MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION

4th & 5th Floor, Metro Plaza, E-5, Arera Colony, Bitten Market, Bhopal - 462 016

Petition No. 26/2009

PRESENT:

Dr. J. L. Bose, Chairman

K. K. Garg, Member

C. S. Sharma, Member

IN THE MATTER OF:

Determination of Transmission Tariff for FY2009-10 to FY 2011-12 based on the tariff application filed by Madhya Pradesh Power Transmission Company Limited (MPPTCL) under Multi Year Tariff Principles.

MPPTCL (Petitioner) represented, among others, by –

1. Shri S. K. Nagesh, Joint Secretary

2. Shri D. P. Saxena, Consultant Tariff

2. Shri Vincent D'souza, Executive Engineer

3. Shri Debashish Chakraborty, Executive Engineer

ORDER

(Passed on this 11th Day of January , 2010)

1 The Madhya Pradesh Electricity Regulatory Commission (hereinafter referred to as “the Commission” or “MPERC”) heard the petitioner namely M.P. Transmission Company Ltd., Jabalpur (hereinafter referred to as “MPPTCL” or “Transmission Licensee”) and other stake-holders such as intervener and Distribution Licensees on 10th November 2009 at Commission’s office, Bhopal in the matter of Determination of Transmission Tariff for FY2009-10 to FY 2011-12 under Multi Year Tariff Principle. The Commission has considered the documents available on record and orders issued by the Government of Madhya Pradesh (Energy Department) on 31st May 2005 making the Transfer Scheme Rules effective from 1st June 2005, (order no. 3679/FRS/18/13/2002 dated 31.5.2005) and the Final Opening Balance sheets (as on 31.5.05) notified by the State Government on 12th June 2008 and reallocation of generating capacity among the three Distribution Companies by the State Government vide gazette notification dated 16th June 2009.

2 The MPPTCL filed the subject petition on 4th June 2009. The Commission vide letter no. 1487 dated 8th July 2009 intimated the information gap after scrutiny of the petition. The concerned officers of MPPTCL made a presentation in the office of the Commission on 15th July, 2009. After the discussions held on 15th July 2009, MPPTCL submitted its revised petition vide letter no. 8022 dated 31st August 2009. The Commission accepted the Petition on 23rd September 2009 and directed the petitioner to publish gist of the petition in English and Hindi newspapers to invite comments/suggestions from stakeholders. The public hearing in the matter was conducted on 10th November 2009 in the Commission’s office at Bhopal. MPPTCL vide its letter No. 10872 dated 2nd December 2009 submitted additional information based on the issues raised during the public hearing and subsequent discussions. All available information and documents have been taken into consideration while finalizing this Order.

3 The Commission has scrutinized the Petition as per MPERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2009 (hereinafter referred to as “the Regulations”) and made modifications to the estimates of Aggregate Revenue Requirement based on provisions of the Regulations. The modifications made to the tariff proposed by MPPTCL as per detailed order are attached to this order. The summary of annual fixed cost as filed by the petitioner and approved by the Commission is given in the following Table:

Table-1 : Annual Fixed Cost filed by the Petitioner-

(Amount Rs. in Crores)

S. No.	Particulars	FY 2009-10	FY 2010-11	FY 2011-12
1	O&M Expenses	213.49	245.34	279.18
2	Terminal Benefits	352.78	379.25	403.53
3	Depreciation	171.52	218.56	254.67
4	Interest & Finance Charges	135.43	160.19	189.53
5	Interest on working capital	29.01	33.67	38.08
6	Return on Equity	221.27	270.90	312.00
7	MPERC Fees & Taxes	1.58	1.88	2.19
8	**Total S. No. 1 to 7**	**1125.08**	**1309.79**	**1479.18**
9	Less Non Tariff Income	3.00	4.00	5.00
10	**Net Annual Fixed Cost**	**1122.08**	**1305.79**	**1474.18**

Table-2 : Annual Fixed Cost approved by the Commission-

(Amount Rs. in Crores)

S. No.	Particulars	FY 2009-10	FY2010-11	FY 2011-12
1	O&M Expenses	208.48	229.64	250.77
2	Terminal Benefits	318.99	37.51	41.63
3	Depreciation	164.30	193.36	209.12
4	Interest & Finance Charges	118.79	110.23	97.96
5	Interest on working capital	27.05	23.04	24.56
6	Return on Equity	206.40	225.87	242.4
7	MPERC Fees	1.08	1.13	1.19
8	**Total S. No. 1 to 7**	**1045.09**	**820.78**	**867.63**
9	Less Non Tariff Income	12.00	14.00	16.00
10	**Net Annual Fixed Cost**	**1033.09**	**806.78**	**851.63**

4 The Commission, in exercise of the powers vested in it under Section 64 of the Electricity Act, 2003, directs that the transmission tariff determined by this order shall be applicable from 1st April 2009 and will continue to be operative till 31st March 2012 under multi year tariff principles subject to yearly approvals of the Commission. Till 31st March 2010 the Transmission Licensee shall continue to bill the Discoms at the same tariff as was applicable during FY 2008-09. The balance of Transmission charges applicable for 2009-10 shall be billed in FY 2010-11 on a monthly pro-rata basis, along with the Transmission charges for

FY 2010-11 by the Transmission Licensee. The Petitioner must take steps to implement the Order after giving public notice in accordance with clause 1.30 of MPERC (Details to be furnished and fee payable by licensee or generating company for determination of tariff and manner of making application) Regulations, 2004 and must also provide information to the Commission in support of having complied with this order.

5 Ordered as above read with attached detailed reasons and grounds.

(C. S. Sharma)	**(K. K. Garg)**	**(Dr. J. L. Bose)**
Member (Economics)	**Member (Engineering)**	**Chairman**

Date: 11th January, 2010
Place: Bhopal

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CHAPTER 1

Background of the order

Introduction

1.1 This order relates to petition numbered as 26 of 2009, filed by the Madhya Pradesh Power Transmission Company Limited (hereinafter referred to as "MPPTCL" or "Transmission Licensee") for determination of transmission and allied charges to be paid by long term beneficiaries of transmission system for FY 2009-10 to FY 2011-12 under the multi year tariff principles. MPPTCL has started functioning independently from 1st June 2005. The Commission passed an Order dated 7th february.2006 for determination of Transmission Tariff for FY 2005-06. Subsequently on 13th March 2006, the Commission determined Transmission tariff based on MYT principles for FY 2006-07 to FY 2008-09. The True up Orders for the FY 2005-06, FY 2006-07 and FY 2007-08 were issued by the Commission on 1st March 2007, 19th March 2008 and 21st October, 2009 respectively.

1.2 The Commission issued the principles for multi year tariff for the control period from 2009-10 to 2011-12 vide its notification dated 8th May 2009 namely "Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Transmission Tariff) Regulations 2009. The Commission directed the Transmission licensee to file its proposal on the basis of the aforementioned Regulations.

1.3 The State Government vide order dated 31st May 2005, notified the provisional "Opening Balance Sheets" of the Companies as on 31.5.05. The Operation & Management agreement between MPSEB and Companies stood terminated, and Companies started independent functioning w.e.f. 1.6.2005 under a Cash Flow Mechanism. The final Opening Balance Sheet as on 31.5.05 has been subsequently notified on 12th June 2008.

