hereunder;*

- |       |                          |                           |
|-------|--------------------------|---------------------------|
| (i)   | Opening Gross Block      | <b>Rs. 2932.75 Crores</b> |
| (ii)  | Accumulated Depreciation | <b>Rs. 1205.95 Crores</b> |
| (iii) | Net Fixed Assets         | <b>Rs. 1726.81 Crores</b> |

*Hon'ble Commission had directed the Petitioner to reconcile the Asset Register and work out the Depreciation during the year on the above. The details of this Asset Register was submitted during the Truing-up process of FY 2012-13 for perusal of the Hon'ble Commission. The Opening Gross Blocks and Net Blocks of the Asset Register were reconciled & were of the same value as given in the Final Opening Balance Sheet. There was no change in Assets capitalized after 1.6.2005 which in turn were the same as submitted earlier and reconciled with the accounts. The depreciation for FY 2014-15 was also worked out on the basis of this reconciled Asset Register.*

*Continuing with the Asset Register thus submitted, by extending the figures of GFA -*

Depreciation for the year, Accumulated Depreciation & Net Fixed Assets for FY 2016-17 has been worked out, as summarized in the following table;

(Amount Rs. in Crores )				
S. No.	Date as on	Gross Fixed Assets	Accumulated Depreciation	Net Fixed Assets
1	31-03-2015	6928.81	2859.51	4069.3
2	31-03-2016	8278.3	3166.39	5111.91
3	31-03-2017	8837.80	3503.16	5334.64

**Regulations on Depreciation –**

The Depreciation for the year 2016-17 has been calculated as per Clause 25 of the Regulations as reproduced hereunder;

- (a) Depreciation shall be computed from the date of commercial operation of a Transmission System including Communication System or element thereof. In case of the tariff of a Transmission System including Communication System for which a single tariff needs to be determined, the depreciation shall be computed from the effective date of commercial Operation of the Transmission System taking into consideration the depreciation of individual units or elements thereof.

Provided that effective date of Commercial Operation shall be worked out by considering the actual date of Commercial Operation and installed capacity or capital cost of all elements of the Transmission System, for which single tariff needs to be determined.

- (b) The value base for the purpose of depreciation shall be the capital cost of the asset admitted by the Commission. In case of multiple elements of Transmission System, weighted average life Transmission System shall be applied. Depreciation shall be chargeable from the first year of commercial operation. In case of commercial operation of the asset for part of the year, depreciation shall be charged on pro rata basis.
- (c) The approved/accepted cost shall include foreign currency funding Converted to equivalent rupee at the exchange rate prevalent on the date of foreign currency actually availed.
- (d) The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset.
- (e) Land other than land held under lease shall not be a depreciable asset and its cost shall be

*excluded from the capital cost while computing depreciable value of the asset.*

- (f) Depreciation shall be calculated annually based on 'Straight Line Method' and at rates specified in Appendix-II to these Regulations for the assets of the Transmission System. Provided that, the remaining depreciable value as on 31<sup>st</sup> March of the year closing after a period of 12 years from date of Commercial Operation shall be spread over the balance useful life of the assets. Provided further that the Consumer contribution or capital subsidy/ grant etc for asset creation shall be treated as per the Accounting Rules notified and in force from time to time.*
- (g) In case of the existing Projects, the balance depreciable value as on 1.4.2016 shall be worked out by deducting the cumulative depreciation including Advance Against Depreciation as admitted by the Commission up to 31.3.2016 from the gross depreciable value of the assets. The rate of Depreciation shall be continued to be charged at the rate specified in **Appendix-II** till cumulative depreciation reaches 70%. Thereafter, the remaining depreciable value shall be spread over the remaining life of the asset such that the maximum depreciation does not exceed 90%.*
- (h) Depreciation shall be chargeable from the first Year of commercial operation. In case of commercial operation of the asset for part of the Year, depreciation shall be charged on pro rata basis.*
- (i) In case of de-capitalization of assets in respect of Transmission System or element thereof, the cumulative depreciation shall be adjusted by taking into account the depreciation recovered in tariff by the decapitalized asset during its useful services.*

***Addition of Assets during FY 2016-17 –***

*During the year IND AS procedure of accounting has been adopted by the Company.*

*Assets inclusive of Consumer Contribution worth Rs. 759.98 Crores have been capitalized during the year. The above figure is inclusive of value Rs. 43.15 Crores that have been capitalized on account of consumer contributions. Assets worth Rs. 4.75 Crores have been withdrawn. Thus, a net addition worth of Rs. 759.98 - Rs. 43.15 - Rs. 4.75 = Rs. 712.08 Crores have been Capitalized during the year 2016-17.*

*It is also to be submitted that as per the provisions of new IND AS adopted by the Company this year leasehold asset amounting to Rs. 313.19 Crores for the asset pertaining to PPP*

Project contracted to M/s Kalpataru Satpura Transco Pvt. Ltd. has also been shown in the Company's accounts; however this amount of Rs. 313.19 Crores have not been considered in this petition. Assets of value Rs. 195.75 Crores, under the head of consumer contributions, have also been adjusted.

The certificate of works completion and capitalization from the CFO (MPPTCL) along with the list of Assets capitalized during the year is enclosed as **Annexure-V**.

**Depreciation against Consumer's Contribution Works –**

Hon'ble Commission has prescribed the procedure to account for the Depreciation on Assets formed under consumer's contribution. Hon'ble Commission also mentioned to review this since 31.05.2005, the date of Opening Balance Sheet transfer. It is to mention that no such Assets have been capitalized till 31.03.2010. Such Assets have been capitalized in FY 2010-11 onwards only. The Depreciation on these Assets have been computed as per other Assets. Thereafter, these Assets are tabulated separately in Depreciation Model and Depreciation charged on these has been subtracted from total Depreciation claim. Since the adjustment has been given in Depreciation itself, the amortization is not shown again as other income.