1.4 Provisional Opening Balance Sheet of MPPTCL as on 31.5.05 has been notified, as reproduced hereunder:

Table : 3

Provisional Opening Balance Sheet of Madhya Pradesh Power Transmission Company Ltd			
			(Rs. in Crores)
Liabilities	**Amount**	**Assets**	**Amount**
Equity from GoMP	**845**	*Gross Fixed Assets*	*2,407*
Project Specific Capital Liabilities (Including payments overdue)	**531**	*Less : Accumulated Depreciation*	*1,076*
Power Finance Corporation (PFC)	*321*	**Net Fixed Assets**	**1,331**
SADA Gwalior	*15*	**Capital Works in Progress**	847
Loan from GoMP (ADB)	*195*	**Regulatory Asset towards Pension Liabilities**	3,910
Loan from MPSEB	**835**	**Current Assets**	**-**
Current Liabilities		Stock	66
Staff related liabilities	*20*	**Total Current Assets**	**66**
Interest accrued but not due	*13*		
Total Current Liabilities	33		
Pension Liabilities	**3,910**		
Borrowing for Working Capital	**(0)**		
Overdraft	-		
Working Capital Demand Loan + Cash Credit	*(0)*		
Accumulated Surplus/ (Deficit)	-		
Reserves and Reserve Funds	0		
Total Liabilities	**6,154**	**Total Assets**	**6,154**

Notes –

1. The Values of the Fixed Assets are as per the book values.
2. The contingent Liabilities to the extent they are associated with or related to Transmission activities or to the Undertakings or Assets of MP Transco shall vest in MP Transco (Estimated to be Rs. 41.66 Crores).
3. The above balance sheet is provisional till finalization of actual balance sheet as on date of transfer date.

It is mentioned that "the Opening Balance Sheet shall remain provisional for a period of Twelve (12) months from date of order". The Government of Madhya Pradesh may amend / vary / modify or otherwise change the values or terms and conditions contained in the schedules of the order. The State Government subsequently extended the period from time to time, and notified the final Opening Balance Sheet (as on 01.06.05) on 12th June 2008.

1.5 The Government of Madhya Pradesh notified the final Opening Balance Sheet of MPPTCL and other Companies vide order No. 4068-FRS-18-2002-XIII Bhopal dated 12th June '08. A broad comparison of provisional and final Balance Sheet as on 01.06.05 is shown hereunder:

Table : 4

S. No.	Particulars	Amount as per		Difference
		Provisional O.B.S.	Final O.B.S.	
I.	**ASSETS -**			
1	Gross Block	2407.00	2932.75	525.75
2	Accumulated Depreciation	1076.00	1205.95	129.95
3	Net Fixed Assets	1331.00	1726.81	395.81
4	C.W.I.P.	847.00	198.46	(-) 648.54
5	Regulatory Assets (Pension)	3910.00	00.00	(-) 3910.00
	Current Assets -			
i.	Stock	66.00	34.41	
ii.	Cash & Bank Balance	00.00	10.76	
iii.	Loan & Advances	00.00	37.34	
iv.	Sundry Receivables	00.00	195.12	
6	Total Current Assets	66.00	277.63	211.63
	TOTAL ASSETS -	**6154.00**	**2202.90**	**- 3951.10**
II.	**LIABILITIES -**			
1	Equity from GoMP	845.00	730.43	(-) 114.57
2	Loan from GoMP	195.00 (ADB only)	473.05	278.05
3	Loan from PFC	321.00	Included in Capital Liabilities	- 321.00
4	Loan from SADA	15.00	Included in Govt. Liabilities	- 15.00
5	Capital Liabilities	00.00	572.26	572.26
6	Payment due on Capital Liabilities	00.00	267.90	267.90
7	Loan from MPSEB	835.00	00.00	- 835.00
8	Pension Liabilities	3910.00	00.00	- 3910.00
9	**Current Liabilities -**			
i.	Staff Related Liabilities	20.00		
ii.	Interest Accrued but not due	13.00		
iii.	Other Current Liabilities		159.25	
	Total Current Liabilities	33.00	159.25	126.25
	TOTAL LIABILITIES -	**6154.00**	**2202.90**	**- 3951.10**

The stipulations made in the order dated 12th June '08 are reproduced hereunder;

(a). The final Opening Balance Sheet of the Companies appended to this order shall be final & binding on all the stake holders.

(b). The Companies and Residual Madhya Pradesh State Electricity Board shall take necessary steps to appropriately intimate the changes, vis-à-vis the Provisional

Opening Balance Sheets notified on 31st May 2005, to all concerned statutory authorities and other Stake holders.

(c). RAO-wise account code-wise details shall be provided to the Companies by Chief (Finance & Accounts), MPSEB.

(d). The Guarantees extended by the State Govt. to various lenders, in respect of loans given by them to MPSEB, shall stand transferred in the name of the Company to whom such loans are allocated as per the final Opening Balance Sheets and these guarantees shall continue to be valid on the same terms & conditions, till the final discharge of the loan liability by the Company.

(e). The Cash Flow Mechanism among the Residual MPSEB & the successor companies of MPSEB as prevailing on the date of this notification shall continue to operate till further orders.

(f). There is no such item as "Loan from MPSEB to the Companies" in the final Opening Balance Sheets, therefore the directions earlier issued vide Energy Department's letter No. 300/13/2006 dated 18th January 2006 stands withdrawn.

(g). The assets of SLDC (Block Value Rs. 67.55 lakh) are included in the assets of Madhya Pradesh Power Transmission Company Limited. SLDC is not an Independent Company as yet and no separate Opening Balance Sheet is being notified for SLDC.

(h). Loan No. 20102007 amounting to Rs. 119 Crores was sanctioned by PFC under generation scheme for Madikheda HEP and allocated to MPPGCL. Out of this loan, Rs. 5.53 Crores relates to Transmission works which shall be payable by MPPTCL to MPPGCL on the same terms and conditions.

(i). Liabilities towards SLR & PP bonds have been allocated to the Companies. However, the servicing of these liabilities shall continue to be done by MPSEB on behalf of the Companies. For accounting of these liabilities in the books of the companies, the MPSEB would provide all necessary information to the Companies regarding name of investors, amount of investment, the interest to be provided and payments falling due etc. from time to time alongwith intimation of settlement of liabilities as and when the same take place for different investors.

(j). Company-wise allocation of Additional Contingent liabilities on account of Govt. of India order dated 4th November 2004 in respect of bifurcation of assets & liabilities of MPEB between MPSEB & CSEB shall be separately notified by the State Govt. after final orders of the Supreme Court in O.S.-06/04.

(k). The past unfunded pension liabilities of pensioners and employees of MPSEB existing as on 31st May 2005 are to be assessed by Actuarial valuation and is therefore retained with Residual MPSEB for the time being. The actual pension/ gratuity payment shall be claimed by MP Power Transmission Co. Ltd., in its ARR till requisite fund equivalent to the past unfunded liabilities is built up in the manner provided in Rule 10 & 11 notified earlier vide No. 4003-FRS-17-13-2002 dated 13th June 2005.

(l). The matters pertaining to administration and accounting among Companies as well as statutory authorities regarding GPF, GTIS, SCLIS etc. shall continue to be looked after by MP Power Transmission Co. Ltd.

1.6 On notification of the final Opening Balance Sheet (as on 01.06.05), on 12th June '08, the annual accounts of MPPTCL for year 2007-08 have been prepared and got audited as per final Opening Balance Sheet. The True-up petition for 2007-08 had also been submitted as per the final Opening Balance Sheet. The True-up petition for 2007-08 also contained the review of the tariff for 2005-06 and 2006-07, based on the final Opening Balance Sheet. Projections in instant MYT petition for 2009-10 to 2011-12 are also made as per the final Opening Balance Sheet.

Procedural history

1.7 The MPPTCL filed the subject petition on 4th June 2009. The Commission vide letter no. 1487 dated 8th July 2009 intimated the information gap after scrutiny of the petition. The concerned officers of MPPTCL made a presentation in the office of the Commission on 15th July 2009. After the discussions held on 15th July 2009, MPPTCL submitted its revised application vide letter no. 8022 dated 31st August 2009. The Commission accepted the Petition on 23rd September 2009 and directed the petitioner to publish gist of the petition in English and Hindi newspapers to invite comments/suggestions from stakeholders. Accordingly the Petitioner published a public notice on 26th September 2009 inviting comments/suggestions of stakeholders by 19th October 2009. The public hearing in the matter was conducted on 10th November 2009 in the Commission's office at Bhopal. MPPTCL vide its letter No. 10872 dated 2nd December 2009 submitted additional information on the issues raised during the public hearing and subsequent discussions. All available information and documents filed by the petitioner has been taken into consideration while finalizing this Order.

Summary of the petition filed by MPPTCL is given below:

Table-5: Summary of the Tariff Petition in terms of Annual Fixed Cost

(Amount Rs. in Crores)

S. No.	Particulars	FY 2009-10	FY 2010-11	FY 2011-12
1	O&M Expenses	213.49	245.34	279.18
2	Terminal Benefits	352.78	379.25	403.53
3	Depreciation	171.52	218.56	254.67
4	Interest & Finance Charges	135.43	160.19	189.53
5	Interest on working capital	29.01	33.67	38.08
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8	**Total S. No. 1 to 7**	**1125.08**	**1309.79**	**1479.18**
9	Less Non Tariff Income	3.00	4.00	5.00
10	**Net Annual Fixed Cost**	**1122.08**	**1305.79**	**1474.18**

Public Hearing

1.8 The Commission issued a public notice on 27th October 2009 inviting all interested parties to attend the public hearing on 10th November 2009. The Public notice was published in Dainik Bhaskar, Bhopal, Nai Dunia, Indore, Nav Bharat, Jabalpur and Hindustan Times (All Madhya Pradesh Edition).

1.9 The Commission held a public hearing on the tariff petition of MPPTCL at Commission's Office, Bhopal on 10th November 2009. The Commission received comments/suggestions from MPEB Pensioner's Association, Jabalpur by the due date for offering comments/suggestions. Besides the representatives of the petitioner, Shri V. K. Agrawal appeared on behalf of MP Vidyut Mandal Pensioner's Association, Jabalpur during the course of public hearing.

CHAPTER-2

Transmission Cost

2.1 Transmission System Capacity as on 31st March, 2009, 31st March, 2010 and 31st March, 2011

The petitioner in its petition has filed that the transmission system capacity (after substracting the auxiliary consumption and inter-state losses) works out as 8091MW for FY 2009-10, 8656 for FY 2010-11 and 9241 for FY 2011-12. The petitioner in Para 2.4.1 to 2.4.3 of the petition has given the quantum of additional power expected from various sources during each financial year from FY 2009-10 to FY 2011-12. The petitioner has further provided the average capacity (on share basis) of the MP Transmission System as on 1st April, 2009, 1st April, 2010 and 1st April, 2011 in Annexure- 3, 4 & 5 of the petition. Based on the re-allocation of the generation capacity notified by the State Government vide notification No.3513-F-3-24-2009-XIII dated 16th June, 2009, the petitioner has submitted the following capacity allocation of Discoms :-

Table : 6 - Capacity Allocation for the control period

S. No.	Distribution Licensee	Percentage Allocation	Capacity Allocation for		
			2009-10	2010-11	2011-12
1	MP Poorva Kshetra Vidyut Vitaran Company Ltd. Jabalpur.	31.06%	2509	2685	2867
2	MP Madhya Kshetra Vidyut Vitaran Company Ltd. Bhopal.	33.86%	2736	2927	3125
3	MP Paschim Kshetra Vidyut Vitaran Company Ltd. Indore.	35.08%	2834	3032	3237
4	**Total Discoms -**	**100%**	**8079**	**8644**	**9229**
5	SEZ Pithampur (Dhar)	-	12	12	12
6	**GRAND TOTAL -**	**-**	**8091**	**8656**	**9241**

2.2 Capital Cost, Capital Structure and Debt Equity ratio

Petitioner's submission :

The petitioner has given the revised financial and physical Transmission Plan for FY-08 to FY-12 as summarized in the following tables :

Table-7 : [A] Financial – Eleventh Plan Transmission Programme

S. No.	Particulars	Year-wise Investment In Eleventh Plan (2007-12) (Rs . In Lacs)					Total 11th Plan (2007-12)
		2007-08	2008-09	2009-10	2010-11	2011-12	
A.	**Transmission Lines -**						
1	400 KV	1052	247	17544	23044	44850	86737
2	220 KV	18792	16147	20720	23350	18998	98007
3	132 KV	5198	24378	30493	19975	24442	104486
	Sub-Total -	**25042**	**40772**	**68757**	**66369**	**88290**	**289230**
B.	**EHV Sub-Stations -**						
1	400 KV	0	3000	12354	16300	7427	**39081**
2	220 KV	11157	18591	21993	21136	18718	**91595**
3	132 KV	10441	23427	23196	25570	13480	**96114**
4	Misc. Works	520	510	1700	625	625	**3980**
	Sub-Total -	**22118**	**45528**	**59243**	**63631**	**40250**	**230770**
	GRAND TOTAL -	**47160**	**86300**	**128000**	**130000**	**128540**	**520000**

Table-7 : [B] Physical – Eleventh Plan Transmission Programme

S. No.	Particulars	Year-wise Physical Programme (2007-12)					Total 11th Plan (2007-12)
		2007-08 (Actual)	2008-09	2009-10	2010-11	2011-12	
A.	**Transmission Lines (Ckt.-Km) -**						
1	400 KV	0	28.86	0	380	720	1128.86
2	220 KV	463.81	879.26	1768.9	1493.1	893	5498.07
3	132 KV	221.63	532.6	1732.63	1024.8	1425	4936.66
	TOTAL -	**685.44**	**1440.72**	**3501.53**	**2897.9**	**3038**	**11563.59**
B.	**EHV Sub-Stations (MVA) -**						
1	400 KV	0	315	0	945	1260	**2520**
2	220 KV	580	1480	2540	1320	1060	**6980**
3	132 KV	580	1010	1366	1132	723	**4811**
	TOTAL –	**1160**	**2805**	**3906**	**3397**	**3043**	**14311**

2.3 The MPPTCL, taking into consideration certain slippage, has projected the creation of assets lower than the expected to be capitalized during Plan period. To take into account certain slippages in plan, MPPTCL has projected the parameters taking achievements as 70% for the year of next control period. The capitalization of assets during these years is further reduced by 10% to make the projections reasonable. Accordingly, expected source of fund to be received are also identified and tabulated by the Petitioner as under:-

Table : 8

(Rs. in Lacs)

S. No.	Year	Plan Amount	Expected Receipt of funds	SOURCES OF FUNDS							
				PFC Secured	PFC Unsecured	ADB 2323	ADB 2346	New ADB III & other Scheme	State Govt. Equity/ Internal Resource	ADB 1869	Canara Bank
OLD CONTROL PERIOD											
1	2007-08	47160	24340	3701	3942	4437	2986	NIL	7234	615	1425
2	2008-09	86300	59030	NIL	3352	11082	27056	NIL	17540	NIL	NIL
NEW CONTROL PERIOD											
i.	**From Tied-up**			3200	3400	17000	23000	NIL	15100	NIL	1300
ii.	**From to be Tied-up**			NIL	7800	NIL	NIL	7000	11800	NIL	NIL
3	2009-10	128000	89600	3200	11200	17000	23000	7000	26900	NIL	1300
i.	**From Tied-up**			3000	3500	12500	17500	NIL	12400	NIL	NIL
ii.	**From to be Tied-up**			NIL	6000	NIL	NIL	21100	15000	NIL	NIL
4	2010-11	130000	91000	3000	9500	12500	17500	21100	27400	NIL	NIL
i.	**From Tied-up**			NIL	NIL	7500	1500	NIL	11000	NIL	NIL
ii.	**From to be Tied-up**			NIL	10000	NIL	NIL	43900	16000	NIL	NIL
5	2011-12	128540	89900	NIL	10000	7500	1500	43900	27000	NIL	NIL
6	**Total**	**520000**	**353870**	**9901**	**37994**	**52519**	**72042**	**72000**	**106074**	**615**	**2725**

2.4 Based on the Capex plan and the expected receipt of funds, the MPPTCL has projected the following Gross fixed assets for the control period and made a plan for 2009-10, 2010-11 and 2011-12:

Table : 9

(Rs. in Crores)