**Depreciation for FY 2016-17 –**

As per above procedure, the Depreciation (**excluding Depreciation on Assets formed under Consumer's Contribution**) for FY 2016-17, computed from Asset Register & Software model and comparison from previous year, is given below;

(Amount Rs. in Crores )

YEAR	Gross Fixed Assets			Provision For Depreciation			Net Fixed Assets	
	At the beginning of Year	Addition During Year	At End of Year	At the beginning of Year	Addition During Year	At End of Year	At the beginning of Year	At the End of Year
2015-16	6928.81	1349.49	8278.3	2859.51	306.88	3166.39	4069.3	5111.91
2016-17	8278.30	559.50*	8837.80	3166.39	336.78	3503.17	5111.91	5334.64

\* Rs. 712.08 Crores in case of only MPPTCL assets.

The category-wise details for FY 2016-17 are given in Format TUT-7 & 8.



**True-Up of Depreciation for FY 2016-17 -**

(i).	Depreciation claim as per Para 8.5 above	Rs. 336.78 Crores
(ii)	Depreciation allowed in MYT order dated 10.06.2016	Rs. 320.14 Crores
<b>True-up Claim -</b>		<b>(+) Rs. 16.64 Crores</b>

**36. Provisions under Regulations:**

Clause 25 of MPERC (Terms and Conditions for determination of Transmission Tariff) (Revision-III) Regulations, 2016, provides that,

25.1. “For the purpose of Tariff, depreciation shall be computed in the following manner:

(a) Depreciation shall be computed from the date of commercial operation of a Transmission System including Communication System or element thereof. In case of the tariff of a Transmission System including Communication System for which a single tariff needs to be determined, the depreciation shall be computed from the effective date of commercial Operation of the Transmission System taking into consideration the depreciation of individual units or elements thereof.

*Provided that effective date of Commercial Operation shall be worked out by considering the actual date of Commercial Operation and installed capacity or capital cost of all elements of the Transmission System, for which single tariff needs to be determined.*

(b) The value base for the purpose of depreciation shall be the capital cost of the asset admitted by the Commission. In case of multiple elements of Transmission System, weighted average life Transmission System shall be applied. Depreciation shall be chargeable from the first year of commercial operation. In case of commercial operation of the asset for part of the year, depreciation shall be charged on pro rata basis.

(c) The approved/accepted cost shall include foreign currency funding converted to equivalent rupee at the exchange rate prevalent on the date of foreign currency actually availed.

(d) The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset.

- (e) Land other than land held under lease shall not be a depreciable asset and its cost shall be excluded from the capital cost while computing depreciable value of the asset.
- (f) Depreciation shall be calculated annually based on 'Straight Line Method' and at rates specified in **Appendix-II** to these Regulations for the assets of the Transmission System.

*Provided that, the remaining depreciable value as on 31st March of the year closing after a period of 12 years from date of Commercial Operation shall be spread over the balance useful life of the assets.*

*Provided further that the Consumer contribution or capital subsidy/ grant etc for asset creation shall be treated as per the Accounting Rules notified and in force from time to time.*

- (g) In case of the existing Projects, the balance depreciable value as on 1.4.2016 shall be worked out by deducting the cumulative depreciation including Advance Against Depreciation as admitted by the Commission upto 31.3.2016 from the gross depreciable value of the assets. The rate of Depreciation shall be continued to be charged at the rate specified in Appendix-II till cumulative depreciation reaches 70%. Thereafter, the remaining depreciable value shall be spread over the remaining life of the asset such that the maximum depreciation does not exceed 90%.
- (h) Depreciation shall be chargeable from the first Year of commercial operation. In case of commercial operation of the asset for part of the Year, depreciation shall be charged on pro rata basis.
- (i) In case of de-capitalization of assets in respect of Transmission System or element thereof, the cumulative depreciation shall be adjusted by taking into account the depreciation recovered in tariff by the decapitalized asset during its useful services."

**37. Commission's Analysis:**

In view of the Asset-Depreciation Register filed by the petitioner, the following Depreciation is allowed for FY 2016-17 in this order:

Sr. No.	Particular	Unit	Amount for FY 2016-17
---------	------------	------	-----------------------

1	Closing Gross Fixed Assets as on 31.03.2017	Rs. Cr.	8284.55
2	<b>Depreciation during the year</b>	<b>Rs. Cr.</b>	<b>336.78</b>
3	Opening Cumulative Depreciation for FY 2016-17	Rs. Cr.	3166.4
4	Closing Cumulative Depreciation for FY 2016-17	Rs. Cr.	3503.18

(iv) **OPERATION AND MAINTENANCE EXPENSES:****38. Petitioner's Submission:**

The petitioner broadly submitted the following:

*"Hon'ble Commission has allowed O&M expenses of Rs. 407.66 Crores for FY 2016-17. This covers Employee Cost, A&G and Repairs & Maintenance Expenses during the year. It was however mentioned that if progress achieved is more than quantities considered in this order, higher amount of O&M will be allowed. The provision is based on the O&M Norms notified in the Transmission Tariff Regulation. The same is as hereunder;*

**Norms for O&M Expenses**

S. No	Particulars	FY 2016-17	FY 2017-18	FY 2018-19
	<b>Lines</b>	<b>Rs. Lakh/ 100ckt km/ annum</b>		
1.	400 kV	32.00	33.32	34.70
2.	220 kV	29.88	31.11	32.40
3.	132 kV	31.44	32.74	34.10
	<b>Bay</b>	<b>Rs. Lakh/ Bay/ annum</b>		
1.	400 kV Bay	09.58	09.98	10.39
2.	220 kV Bay	11.12	11.58	12.06
3.	132 kV Bay	11.16	11.62	12.10

*Hon'ble Commission while allowing O&M Expenses for the year 2016-17 in the above referred order and tabulated in Para 5.1, considered the following average length of EHV Lines and Bays for the period 01.04.16 to 31.03.17. O&M expenses for year 2016-17 have been allowed as Rs. 407.66 Crores, considering following parameters;*