S. No.	Year	Gross Fixed Assets		
		At the beginning of the year	Addition during the year	At the end of the year
1	2009-10	3954.13	768.00	4722.13
2	2010-11	4722.13	780.00	5502.13
3	2011-12	5502.13	771.00	6237.13

2.5 The Equity employed and the normative loan out of Equity amount shown by the Petitioner is as follows:

Table : 10 (Amount Rs. in Lacs)

S. No.	Particulars	FY 2009-10	FY 2010-11	FY 2011-12
I.	**Gross Fixed Assets**			
i.	At the beginning of the year	395413.00	472213.00	550213.00
ii.	At the end of the year	472213.00	550213.00	627313.00
iii.	Average during the year	433813.00	511213.00	588763.00
II.	Ceiling limit of Equity Employed on Capital works [30% of I (iii)]	130143.90	153363.90	176628.90
III.	**Equity held**			
i.	At the beginning of the year	132453.06	159353.06	186753.06
ii.	At the end of the year	159353.06	186753.06	213753.06
iii.	Average during the year	145903.06	173053.06	200253.06
IV.	Average Equity under CWIP (from table under Para 8.8)	20634.48	18546.15	15493.98
V.	Average Equity employed on capital works [III (iii) – IV]	125268.58	154506.91	184759.08
VI.	Normative Loan (V-II)	0.00	1143.01	8130.18
VII.	Rate of interest	9.41%	8.55%	8.09%
VIII.	Interest on Normative Loan	0.00	97.73	657.73

Provision in Regulation

2.6 As per clause 17.1 of the applicable MYT Regulations, the Capital cost for a Project shall include:

"the Expenditure incurred or projected to be incurred on original scope of work, including interest during construction and financing charges, any gain or loss on account of foreign exchange rate variation during construction on the loan - (i) being equal to 70% of the funds deployed, in the event of the actual equity in excess of 30% of the funds deployed, by treating the excess equity as normative loan, or (ii) being equal to the actual amount of loan in the event of the actual equity less than 30% of the funds deployed, - up to the Date of Commercial Operation of the Project, as admitted by the Commission after prudent check, shall form the basis for determination of Tariff.

(a) Capitalized initial spares subject to the following ceiling norms:
(i) Transmission line- 0.75% of Original Project cost
(ii) Transmission substation- 2.5% of Original Project cost
(iii) Series compensation devices- 3.5 % of Original Project cost
(b) Additional capital expenditure determined under Regulation 18."

2.7 As per clause 20.1 of the applicable MYT Regulations:
"For a Project declared under commercial operation on or after 1.4.2009, if the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan:

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

2.8 Further as per clause 20.2 of the applicable MYT Regulations:

"In case of the Transmission System declared under commercial operation prior to 1.4.2009, debt-equity ratio allowed by the Commission for determination of Tariff for the period ending 31.3.2009 shall be considered.."

Transmission Investment Plan (2009-14)

2.9 The petitioner has also submitted the transmission investment plan for FY 2009-10 to FY 2013-14 with the aims and objectives for extension/strengthening of transmission system, evacuation of power from generation projects of the State, interconnection of State transmission system with National Grid, to overcome low voltage problems and to avoid overloading on EHV system.

The petitioner has submitted that the development of the transmission system suffered due to paucity of funds during 9th Plan period. However, this has been compensated partially during 10th Plan period and still continuing in 11th and 12th Plan period also.

11th Plan Transmission Programme

Regarding 11th Plan Transmission Programme, the petitioner has submitted that,

The investment Plan for Transmission Programme (2007-12) with a total investment of Rs.6804.46 crore was prepared in July'07. This included power evacuation system required for Shahpura TPS (1000MW) and Birsinghpur TPS extension unit of 500MW, programmed to be commissioned in 12th Plan period. However, as the extension unit of 500MW at Birsinghpur TPS has not been included by MP Genco in their future programme, the relative power evacuation system has also been excluded from the Invest Plan of MP Transco. Further, in view of the present commissioning schedule of Shahpura TPS, the power evacuation system related with Shahpura TPS has also been shifted to 2012-13 and 2013-14. The revised investment on Transmission works during the period 2007-12, as reviewed in April'08 was assessed as Rs.5200 crore. The same has been reviewed again in June'09, on completion of financial year 2008-09, and the investment of Rs.5000 crore is now anticipated during 11th Plan period)2007-12).

The petitioner has submitted the year-wise fund requirement as given below :-

Table : 11

Particulars	Fund requirement for transmission programme during 11th Plan period (2007-08 to 2011-12)	
	Prepared in July'07	Prepared in April'08
2007-08	715.79	471.60
2008-09	1274.40	863.00
2009-10	1525.07	1280.00
2010-11	1704.51	1300.00
2011-12	1584.69	1285.40
Total 11th Plan	**6804.46**	**5200.00**

It is also submitted that the transmission programme is need based and the actual execution would depend on the availability of funds.

Regarding the physical and financial achievements/progress/programme of 11th Plan, the petitioner has submitted that,

(a) Review of Annual Plan 2007-08

During Annual Plan 2007-08, an outlay of Rs.272.99 crore was approved for transmission works (Rs.111.14 crore from ADB, Rs.27.80 crore under TSP, Rs.21.20 crore under SCSP and Rs.112.85 crore as equity from GoMP) against the total need based fund requirement of Rs.652.55 crore. The balance funds of Rs.379.56 crores were expected to be received as loan from various Financial Institutions (PFC, REC etc.). The revised outlay for transmission works during 2007-08 was Rs.292.52 crores (Rs.80.67 crores from ADB, Rs.27.80 crores under TSP, Rs.21.20 crores under SCSP and Rs.162.85 crores as equity from GoMP). Against this, expenditure of Rs.471.60 crores has been incurred during 2007-08, which includes Plan funds of Rs.325.65 crores (Rs.100 crores from ADB, Rs.27.80 crores under TSP, Rs.21.20 crores under SCSP and Rs.89.66 crores as equity from GoMP) and Rs.145.95 crores received as loan from various Financial Institutions (PFC, Canara Bank etc.). the shortfall in expenditure was mainly due to the cancellation of loan by REC.

It was programmed to construct 1424 Circuit Kms of EHV lines and add 1640 MVA capacity in EHV sub-station during 2007-08. Against the above, construction of 718.22 Ckt. Kms EHV lines and addition of 1160 MVA capacity of EHV sub-stations has been achieved. This includes new 220/33 sub-station at Indore (East) and new 132KV sub-stations at Aaron (Guna), Khajuraho (Chhatarpur), Porsa (Morena), Katra (Rewa) and Beohari (Shahdol).

(b) Review of Annual Plan 2008-09

During Annual Plan 2008-09, an outlay of Rs.555.40 crores was approved for transmission works against total need based fund requirement of Rs.863 crores. The balance funds of Rs.307.60 crores were expected to be received as loan from various Financial Institutions (PFC, Canara Bank etc.). Against this, expenditure of Rs.896.33 crores has been incurred during 2008-09, which includes Plan funds of Rs.630.17 crores (Rs.431.58 crores from ADB and Rs.198.59 crores equity from GoMP) and outside Plan funds of Rs.266.16 crores from various Financial Institutions (PFC, Canara Bank etc.).

It was programmed to construct 1293 Circuit Kms of EHV lines and add 2953 MVA capacity in EHV sub-station during 2008-09. Against this total 1296.34 Circuit Kms of EHV lines have been completed during 2008-09, which includes 28.70 Circuit Kms of 400KV lines, 871.54 Circuit Kms of 220KV line and 396.10 Circuit Kms of 132KV lines. Further 3063 MVA capacity has been added in EHV sub-stations during 2008-09, which is an Annual Record. This includes new 220KV sub-station at Mandideep (Raisen) (1x160+1x100 MVA), Badod (Ujjain) (1x160 MVA), Sagar (1x160 MVA), Hoshangabad (1x160 MVA), Sabalgarh (Morena) (1x160 MVA), Sidhi (1x160 MVA) and new 132/33 KV sub-stations at Chhanera (Distt. Harda), Gairatgand (Distt. Raisen), Ghosla (Distt. Ujjain), Nainpur (Distt. Mandla), Sleemanabad (Distt. Katni), Maksoodangarh (Distt. Guna), Mauganj (Rewa) and Benegaon (Distt. Balaghat). Further, works on 1700 Circuit Kms of 220KV lines and 1541 Circuit Kms of 132KV line were under progress at the end of March, 2009. 400KV sub-station works of 315 MVA, 220KV sub-station works of 1960 MVA and 132KV sub-station works of 1146 MVA capacity were also in progress.

(c) Annual Plan 2009-10

The total need based fund requirement for transmission works during Annual Plan 2009-10 was assessed as Rs.1280.00 crores, which includes outside plan funds of Rs.694.96 crores (PFC loan, Canara Bank and various other Financial Institutions). The balance funds of Rs.585.04 crores were required from Plan funds during 2009-10 (ADB loan of Rs.336.13 crores and Rs.248.91 crores as equity from GoMP). However, the outlay for transmission works was restricted to Rs.451.00 crores (ADB loan of Rs.300.00 crores, Rs.43.00 crores under TSP, Rs.58.00 crores under SCSP and Rs.50.00 crores as equity from GoMP) under Plan ceiling of Rs.1290.45 crores, approved by State Planning Commission. Further, an amount of Rs.50.00 crores received from GoMP during 2008-09 as equity, which could not be spent in 2008-09 would also be utilized in 2009-10. The total investment on transmission works during 2009-10 would thus be Rs.1005.91 crores (Rs.501.00 crores from Plan and Rs.504.91 crore from outside plan).

It is programmed to construct 1512 Circuit Kms of EHV lines and add 2964 MVA capacity in EHV sub-stations during 2009-10.

(d) Annual Plan 2010-11

The total need based fund requirement for transmission works during Annual Plan 2010-11 has been assessed as Rs.1263.37 crores, which includes outside plan funds of Rs.731.93 crores (PFC loan, Canara Bank and various other Financial Institutions). The balance funds of Rs.531.44 crores will be required from Plan funds during 2010-11 (ADB loan of Rs.303.67 crores and Rs.227.77 crores as equity from GoMP).

It is programmed to construct 2993 Circuit Kms of EHV lines and add 2801 MVA capacity in EHV sub-stations during 2010-11.

(e) Annual Plan 2011-12

The total need based fund requirement for transmission works during Annual Plan 2011-12 has been assessed as Rs.1362.79 crores, which includes outside plan funds of Rs.1126.96 crores (PFC loan, Canara Bank and various other Financial Institutions). The balance funds of Rs.236.03 crores will be required from Plan funds during 2011-12 as equity from GoMP).

It is programmed to construct 3550 Circuit Kms of EHV lines and add 3564 MVA capacity in EHV sub-stations during 2011-12.

2.10 In view of the above Investment Plan as also Annual Plan for the control period, the Commission has sought physical and financial achievements of the company during the past three years i.e. for FY 2006-07 to FY 2008-09, which may be seen from the table given below :

Table : 12 - PHYSICAL ACHIEVEMENTS DURING PAST YEARS

S. No.	Particulars	Unit	Capacity as on 1.4.06	Capacity Added			Capacity as on 31.3.09
				2006-07	2007-08	2008-09	
	Transmission Lines						
1	400 KV	Ckt.KMs	2314	0	0	29	2343
2	220 KV	Ckt.KMs	6989	720	465	872	9046
3	132 & 66 KV	Ckt. KMs	10568	358	253	396	11575
	Total -	**Ckt. Kms**	**19872**	**1078**	**718**	**1297**	**22964**
	EHV Substations						
4	400 KV	MVA	3885	0	0	0	3885
5	220 KV	MVA	8850	800	580	1740	11970
6	132 & 66 KV	MVA	10440	920	540	1323	13223
	Total	**MVA**	**23175**	**1720**	**1120**	**3063**	**29078**

Table : 13 - TRANSMISSION PLAN 2007-08 TO 2011-12 (11TH PLAN) OF MPPTCL

S. No.	Year	Original Plan submitted in July '07	Revised Plan submitted in April '08	Achievements/ projections against Plan	REMARKS
1	2007-08	715.79	471.60	471.60	The expenditure against Plan is taken on the basis of estimated amount. Actual amount will be known on capitalization of completed Assets.
2	2008-09	1274.40	863.00	896.30	
3	2009-10	1525.07	1280.00	*572.75 Upto Dec'09	
4	2010-11	1704.51	1300.00	910.00 (Projections)	
5	2011-12	1584.46	1285.00	899.00 (Projection)	
	TOTAL -	**6804.46**	**5200.00**	**3749.65**	

*Current status as informed by MPPTCL

Commission's Analysis

2.11 It is seen that the MPPTCL has itself expect receipt of fund at 70% of the plan amount and taking into account, certain funds under CWIP, the expected capitalization has been taken for addition to GFA @ 60% of plan amount. Regulation 20 states that if the actual equity deployed is more than the 30% of Capital cost, equity in excess of 30% shall be treated as normative loan. If the equity actually deployed is less than 30% of the Capital Cost, the actual equity shall be considered for determination of Tariff.

2.12 It is observed from table 8 that the Govt. equity (tied-up and to be tied-up) has been mentioned as 30% of expected receipt of funds. The tied up equity is just 12 to 15% of expected receipt of fund. The Commission has observed that the funds tied up by the Petitioner for 2009-10 are of Rs.630 crores only as against increase of GFA shown as 768 crore. The Petitioner has shown State Govt. equity infusion of Rs. 269 crore during the FY 2009-10, whereas the tied up equity is shown as Rs. 151 crore only in table under para 4.8 of the petition. The equity in a Government company is infused by way of Budget, which is passed by the State Legislature. The claimed equity infusion beyond budget provision is not sustainable.

It may be seen from the above tables that the petitioner has not been able to achieve the following physical and financial progress vis-à-vis the 11th Plan

Table : 14

S. No.	Particulars	Unit	2006-07		2007-08			2008-09		
			Provision	Achievement	Provision	Achievement	% achievement	Provision	Achievement	% achievement
1	400 KV	Ckt.KMs	0	0	29	0	0	0	29	
2	220 KV	Ckt.KMs	0	720	956	465	49%	771	872	113%
3	132 & 66 KV	Ckt. KMs	0	358	441	253	58%	972	396	41%
	Total			**1078**	**1426**	**718**	**50%**	**1743**	**1297**	**74%**
4	400 KV	MVA	0	0	0	0	0	630	0	0
5	220 KV	MVA	0	800	1000	580	58%	1800	1740	97%
6	132 & 66 KV	MVA	0	920	660	540	82%	**1447**	1323	91%
	Total			**1720**	**1660**	**1120**	**67%**	**3877**	**3063**	**79%**

The financial achievement for FY 2007-08 and FY 2008-09 is observed as below :-

Table : 15

S. No.	FY	Provision as per original plan July'07 (Rs. Crores)	Achievements		% Achievements	
			As mentioned by the petitioner	As reflected in the annual accounts	As mentioned by the petitioner	As per annual accounts
1	FY 2007-08	715.79	471.60	332.00	66%	46.38%
2	FY 2008-09	1274.40	896.30	669	70%	52.50%

2.13 As the accounts for these two years have been finalized, the estimated expenditure has no relevance. The actual expenditure as reflected in annual accounts is being considered for further analysis.