S. No.	Particulars	O&M Norms FY 2016-17 Rs. in Lacs	Parameters taken for FY 2016-17	O&M Expenses allowed for FY 2016-17 (rounded to Rs. In Lacs)
1	400 KV Line	32.0 /100 Ckt-KM	3081.41 Ckt-KM	986.05

2	400 KV Bays	9.58	125	1197.77
3	220 KV Line	29.88 /100 Ckt-KM	12208.45 Ckt-KM	3647.88
4	220 KV Bays	11.12	622	6915.53
5	132 KV Line (incl. of 66 KV)	31.44 /100 Ckt-KM	16352.26 Ckt-KM	5141.15
6	132 KV Bays	11.16	2025	22878
<b>TOTAL Rs. in LACS -</b>				<b>40766.38</b>

**Provision for True Up of O&M Expenses -**

Item 37 (Clause 37.1 & 37.2) of MYT Regulations notified on 15.01.2016 provides that true up of O&M expenses will depend on length of Lines and number of Bays. The relevant Clauses are reproduced hereunder;

**37.1** The O&M expenses comprise of employee cost, repairs & maintenance (R&M) cost and administrative & general (A&G) cost. The norms for O&M expenses have been fixed on the basis of circuit kilometers of transmission lines and number of bays in sub-station. These norms exclude pension, terminal benefits, incentive & arrears to be paid to employees, taxes payable to the Government and fee payable to MPERC. The Transmission Licensee shall claim the taxes payable to the Government, fees to be paid to MPERC & any arrears paid to employees separately as actuals. The claim of pension and terminal benefits shall be dealt as per Regulation 27.5”

**37.2** The total allowable O&M expenses for the Transmission Licensee shall be calculated by multiplying the average number of bays and 100 Ckt-KM of line length for the Year with the applicable norms for O&M expenses per bay and per 100 Ckt-km respectively. In support of its claim for allowable O&M expenses, the Licensee shall submit before the Commission, the actual or projected circuit kilometers of line lengths and number of bays for each voltage level separately for each Year of the Tariff Period as the case may be.”

**Network Expansion and O&M Expenses for FY - 2016-17 –**

The average voltage-wise length of line & Bays on the basis of actual progress made during the year and the allowable O&M expenses for FY- 2016-17 based on approved norms, is worked out as under;

S. No.	Particulars	O&M Norms for FY 2016-17 Rs. In Lacs	Parameters taken for FY 2016-17	O&M Expenses for FY 2016-17 (rounded to Rs. in Lacs)
1	400 KV Line	32.00 /100 Ckt-KM	3074.45 Ckt-KM	983.82
2	400 KV Bays	9.58 /Bay	122 Nos.	1168.76
3	220 KV Line	29.88 /100 Ckt-KM	12231.94 Ckt-KM	3654.90
4	220 KV Bays	11.12 /Bay	620 Nos.	6894.40
5	132 KV Line (incl. of 66 KV)	31.44 /100 Ckt-KM	16560.35 Ckt-KM	5206.57
6	132 KV Bays	11.16 /Bay	2058 Nos.	22967.28
<b>TOTAL -</b>		<b>Rs. in Lacs</b>	<b>-</b>	<b>40875.73</b>

**Say Rs. 408.76 Crores**

**Actual O&M Expenses as per Audited Accounts –**

The Regulations provide for claiming O&M Expenses on normative basis on certain heads. The actual O&M Expenses are therefore for information only. The details of O&M Expenses, under the heads specified by the Hon'ble Commission, actually incurred are given in formats TUT-3 to TUT-5.

**Claim of O&M Expenses – True Up -**

Net True up of O&M Expenses for FY 2016-17 is tabulated hereunder;

S. No.	Particulars	Amount (Rs. Crores)
1	O&M claim as per O&M Norms worked out in Para 6.3 above	408.76
2	O&M Expenses allowed in Tariff order for FY 2016-17	407.66
3	True up amount of O&M Expenses (1-2)	<b>1.10</b>
<b>Net True up Claim (O&amp;M): 1.10 Crores</b>		

**39. Provisions under Regulations:**

Regulation 27.0 in MPERC (Terms and Conditions for determination of Transmission Tariff) Regulations, 2016 provides as under:

27.1. "Operation and Maintenance Expenses shall be determined for the Tariff period based on normative O&M expenses specified by the Commission in these

*Regulations.*

- 27.2. *On examination of the details gathered from MPPTCL regarding transmission network parameters being considered for calculation of normative expenses and actual expenditure from FY 2010-11 to FY 2013-14 in respect of Employee expenses, Repair and Maintenance expenses and Administrative and General expenses, it was found that the normative O&M expenses allowed in the last control period was higher than the actual expenditure incurred by MPPTCL. The actual O&M expenses had been about 88% of the normative O&M expenses.*
- 27.3. *The cost components for employee expenses, repair & maintenance expenses and administrative and general expenses are considered as per Regulations 37.1 of these Regulations. The Operation and Maintenance expenses including employee expenses, repair and maintenance expenses, and administrative and general expenses are derived by considering the average of these expenditures for past four years (i.e. FY 2010-11 to FY 2013-14) as per Annual Audited Accounts. The average expenditure of the aforesaid four years is considered as base opening figure for FY 2012-13. Thereafter, the figures of O&M expenditure are derived upto FY 2015-16 by applying the annual escalation rate specified for the respective year in the applicable Regulations.*
- 27.4. *The O&M expenses for the subsequent years shall be determined by escalating the expenses of the base year i.e. FY 2015-16, as determined above, with the escalation factor @ 4.14% as considered by the Central Commission for Transmission Licensees in its Tariff Regulations, 2014 for the respective financial years to arrive at permissible O&M expenses for each year of the Control Period.*
- 27.5. *The employee expenses considered in the above Operation and Maintenance expenses are excluding the pension and other terminal benefits. The Commission has notified MPERC (Terms and Condition for for allowing Pension and Terminal Liabilities of Personal of Board and Successor Entities) Regulations, 2012 (G-38 of 2012) on 20<sup>th</sup> April, 2012. The expenses towards pension and terminal liabilities will be allowed as per the provisions of aforesaid Regulations.*
- 27.6. *Increase in O&M charges on account of war, insurgency or changes in laws, or like eventualities where the Commission is of the opinion that an increase in O&M charges is justified, may be considered by the Commission for a specified period.*

27.7. Any saving achieved by a Transmission Company in any Year shall be allowed to be retained by it. The Transmission Company shall bear the loss if it exceeds the targeted O&M expenses for that Year.”