2.14 As would be seen from last column of table 14, the financial achievement during FY 2007-08 and FY 2008-09 has been of this order of 50% of the investment plan. On this basis, achievement of Capex about Rs.450 crores per year can be expected in ensuing years. For the present, the Commission, in order to make the appropriate projections in this order has considered the tied-up equity of the Capex plan and the funding from loan in the Capex plan in the ratio of 30:70 in order to arrive at total capital expenditure. Further, the total capital expenditure has been bifurcated between capitalized assets and CWIP in the ratio of 4:1. The details as given below :-

<u>Table : 16 -Projected addition of GFA</u>

(Rs. Crores)

Years	(30:70)			Capitalized (4:1)	
	Tied-up Equity	Corresponding Loan	Total expenditure	GFA	CWIP
FY 2009-10	151	352	**503**	403	100
FY 2010-11	124	289	**413**	330	83
FY 2011-12	110	256	**366**	293	73

The projections in the above year-wise investment plan has been used for the purpose of this order to work out the O&M expenses, depreciation, interest, RoE etc. during the control period in this tariff order.

<u>Additional capitalization</u>

2.15 Regulation 18 provides for Additional Capitalization. MPPTCL has not submitted any separate information in this regards. Additional capitalization is considered to be included in their total Capex plan.

Renovation and Modernization

Petitioner's Submission

2.16 The Petitioner is yet to formulate detailed scheme including cost benefit analysis and financial linkage. The Petitioner has mentioned that after formulation of such scheme the same shall be submitted to the Commission for approval. On approval, the same will be accommodated in annual revision of the transmission plan and executed within the control period.

Provisions of Regulation

2.17 Clause 19 of MYT Regulations provides that:

"The Transmission Licensee for meeting the expenditure on Renovation and Modernization (R&M) for the purpose of extension of life beyond the useful life of the Transmission System, shall make an application before the Commission for approval of the proposal with a detailed project report giving complete scope, justification, cost-benefit analysis, estimated life extension from a reference date, financial package, phasing of expenditure, schedule of completion, reference price level, estimated completion cost including foreign exchange component, if any, consent of Beneficiaries and any other information considered to be relevant by the Transmission Licensee.

Where the Transmission Licensee makes an application for approval of R&M proposal, the approval shall be granted after due consideration of reasonableness of the cost estimates, financing plan, schedule of completion, interest during construction, use of efficient technology, cost-benefit analysis, and such other factors as may be considered relevant by the Commission.

Any Expenditure incurred or projected to be incurred as admitted by the Commission after prudent check based on the estimates of Renovation and Modernization expenditure and life extension, and after writing off the original amount of the replaced assets and deducting the accumulated depreciation including advance against depreciation already recovered from the Original project cost, shall form the basis for determination of Tariff."

Commission's Analysis

2.18 Some of the Transmission network of MPPTCL is quite old and it would be in the interest of MPPTCL to formulate schemes of Renovation and modernization. In Para 4.9 of the petition, MPPTCL has stated that details of R&M scheme of Rs. 164.02 Crores. is being formulated and will be submitted to the Commission for approval. The

Commission will look into the R&M scheme after receiving the detail submission. For purpose of this Tariff Order, no amount is for R&M.

O&M Expenses

Petitioner's Submission

2.19 The petitioner has submitted the following :-

The O&M expenses of a transmission licensee include the following main heads;

i. Employee Expenses.
ii. Administrative & General Expenses.
iii. Repairs & Maintenance Expenses.

2.20 The MPPTCL started independent financial function since 01.06.2005, under a Cash Flow Mechanism, as per State Government's order dtd. 31.5.2005. The abstracts of O&M Expenses since then are given hereunder:

Table : 17 (Rs. in Crores)

S. No.	Head	Expenses from 01.06.05 to 31.3.06 as per audited accounts (10 months)	Expenses in Col. 3 converted to 12 months (Year 05-06)	Expenses for 2006-07 as per audited accounts	Expenses for 2007-08 as per audited accounts	Expenses for 2008-09 (Estimated)
1	Employee Expenses	68.69	82.43	100.72	123.80	142.40
2	A&G Expenses	13.80	16.56	13.61	17.14	19.75
3	R&M Expenses	11.56	13.87	20.90	15.92	24.05
4	**TOTAL -**	**94.05**	**112.86**	**135.23**	**156.86**	**186.20**

2.21 Based on the aforementioned trend, the O&M requirement for control period can be assessed as given below:

i. Year 2009-10 - Rs. 214.25 Crores.
ii. Year 2010-11 - Rs. 246.50 Crores.
iii. Year 2011-12 - Rs. 283.50 Crores.

<u>O&M EXPENSES CLAIMED AS PER NORMS</u> -

Eligibility as per Norms is tabulated hereunder;

Table : 18

(Amount Rs. Lacs)

S. No.	Particulars	2009-10			2010-11			2011-12		
		Qty.	Norms per 100 KM	Amount (3x4)	Qty.	Norms Per 100 KM	Amount (6x7)	Qty.	Norms per 100 KM	Amount (9x10)
1	2	3	4	5	6	7	8	9	10	11

S. No.	Particulars	2009-10			2010-11			2011-12		
		Qty.	Norms per 100 KM	Amount (3x4)	Qty.	Norms Per 100 KM	Amount (6x7)	Qty.	Norms per 100 KM	Amount (9x10)
1	2	3	4	5	6	7	8	9	10	11
1	400 KV Line	2343	29.1	681.81	2476	30.8	762.08	2861	32.6	932.69
2	220 KV Line	9665	23.4	2261.61	10807	24.8	2680.14	11642	26.2	3050.20
3	132 KV Line(including 66 KV)	12182	22.0	2680.04	13147	23.3	3063.25	14005	24.6	3445.23
A	**Total -**	**24190**	**-**	**5623.46**	**26430**	**-**	**6505.47**	**28508**	**-**	**7428.12**
S. No.	**Particulars**	**Qty.**	**Norms per Bay**	**Amount (3x4)**	**Qty.**	**Norms per Bay**	**Amount (6x7)**	**Qty.**	**Norms per Bay**	**Amount (9x10)**
4	400 KV Bay	60	13.4	804.00	64	14.2	908.80	73	15.0	1095.00
5	220 KV Bay	355	10.0	3550.00	400	10.6	4240.00	437	11.2	4894.40
6	132 KV Bay(including 66 KV)	1197	9.5	11371.50	1288	10.0	12880.00	1368	10.6	14500.80
B	**Total Bays (Nos) -**	**1612**	**-**	**15725.50**	**1752**	**-**	**18028.80**	**1878**	**-**	**20490.20**
GRAND TOTAL (A+B) -		**-**	**-**	**21348.96**	**-**	**-**	**24534.27**	**-**	**-**	**27918.32**

2.22 Therefore, the O&M expenses for the control period as per Norms notified by Hon'ble Commission works out as hereunder:

i. Year 2009-10 - Rs. 213.49 Crores.
ii. Year 2010-11 - Rs. 245.34 Crores.
iii. Year 2011-12 - Rs. 279.18 Crores.

Provisions of Regulation

O&M NORMS

2.23 As per the transmission tariff Regulations, the O&M expenses are allowed on normative basis. The O&M Norms as per Regulations notified on 08.05.2009 are as hereunder;

Table : 19

S. No.	Particulars	2009-10	2010-11	2011-12
	LINES -	**Rs. Lacs / 100 Ckt.KM / Annum**		
1	400 KV Line	29.1	30.8	32.6
2	220 KV Line	23.4	24.8	26.2
3	132 KV Line	22.0	23.3	24.6
	BAYS -	**Rs. Lacs / Bay / Annum**		
1	400 KV Bay	13.4	14.2	15.0
2	220 KV Bay	10.0	10.6	11.2
3	132 KV Bay	9.5	10.0	10.6

2.24 The total allowable O&M Expenses 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.

Commission's Analysis

2.25 The petitioner in its petition has projected the addition of circuit Kms lines and number of bays in accordance to the expected receipt of funds indicated by the petitioner in the investment plan for each year of the control period including both tied-up and to be tied-up sources of funds as shown in table 8 under para 2.3 of this order. As may be seen from para 2.14 of this order, the Commission has considered only tied up equity of Capex plan and the funding from loan in the Capex plan in the ratio of 30:70 in order to make the appropriate projections of the financial parameters. Considering the addition of transmission network i.e. the circuit Kms lines and number of bays in proportion of the ratio of the projected addition of GFA considered by the Commission in table 16 of para 2.14 and the addition to GFA filed by the petitioner. The Commission has reworked the projection of circuit Kms lines and number of bays for each financial year of the control period accordingly. The Commission has taken the actual circuit Kms lines and number of bays as on 31st March, 2009 as the base for projection of circuit Kms lines and number of bays in FY 2009-10, FY 2010-11 and FY 2011-12 as given in table 21 and 22 below :-