40. **Provision for true-up of O&M Expenses:**

The true up of O&M expenses will depend on length of lines and number of Bays as per Regulation 37 of MPERC (Terms and Conditions for determination of Transmission Tariff) Regulations, 2016. The relevant paras are reproduced hereunder:

37.1 The O&M expenses comprise of employee cost, repairs & maintenance (R&M) cost and administrative & general (A&G) cost. The norms for O&M expenses have been fixed on the basis of circuit kilometers of transmission lines and number of bays in substation. These norms exclude Pension, Terminal Benefits, incentive and arrears to be paid to employees, taxes payable to the Government and fee payable to MPERC. The Transmission Licensee shall claim the taxes payable to the Government, fees to be paid to MPERC and any arrears paid to employees separately as actuals. The claim of pension and terminal benefits shall be dealt-with as per Regulation 27.5. The norms for O&M expenses per 100 ckt-km and per bay shall be as under:

**Norms for O&M expenses per 100 Ckt. km and per bay**

S. No.	Particulars	FY 2016-17	FY 2017-18	FY 2018-19
	<b>Lines</b>	<b>Rs. Lakh / 100ckt km / annum</b>		
1.	400 kV Lines	32.00	33.32	34.70
2.	220 kV Lines	29.88	31.11	32.40
3.	132 kV Lines	31.44	32.74	34.10
	<b>Bays</b>	<b>Rs. Lakh / Bay / annum</b>		
1.	400 kV Bay	09.58	09.98	10.39
2.	220 kV Bay	11.12	11.58	12.06
3.	132 kV Bay	11.16	11.62	12.10

37.2. The total allowable O&M expenses for the Transmission Licensee shall be calculated by multiplying the average number of bays and 100 ckt-km of line length for the Year with the applicable norms for O&M expenses per bay and per 100 ckt-km respectively. In support of its claim for allowable O&M expenses, the Licensee shall submit before the Commission, the actual or projected circuit kilometers of line lengths and number of bays for each voltage level separately for each Year of the



*Tariff Period as the case may be.*

37.3. *The terminal benefits shall be paid as provided in Regulation 27.5.”*

**41. Commission’s Analysis:**

The information gaps/ infirmities regarding this issue were communicated to the petitioner and the petitioner’s response on all such issues have been discussed in detail in **paragraphs 12 to 14** of this order.

42. The actual line length in Ckt-kms and number of bays as on 1<sup>st</sup> April 2016 to 31<sup>st</sup> March 2017 as filed by the petitioner have been verified with the regular returns being filed by the Reporter of Compliance of MPPTCL. Based on the norms specified in MPERC (Terms and conditions for determination of Transmission Tariff) Regulation, 2016 the O&M Expenses are worked out to **Rs.408.76 Crores** for FY 2016-17 as given below:

S. No.	Particulars	Assets			Approved Norms for FY 2016-17	Amount (Rs. in Lacs)
		As on 31.3.2016	As on 31.3.2017	Average		
1	400 KV Line in Ckt-KMs	3074.45	3074.45	3074.45	Rs. 32.00 Lacs/ 100 Ckt-KM	983.82
2	220 KV Line in Ckt-KMs	12139.76	12324.12	12231.94	Rs.29.88 Lacs /100 Ckt-KM	3654.9
3	132 KV Line in Ckt-KMs	16149.87	16970.88	16560.35	Rs. 31.44 Lacs/ 100 Ckt-KM	5206.57
4	400 KV Bay in Nos.	121	122	122	Rs. 9.58 Lacs/ Bay	1168.76
5	220 KV Bay in Nos.	606	634	620	Rs. 11.12 Lacs/ Bay	6894.4
6	132 KV Bay in Nos.	1986	2130	2058	Rs. 11.16 Lacs/ Bay	22967.28
<b>Total O&amp;M Cost on the basis of Bays and Lines –Rs.408.76 Cr.</b>						<b>40875.73</b>

**Say Rs. 408.76 Crores**

**(v) Terminal Benefits:**

**43. Petitioner’s submission:**

The petitioner broadly submitted the following:

*“Hon’ble Commission has notified the “MPERC (Terms & Conditions for allowing Pension and Terminal Benefits liabilities of personnel of Board and successor Entities) Regulations, 2012 (G-38 of 2012)” on 20<sup>th</sup> April 2012. Clause 1.2 of this Regulation provides;*

*“These Regulations shall come into force with immediate effect from the date of their*

publication in the official Gazette of the Government of Madhya Pradesh. For Tariff determination purposes its provisions will be given effect to in the financial year following the year of its publication.”

Hon’ble Commission therefore in its order dtd. 10.06.2016; in para-47 has considered the Terminal Benefit and Pension expenses for FY 2016-17 on provisional basis on “Pay as you go” principles payable to the extent of **Rs. 1047.09 Crores** as allowed in the MYT order. The actual expenses for this period to be considered during the process of True up of Transmission Tariff for FY 2016-17.

**Terminal Benefits as Per Audited Accounts -**

The Audited Accounts of MPPTCL, listed out the following expenses against Terminal Benefits for FY 2016-17 as compared to the previous year;

**Terminal Benefit Cost –**

**Rs. in Crores**

<b>PARTICULARS</b>	<b>AS AT 31.03.2016</b>	<b>AS AT 31.03.2017</b>
<b>(A) CASH -</b>		
Gratuity	277.38	367.76
Pension	1076.31	1164.45
Leave Encashment	8.89	20.03
<b>TOTAL (A) -</b>	<b>1362.58</b>	<b>1552.24</b>
<b>(B) PROVISIONS -</b>		
Gratuity	9.66	5.94
Pension	49.21	47.53
Leave Encashment	1.52	-0.89
Provision for employees of MPPMCL	9.74	9.75
<b>TOTAL (B) -</b>	<b>70.13</b>	<b>62.33</b>
<b>TOTAL (A+B) -</b>	<b>1432.71</b>	<b>1614.57</b>

**True-Up Claim for Terminal Benefits -**

Vide Para 47 of the Order dated 16.06.2016, against the head of Pension, Gratuity and EL encashment on retirement (of MPPTCL employees), Hon’ble Commission, has determined an amount of **Rs.1047.09 Crores**. The details of Pension & Gratuity of all the Companies are enclosed as **Annexure-IX**.

Against this amount the claim of Terminal Benefits for True-up period of FY 2016-17 is given in the following table;

(Amount Rs. in Crores)

S. No.	Particulars	Terminal Benefit Expenses		
		Cash	Net Provision of Year	TOTAL
1	Pension	1164.45	47.53	1211.98
2	Gratuity	367.76	5.94	373.30
3	Leave Encashment (MPPTCL)	20.03	(0.89)	19.14
4	Annuity for addl. family pension (MPPTCL)	0.03	-	0.03
5	Provision for employees of MPPMCL	-	9.75	9.75
<b>TOTAL -</b>		<b>1552.28</b>	<b>62.33</b>	<b>1614.61</b>

True-up for FY 2016-17 for Terminal Benefits is worked out hereunder;

(Amount Rs. in Crores)

S. No.	Particulars	Cash	Provision	TOTAL
1	Claim for the year	1552.28	62.33	1614.61
2	Allowed in MYT order	1047.09	0	1047.09
3	<b>True-up</b>	<b>505.15</b>	<b>62.33</b>	<b>567.48</b>

**44. Provisions under Regulations:**

MPERC (Terms and Conditions for determination of transmission tariff) (Revision-III) Regulation, 2016 provides as following:

*“The employee expenses considered in the above Operation and Maintenance expenses are excluding the pension and other terminal benefits. The Commission has notified MPERC (Terms and Condition for allowing Pension and Terminal Liabilities of Personal of Board and Successor Entities) Regulations, 2012 (G-38 of 2012) on 20<sup>th</sup> April, 2012. The expenses towards pension and terminal liabilities will be allowed as per the provisions of aforesaid Regulations.”*

**45. Commission’s Analysis:**

The figures filed by MPPTCL have been tallied with the Audited Balance Sheet filed by it for FY 2016-17. Based on the information/ clarifications filed by the petitioner and the provisions under MPERC (Terms and Conditions for determination of Transmission Tariff) Regulations, 2016, an amount of **Rs. 1532.21 Crores** for Terminal Benefits is allowed in this true-up order for FY 2016-17. The amount of provisioning under this head is not allowed by

the Commission as per the approach adopted in all past true-up orders. The details of Terminal Benefits allowed in this order are given below:

**Terminal Benefits:**

Sr. No.	Particular	Unit	Amount for FY 2016-17
1	Pension as per audited accounts	Rs. Cr.	1164.45
2	Gratuity as per audited accounts	Rs. Cr.	367.76
3	Provisions	Rs. Cr.	0.00
4	Annuity	Rs. Cr.	0.00
5	<b>Total amount of terminal benefits</b>	<b>Rs. Cr.</b>	<b>1532.21</b>

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

46. **Petitioner's submission:**

Petitioner broadly submitted the following:

*"The Interest on Working Capital is to be worked out on normative basis as per Clause 28 and 38 of the Transmission Tariff Regulations. The working is given in Format TUT - 16 and summarized in the following table;*

**Working capital requirement for 2016-17**

i.	O&M expenses for one month (Rs. 408.76 Crores / 12)	Rs. 34.06 Crores
ii.	Maintenance spares @ 15% of the O&M expenses	Rs. 61.31 Crores
iii.	Receivables equivalent to 2 months Transmission charges	Rs. 499.90 Crores
<b>Total Working Capital --</b>		Rs. 595.27 Crores
iv.	Interest on working capital @ 12.8 % i.e. SBI's Base rate of 9.3% as on 01.04.2016 plus 3.5%	Rs. 76.19 Crores

**True Up of Interest Charges for FY 2016-17 -**

S. No.	Particulars	As allowed in Tariff order	As per this petition	True Up
1	Interest on loans	121.33	191.73	70.40
2	Interest on working capital	61.63	76.19	14.56
<b>NET TRUE UP Rs. in Crores -</b>				<b>84.96</b>

47. **Provisions under Regulations**

Clause 38 of MPERC (Terms and Conditions for determination of transmission tariff) (Revision-III) Regulation, 2016 provides as following:

*"For each year of the tariff period, working capital shall cover the following:*

(1) *Maintenance spares @ 15% of the O&M expenses specified in Regulation 37.1;*

- (2) *Receivables equivalent to two months of transmission charges calculated on Target Availability Level; and*
- (3) *Operation and Maintenance expenses for one month.”*

Further, Regulation 28.1 provides that,

*“Rate of interest on working capital to be computed as provided subsequently in these Regulations shall be on normative basis and shall be equal to the short term Prime Lending Rate of State Bank of India as on 01<sup>st</sup> April of that year plus 3.5%.. The interest on working capital shall be payable on normative basis notwithstanding that the Licensee has not taken working capital loan from any outside agency or has exceeded the working capital loan based on the normative figures.”*

48. **Commission’s Analysis:**

As per norms under Regulations, the interest on working capital for FY 2016-17 is worked out and allowed in this true-up order as given below:

<b>Sr. No.</b>	<b>Particular</b>	<b>Unit</b>	<b>Amount for FY 2016-17</b>
1	O&M expenses for one month (408.76/12)	Rs. Cr.	34.063
2	Maintenance spares @ 15% of the O&M expenses (408.76x0.15)	Rs. Cr.	61.314
3	Receivables equivalent to two months transmission charges (2911.75/6)	Rs. Cr.	468.21
4	Total working capital(1+2+3)	Rs. Cr.	563.587
5	Applicable rate of interest on working capital @ 12.8% (SBI Base rate 01.04.2016 + 3.5 = 12.8%)	%	12.80%
6	<b>Amount of working capital</b>	<b>Rs. Cr.</b>	<b>72.14</b>

(vii) **NON-TARIFF INCOME:**

49. **Petitioner’s submission:** The petitioner broadly submitted the following:

“Other Income of Rs. 28.71 Crores is shown in Note 27 of Audited Accounts. This income has been bifurcated in two categories, as shown hereunder after excluding Rs. 0.70 Crores the Other Income of SLDC.

(Amount Rs. in Crores)

i	Application fees for Open Access	0.92
ii	Hire charges for contractors etc.	1.64
iii	Consultant services charges received	17.94
iv.	Sale of Tender forms	0.82
v	Applications under RTI charges	0
vi.	Recovery of transport facilities	0.08

vii.	Ground rent	0.02
viii.	Rent of Staff quarters / Water charges/ Guest House	0.85
ix.	Recovery of telephone charges	0.12
x.	Other MISC receipts	3.19
xi.	Profit on Sale of Store's scrap	3.12
		0
xi.	Less : Income considered in SLDC's Account	-0.71
	<b>TOTAL -</b>	<b>27.99</b>

**Say Rs. 27.99 Crores.**

Therefore, Non Tariff Income for FY 2016-17 is Rs. **27.99** Crores against Rs. **19.00** Crores allowed vide order dated 10.06.2016 for the year 2016-17.

**50. Commission's Analysis:**

In Note. 27 for "Other Income" in the Audited Financial Statements of MPPTCL for FY 2016-17, it is recorded that Miscellaneous Receipts of Rs. 28.71 Crore. Therefore, as claimed by MPPTCL, an amount of Rs. **27.99 Crore** (after deducting other income of SLDC) is considered as Non-Tariff Income in this true-up order:

Sr. No.	Particular	Unit	Amount for FY 2016-17
1	Net amount of non-tariff income	Rs. Cr.	27.99

**51. TAXES AND FEE PAID TO MPERC :**

**Petitioner's Submission:**

*"MPPTCL has paid Fee amounting of Rs. 1.01 Crores to Hon'ble MPERC/CERC as Regulatory fees during year 2016-17; which is claimed under a separate head. Apart from above Rates & Taxes to the tune of Rs. 1.58 Crores have also been paid, keeping in line with Clause 37.1 of the Regulations the same is claimed separately. Thus a total of Rs. 1.01 Cr + Rs. 1.58 Cr. = Rs. 2.59 Crores is claimed against a permitted amount of Rs. 1.22 Crores.*

**(Amount Rs. in Crores)**

(i)	MPERC Fee approved in MYT Order dated 10.06.16	1.22
(ii)	MPERC/ CERC Fee paid	1.01
(iii)	Total Other Rates & Taxes paid	1.58
(iv)	Total	2.59
(v)	<b>True-up amount (iv) – (i)</b>	<b>1.37</b>

**Taxes -**

- a) *Clause 23.3 of the Regulation, covering FY 2016-17, states that - The base rate of return on equity as allowed by the Commission under Regulation 23.2 shall be grossed up with the effective tax rate of the respective financial year. For this purpose, the effective tax rate shall be considered on the basis of actual tax paid in the respective financial year...*

*The Company has paid an amount of Rs. 5.32 Crores as MAT as per Return filed for FY 2016-17 (AY 2017-18), however the Income Tax Department has yet to issue Certificate/ Assessment Order taking cognizance of the same, thus pending materialization of which the revised rate of Return on equity as defined in Clause 23.4 has not been applied now. It is, therefore, requested that permission to claim the same at a grossed up base rate, on receipt of the Certificate/ Assessment Order confirming payment of MAT, with a future True-up Petition may please be granted.*

- b) *Regarding the Tax filing of FY 2013-14 (AY 2014-15) filing for Tax amounting to Rs. 9.47 Lakh has been done on the 19<sup>th</sup> of March 2016. However because of certain differences an appeal has been filed by the Company against the Assessment Order issued. The order against the appeal is yet to be finalized as such claim under this head for the prior period of FY 2013-14 is not made in this petition.*

*In this subject matter it is also prayed that Clause 23.3 of the Regulation says - The rate of Return on Equity shall be computed by grossing up the base rate with the normal tax rate for the Year 2008-09 applicable to the Transmission Licensee:*

*Provided that Return on Equity with respect to the **Actual Tax Rate** applicable to the Transmission Licensee in line with the provisions of the relevant finance acts of the respective year during the Tariff Period **shall be trued up separately for each year of the Tariff Period.***

*It is humbly prayed that MPPTCL may kindly be permitted to lodge its claim as per the provisions of the Regulation covering the said prior period as and when the final Order of the Tax Authority is issued, thereby confirming incurrence of MAT expenses if any for FY 2013-14.”*

52. **Provisions under Regulations:**

Clause 37.1 of MPERC (Terms and Conditions for determination of transmission tariff)



(Revision-III) Regulation, 2016 provides as following:

*“The O&M expenses comprise of employee cost, repairs & maintenance (R&M) cost and administrative & general (A&G) cost. The norms for O&M expenses have been fixed on the basis of circuit kilometers of transmission lines and number of bays in substation. These norms exclude Pension, Terminal Benefits, incentive and arrears to be paid to employees, taxes payable to the Government and fee payable to MPERC. The Transmission Licensee shall claim the taxes payable to the Government, fees to be paid to MPERC and any arrears paid to employees separately as actuals. The claim of pension and terminal benefits shall be dealt-with as per Regulation 27.5. The norms for O&M expenses per 100 ckt-km and per bay shall be as under:*