Table : 20 (A)

S. No.	Particulars of Line	As on 01.04.08	Approved Addition as per Para 2.26				
			2008-09	2009-10	2010-11	2011-12	Unit
I	400 KV Total	2314	29	0	112	192	Ckt.KM
II	220 KV Total	8174	872	644	439	238	Ckt.KM
III	132 KV Total	11118	396	631	302	379	Ckt. KMs
IV	66 KV Total	61	0	0	0	0	Ckt. KMs
V	**Total EHV Lines (I+II+III+IV)**	**21667**	**1297**	**1275**	**852**	**808**	**Ckt. KMs**

Table : 20 (B)

Voltage	Approved Length of Line as on					Average Length of Line during		
	01.04.08	01.04.09	01.04.10	01.04.11	01.04.12	2009-10 (3+4)/2	2010-11 (4+5)/2	2011-12 (5+6)/2
1	2	3	4	5	6	7	8	9
400 KV	2314	2343	2343	2455	2646	2343	2399	2550
220 KV	8174	9046	9690	10129	10366	9368	9909	10247
132 + 66 KV	11179	11575	12206	12507	12887	11890	12357	12697
TOTAL -	**21667**	**22964**	**24239**	**25091**	**25899**	**23601**	**24665**	**25495**

Similarly, the average number of bays considered for calculating O&M are as under:-

Table : 21 (A)

S. No.	Voltage class of Bays	Unit	As on 01.04.08 (Actual)	Approved Expected Commissioning in			
				2008-09	2009-10	2010-11	2011-12
1	400 KV	Nos.	58	2	0	3	3
2	220 KV	Nos.	312	18	26	16	13
3	132 KV	Nos.	1090	50	55	32	32
4	66 KV	Nos.	4	0	0	0	0
5	**Total**	**Nos.**	**1464**	**70**	**81**	**52**	**49**

Table : 21 (B)

Voltage	Approved Number of Bays as on					Average Number of Bays during		
	01.04.08	01.04.09	01.04.10	01.04.11	01.04.12	2009-10 (3+4)/2	2010-11 (4+5)/2	2011-12 (5+6)/2
1	2	3	4	5	6	7	8	9
400 KV	58	60	60	63	67	60	62	65
220 KV	312	330	356	372	386	343	364	379
132 + 66 KV	1094	1144	1199	1231	1263	1171	1215	1247
TOTAL	**1464**	**1534**	**1615**	**1667**	**1715**	**1574**	**1641**	**1691**

2.26 The Commission has specified norms for O&M expenses in Regulation 37. Applying the same norms on the projected Ckt. Kms. of line and the projected no. of bays during the control period, the permissible O&M expenses as per norms are as under:-

Table :22 **(Rs. in Lacs)**

S. No.	Particulars	2009-10			2010-11			2011-12		
		Qty.	Norms per 100 KM	Amount (3x4)	Qty.	Norms Per 100 KM	Amount (6x7)	Qty.	Norms per 100 KM	Amount (9x10)
1	2	3	4	5	6	7	8	9	10	11
1	400 KV Line	2343	29.1	682	2399	30.8	739	2550	32.6	831
2	220 KV Line	9368	23.4	2192	9909	24.8	2457	10247	26.2	2685
3	132 KV Line(including 66 KV)	11890	22	2616	12357	23.3	2879	12697	24.6	3123
A	**Total**	**23601**	**-**	**5490**	**24665**	**-**	**6076**	**25494**	**-**	**6639**

S. No.	Particulars	Qty.	Norms per Bay	Amount (3x4)	Qty.	Norms per Bay	Amount (6x7)	Qty.	Norms per Bay	Amount (9x10)
4	400 KV Bay	60	13.4	804	62	14.2	880	65	15	975
5	220 KV Bay	343	10	3430	364	10.6	3858	379	11.2	4245
6	132 KV Bay(including 66 KV)	1171	9.5	11125	1215	10	12150	1247	10.6	13218
B	**Total Bays (Nos)**	**1574**	**-**	**15359**	**1641**	**-**	**16889**	**1691**	**-**	**18438**
GRAND TOTAL (A+B)		**-**	**-**	**20848**	**-**	**-**	**22964**	**-**	**-**	**25077**

Thus, the Commission approves the operation and maintenance expenses of Rs.208.48 crores, Rs.229.64 crores and Rs.250.77 crores for FY 2009-10, FY 2010-11 and FY 2011-12 respectively in this order.

Terminal Benefits

Petitioner's Submission

2.27 The petitioner has quoted the relevant provisions under first transfer scheme notified on 30th September, 2003 and its amendment dated 13th June, 2005. The petitioner has also reproduced the relevant provisions of MPERC (Terms and Conditions for determination of Transmission Tariff) Regulations, 2009 and claimed the following :-

Table : 23 (Rs. in Crores)

S. No.	Particulars	Old Control Period		New Control Period		
		2007-08 (Audited Account)	2008-09	2009-10	2010-11	2011-12
1	Pension	193.34	225.24	260.60	276.95	293.17
2	Gratuity	44.96	53.75	58.11	64.48	68.39
3	Annuity	00.24	00.26	00.28	00.31	00.34
4	Provisioning	27.43	30.44	33.79	37.51	41.63
5	**TOTAL -**	**265.97**	**309.69**	**352.78**	**379.25**	**403.53**

2.28 No claim against unfunded liabilities of existing pensioners is included in this petition. The petitioner has submitted that on completion of requirement of getting conducted fresh "Actuarial Valuation" and declaration of scheme of funding unfunded liability, the petitioner will approach Commission to allow claims in this regard.

2.29 The petitioner has requested to allow Terminal Benefit claims (excluding unfunded liabilities against existing pensioner) for the following amount;

i. 2009-10 - Rs. 352.78 Crores.
ii. 2010-11 - Rs. 379.25 Crores.

iii. 2011-12 - Rs. 403.53 Crores.

Provision(s) under Regulation :

2.30 The clauses 27.5 & 27.6 under Regulation provides that,

"..............Employees transfer to Companies from MPSEB is yet to take place. Acturial analysis for assessment of unfunded terminal liabilities and segregation of this liability for pensioners, past service rendered by employees on rolls and current provision for serving employees is yet to be done despite repeated directions of this Commission. A scheme for funding this unfunded liability and operationalising Terminal Benefit Trust Fund, as envisaged in Rule 10 and 11 of Transfer Scheme Rules, 2003 is yet to be pronounced by the State Government.

As per the Commission's view, the funds needed for pension contribution of existing employees i.e. current liability for each Year alone should be allowed in the employee cost of the M.P. Transmission Company Ltd., M.P. Generating Company Ltd., and three Distribution Companies. The Commission, in the intervening period, has been allowing funds needed for actual pension payment and other terminal benefits like gratuity. With the rapid increase in pension bills, its impact on retail tariff is progressively going up. This arrangement of allowing actual pension payment has become unsustainable and will have to be discontinued in near future. In view of the above, following action need be taken in the matter of unfunded pension liabilities and terminal benefits of employees :-

An actuarial analysis for determining pension liability of pensioners as also for service already rendered by existing employees on one hand and current provision needed for each fiscal year commencing from FY 2010-11 for serving employees on other hand, be got conducted for each Year and findings be reported to the Commission by 30th September, 2009. The M.P. Transmission Company Limited is charged with carrying out this activity.

The scheme for funding this unfunded liability is finalized and terms for operating Terminal Benefit Trust Fund are set by State Government by 31st December, 2009. The scheme so finalized be such that it ensures that burden of past unfunded liabilities does not become a charge eventually on Retail Tariff and that the scheme is equitable.