**53. Commission’s Analysis:**

In Note. 32 for “Administrative and General expenses” in the Audited Financial Statements of MPPTCL for FY 2016-17, it is recorded that Fee and other charges paid to MPERC as Rs. 1.01 Crore and Rent rates and Taxes as Rs. 1.63 Crore Therefore, as claimed by MPPTCL, an amount of Rs. **2.59 Crore** is considered as Taxes and Fee paid to MPERC in this true-up order:

<b>Sr. No.</b>	<b>Particular</b>	<b>Unit</b>	<b>Amount for FY 2016-17</b>
<b>1</b>	Taxes and Fee paid to MPERC	Rs. Cr.	<b>2.59</b>

**54. PPP Expenses :**

**Petitioner’s submission:**

The petitioner broadly submitted the following:

*“A Petition for seeking approval in respect of initiating the Tariff based competitive bidding process and the Bidding documents for the selection of the Transmission Service Provider (TSP) for the development of Transmission System by construction of 400 KV DCDS Transmission Line between Satpura and Ashta for evacuation of power from 2 x 250 MW Extension Unit at Satpura in Madhya Pradesh through Public Private Partnership (“PPP”) on Design, Build, Finance, Operate and Transfer (“DBFOT”) basis was filed and was subsequently registered as Petition No. 06/ 2012 by the Hon. Commission. In this matter vide Order dated 26th April, 2012, Hon. MPERC directed that private participation in transmission is a welcome step and deserves to be encouraged. The petitioner should strive for this by following procedures and methodology as prescribed in the Act.*

Subsequently, in this matter another petition was filed in the subject of application seeking approval of Unitary Charges for initiating the Tariff based competitive bidding process for the selection of the Transmission Service Provider (TSP) for the development of Transmission System by construction of 400 KV DCDS Transmission Line between Satpura and Ashta for evacuation of power from 2 x 250 MW Extension Units at Satpura in the State of Madhya Pradesh through Public Private Partnership (“PPP”) on Design, Build, Finance, Operate and Transfer (“DBFOT”) basis. The same was registered by Hon. Commission as Petition No. 44 of 2012. Vide its Order dated 8th August, 2012, while disposing off the petition, Hon. Commission passed the directive that - In view of the submissions/clarifications filed by the petitioner and the amendment to Para 24 of the “Guidelines for Encouraging Competition in the Development of Transmission Projects” issued by the Ministry of Power on 2nd May, 2012, the Commission hereby accords approval to the notional unitary charges of Rs. 3.15 Crores as filed by the petitioner for initiating the tariff based bidding process in the subject matter.

Hon. MPERC vide order dated 08.10.2013 under Petition No. 45/2013 has adopted the base unitary charge of Rs. 3.15 Crores per month determined through a transparent process of bidding in accordance with the guideline issued by the Central Government under Section 63 of the Electricity Act 2003 .

The said order states that – “Based on the above Certificate issued by the Bid evaluation Committee, the documents filed with the petition and the supplementary submission, the Commission hereby adopts the Base Unitary Charge of Rs. 3.15 Crore per month determined through a transparent process of bidding in accordance with the guidelines issued by the Central Government under Section 63 of the Electricity Act, 2003. The aforesaid Base Unitary Charge and other applicable associated charges payable by the petitioner as per Transmission Agreement entered into by the M.P. Power Transmission Company Ltd., Jabalpur and the Concessionaire on 6th June 2013 for 400 KV DCDS Satpura-Ashta transmission line PPP Project, may be claimed by the petitioner in its petition for determination of Transmission Tariff for recovery of these charges from the DISCOMs and other long term customers.”

In this matter it is also submitted that Hon. Commission vide its Order dated 10.06.2016 covering the control period of FY 2016-17 to FY 2018-19 has taken cognizance of the expenses and allowed Rs. 37.80 Crores under the PPP head.

Further, Hon. MPERC, vide its Order dated 01.11.2013, under Petition No. 32/ 2013 has

granted transmission License to M/s KSTPL. The Licensee has started its commercial operation from April 2015 and consequent to its service provided during FY 2016-17, M/s KSTPL has raised a total bill of **Rs. 38.15 Crores**. On disbursing the bill within time limits, the Company thereby earned an amount of Rs. 0.19 Crores through discount. The details are submitted through **Annexure-XVI** of this Petition. As the discount amount is an earning on account of the Company's effort, therefore the entire amount of Rs. 38.15 Crores is claimed, the same has been indicated in TUT-12 (New) of this petition.

The claims towards PPP Expenses in FY 2016-17 are as follows;

<b>S. No.</b>	<b>Particulars</b>	<b>Cash</b>
1	Claim for the year	Rs. 38.15 Crores
2	Allowed in MYT order	Rs. 37.80 Crores
3	<b>True-up</b>	<b>Rs. 0.35 Crores</b>

55. Vide its letter No. 40 dated 02<sup>nd</sup> April' 2018, MPPTCL has submitted the following:

*“The details of PPP Unitary Charges in the audited accounts are as hereunder:*

<b>S.No</b>	<b>Particulars</b>	<b>Amount in Crores</b>
1 (a)	Unitary Charges Claimed (As per Invoices raised)	38.15
(b)	Discount (Availed by MPPTCL)	0.19
	<b>Total paid(a-b)</b>	<b>37.96</b>
2	<b>As shown in financial statements for FY 2016-17</b>	
a	<b>Fair Value Hierarchy(Note-36.9.2)</b>	
i	Financial Liabilities at Fair Value (FY 2015-16)	304.17
ii	Financial Liabilities at Fair Value (FY 2016-17)	294.91
b	<b>Total (i-ii)</b>	<b>9.26</b>
c	Finance lease obligation-Interest Charged (Note-29)	27.74
d	<b>Total (b+c)</b>	<b>37.00</b>
e	Unitary Charges ( Note-32)	0.56
	<b>Total (d+e)</b>	<b>37.56</b>

*As such in line with the audited accounts for FY 2016-17, the claim towards Unitary Charges may be restricted to Rs. 37.56 Crores instead of Rs. 38.15 Crores claimed in the true up petition.”*

56. **Commission's Analysis:**

Commission vide order dated 08.10.2013 under Petition No. 45/2013 has adopted the base unitary charge of Rs. 3.15 Crores per month determined through a transparent process of

bidding in accordance with the guideline issued by the Central Government under Section 63 of the Electricity Act 2003 mentioning the following:

*“The Commission hereby adopts the Base Unitary Charge of Rs. 3.15 Crore per month determined through a transparent process of bidding in accordance with the guidelines issued by the Central Government under Section 63 of the Electricity Act, 2003. The aforesaid Base Unitary Charge and other applicable associated charges payable by the petitioner as per Transmission Agreement entered into by the M.P. Power Transmission Company Ltd., Jabalpur and the Concessionaire on 6<sup>th</sup> June 2013 for 400 KV DCDS Satpura-Ashta transmission line PPP Project, may be claimed by the petitioner in its petition for determination of Transmission tariff for recovery of these charges from the DISCOMs and other long term customers. The adoption of the aforesaid charges in this Order is subject to fulfilment of all other conditions in the “Guidelines for Encouraging Competition in the Development of Transmission Projects” by the petitioner and the selected Bidder/ Concessionaire.”*

57. Based on above and as submitted by MPPTCL in its letter dated 02<sup>nd</sup> April’ 2018, an amount of Rs. 37.56 Crore as per figures recorded in Audited Accounts of MPPTCL for FY 2016-17 is considered as PPP Unitary Charges in this order.

58. **True-up amount allowed for FY 2016-17 in this order:**

Based on the analysis made in preceding paragraphs, the Commission has determined the true-up amount of **Rs. 491.21 Crore** for FY 2016-17. This amount shall be adjusted in the bills of long term open access customers of MPPTCL in FY 2019-20. Details of true-up amount determined in this order are tabulated hereunder:

**True up amount for FY 2016-17:**

Sr. No.	Particular	Unit	Allowed in MYT order for FY2016-17	Allowed in this true-up order for FY 2016-17	True-up amount
1	Return on Equity	Rs.Cr.	340.19	<b>356.20</b>	16.01
2	Interest and finance charges on loan	Rs.Cr.	121.33	<b>91.02</b>	(-) 30.31
3	Depreciation	Rs.Cr.	320.14	<b>336.78</b>	16.64
4	Operation and Maintenance expenses	Rs.Cr.	407.66	<b>408.76</b>	1.10
5	Interest on working capital	Rs.Cr.	61.63	<b>72.14</b>	10.51
6	Terminal benefits	Rs.Cr.	1047.09	<b>1532.21</b>	485.12
7	Provisioning for terminal benefits	Rs.Cr.	0	0	0
8	Taxes & Fee paid to MPERC	Rs.Cr.	1.22	2.59	1.37
9	PPP Unitary Charge	Rs.Cr.	37.80	<b>37.56</b>	(-)0.24
10	Non-Tariff Income	Rs.Cr.	-19.00	<b>-27.99</b>	(-)8.99
<b>Total</b>		<b>Rs.Cr.</b>	<b>2318.06</b>	<b>2809.27</b>	<b>491.21</b>

59. In para 2.2 to 2.6 and Annexure III of the petition, MPPTCL filed the Transmission Capacity of **15654.52 MW** and its allocation among Discom and SEZ and the same is considered in this true-up order.
60. The above true-up amount shall be recoverable from the Discoms, SEZ and WCR as given below:

Rs. Crores

S. N.	Customer	Capacity to be Allocated (MW)	Amount as per MYT Orders	Amount as per filing in this petition	Amount as per this true up order	True-up to be shared
1	MP Poorv KVVCL	<b>4569.93</b>	<b>681.72</b>	<b>904.47</b>	<b>826.18</b>	<b>144.46</b>
2	MP Madhya KVVCL	<b>5140.01</b>	<b>726.2</b>	<b>1017.30</b>	<b>880.086</b>	<b>153.886</b>
3	MP Paschim KVVCL	<b>5704.59</b>	<b>873.58</b>	<b>1129.04</b>	<b>1058.696</b>	<b>185.116</b>
4	MPAKVN for SEZ	<b>40</b>	<b>6.09</b>	<b>7.92</b>	<b>7.381</b>	<b>1.291</b>
5	Railways (WCR)	<b>200</b>	<b>30.47</b>	<b>39.58</b>	<b>36.927</b>	<b>6.457</b>
	<b>TOTAL -</b>	<b>15654.53</b>	<b>2318.06</b>	<b>3098.30</b>	<b>2809.27</b>	<b>491.21</b>

61. The petitioner must take steps to implement this Order after giving public notice in accordance with clause 1.30 of MPERC (Details to be furnished and fees payable by licensee or generating company for determination of tariff and manner of making application) Regulations, 2004 and its amendment. The petitioner must also provide information to the Commission in support of having complied with this order. The true-up amount as determined by the Commission in Para 58 and 60 of this order shall be recovered by MPPTCL in 12 equal installments during FY 2018-19. The Commission shall consider the additional transmission charges determined in this order for the Distribution Licensees/ Long term Open access customers of MPPTCL in their Annual Revenue Requirement for FY 2019-20.

Ordered accordingly.

Sd/-  
(Anil Kumar Jha)  
Member

Sd/-  
(Mukul Dhariwal)  
Member

Sd/-  
(Dr Dev Raj Birdi)  
Chairman

Date: 4<sup>th</sup> May' 2018

Place: Bhopal