Since actions as in (a) and (b) above will take time, the existing arrangement of allowing funds for terminal benefits shall continue on actual payment basis, for one more Year only i.e. for FY 2009-10 to the Transmission Licensee. In the eventuality either of the actions, as in (a) and (b) above, are not completed within the time frame mentioned above, the Commission shall assess current pension contribution of existing employees for FY 2010-11 and onwards and shall allow such expenses only in the employee cost of Transmission Licensee pertaining to employees on the roles of Transmission Licensee from FY 2010-11 onwards………..."

Commission's Analysis

2.31 The Commission had considered the terminal benefits as per the audited accounts excluding provisioning for the year in its true-up orders issued upto the financial year FY 2007-08. In the True up Order for FY 2007-08 total terminal benefits for Rs. 238.54 Crores excluding provisioning have been approved. As per the Balance Sheet for FY 2008-09 total expense on Terminal Benefit is Rs.298.19 Crores and a provision of Rs. 39.25 Crores. The petitioner has filed the following claims with regard to terminal benefits along with the provisioning :-

Table : 24 (Rs. in Crores)

S. No.	Particulars	Terminal benefits claimed with provisioning		
		2009-10	**2010-11**	**2011-12**
1	Pension	260.60	276.95	293.17
2	Gratuity	58.11	64.48	68.39
3	Annuity	00.28	00.31	00.34
4	Provisioning	33.79	37.51	41.63
5	**TOTAL -**	**352.78**	**379.25**	**403.53**

2.32 MPPTCL has filed a petition with the Commission for dispensation on the directions contained in para 2.7 of the MPERC (Terms and Conditions for determination of Transmission Tariff) Regulations, 2009 notified on 8th May, 2009. The petition filed by MPPTCL is under examination with the Commission and the contention of the petitioner, if considered, would need appropriate amendments in the Regulation. However, the Commission in accordance with the relevant provisions of the Regulation presently in force has allowed the terminal benefits excluding provisions for FY 2009-10 as filed by the petitioner. As per Regulation 27.6, the Commission shall allow such expense of the employees pertaining to Transmission Licensee only in the employee cost of the Transmission Company for FY 2010-11 and FY 2011-12. Accordingly, the provisioning of terminal benefits for FY 2010-11 and FY 2011-12 has been allowed by the Commission in this order. The Commission shall take its considered view for FY 2010-11 and FY 2011-12 while truing-up the petitioner's ARR for the respective year as per the audited accounts and the Regulations in force at that time.

2.33 Hence the terminal benefit expense for the control period is allowed as Rs.318.99 Crores for FY 2009-10, Rs.37.51 Crores for FY 2010-11 and Rs.41.63 Crores for FY 2011-12 in this order.

<u>Return on Equity</u>

Petitioner's Submission

2.34 The Regulations prescribe pre-tax base rate of ROE as 15.5%, to be grossed up for Income tax. Since the petitioner is required to pay the Minimum Alternate Tax (MAT) at the rate of 12.25% (including surcharge and cess), the applicable rate of ROE shall be equal to 15.5 ÷ (1-0.1225) = 17.664 %. Accordingly, ROE is computed by the Petitioner as follows:

Table : 25

(Amount Rs. in Lacs)

S. No.	Particulars	FY 2009-10	FY 2010-11	FY 2011-12
1.	**Equity Held -**			
i.	At the beginning of the year (as per audited accounts)	132453.06	159353.06	186753.06
ii.	At the end of the year	159353.06	186753.06	213753.06
iii.	Average during the year	145903.06	173053.06	200253.06
2	Average Equity under CWIP during year	20634.48	18546.15	15493.98
3	Average Equity Employed on Capital works	125268.58	154506.91	184759.08
4	Qualifying Equity on 70:30 ratio or actual whichever is less	125268.58	153363.90	176628.90
5	Rate of Return on Equity	17.664%	17.664%	17.664%
6	Return on Equity (ROE)	22127.44	27090.04	31199.73

2.35 The Regulations also provide for additional 0.5% return on projects completed within time line. Since it is not possible to assess at this stage as to which projects will be completed within time line during control period, the claim in this regard shall be filed, in the 'True-up' petitions.

2.36 The claims of ROE for the three years of control period are summarized hereunder;

(i) FY 2009-10 Rs.221.27 Crores
(ii) FY 2010-11 Rs.270.90 Crores
(iii) FY 2011-12 Rs.312.00 Crores

Provisions of Regulation

2.37 The provisions of clause 23 of MYT Regulation are as follows:

"Return on equity shall be computed on pre-tax basis at the base rate of 15.5% to be grossed up as per this Regulation

Provided that in case of Projects commissioned on or after 1st April, 2009, an additional return of 0.5% shall be allowed if such projects are completed within the timeline specified in ***Appendix-I****.*

Provided further that the additional return of 0.5% shall not be admissible if the project is not completed within the timeline specified above for reasons whatsoever.

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

Rate of pre-tax return on equity = Base rate / (1-t)
Where t is the applicable tax rate in accordance with clause 23.3 of this Regulation.

Illustration.-
(i) In case of the Transmission Licensee paying Minimum Alternate Tax (MAT) @ 11.33% including surcharge and cess:
Rate of return on equity = 15.50/ (1-0.1133) = 17.481%
(ii) In case of the Transmission Licensee paying normal corporate tax @ 33.99% including surcharge and cess:
Rate of return on equity = 15.50/ (1-0.3399) = 23.481%

Commission's Analysis

2.38 The Petitioner is showing an equity infusion of Rs. 269 crore during the FY 2009-10, whereas the tied up equity is shown as Rs. 151 crore only. As mentioned in paragraph 2.10, The equity in a Government company is infused by way of Budget, which is passed by the State Legislature. The Commission can neither allow equity beyond budget provision nor allow normative interest on such equity shown by the petitioner.

2.39 In chapter 9 of the Petition MPPTCL has claimed return on equity based on the projected total equity during the control year as per its transmission plan and its projection for funding. However in Para 4.8 of the petition MPPTCL has itself stated that the state govt. equity / internal resource during the control period will be as under:-

Table : 26

(Rs. in Lacs)

S. No.	Details of Equity	FY 2009-10	FY 2010-11	FY 2011-12
i.	Tied up Equity	15100	12400	11000
ii.	To be tied up equity	11800	15000	16000
iii.	Total projected equity addition during the year	26900	27400	27000

2.40 The Commission emphasizes that the MPPTCL must make all efforts to arrange the require amount of equity and loans so that the projects are completed on time and within the approved financial resources so that the benefits of the planned projects can be availed timely. However, the Commission has to balance the interest of the consumers also.

2.41 Hence RoE has been approved as under taking into consideration the tied up equity only. However, the MPPTCL may claim RoE on the actual equity employed during the year in its True up Petition for the respective year. The Commission has computed the equity and the return on equity based on the equity recorded in the audited account for FY 2008-09 at the beginning of the year, tied up equity in the investment plan and equity under average CWIP calculated under table 37 for interest and finance charges.

Table : 27 (Rs. in Lacs)

S. No.	Particulars	FY 2009-10	FY 2010-11	FY 2011-12
1	**Equity Held -**			
i.	At the beginning of the year	132453.06	147553.06	159953.06
ii	Equity added during the year	15100.00	12400.00	11000.00
iii.	At the end of the year	147553.06	159953.06	170953.06
iv	Average during the year	140003.06	153753.06	165453.06
2	Average Equity under CWIP during year	23151.81	25881.81	28221.81
3	Average Equity Employed on capitalized works	116851.25	127871.25	137231.25
4	Qualifying Equity on 70:30 ratio or actual whichever is less	116851.25	127871.25	137231.25
5	Rate of Return on Equity	17.66%	17.66%	17.66%
6	Return on Equity (ROE)	20640.60	22587.18	24240.53

Thus return on equity of Rs.206.40 Crores, Rs.225.87 Crores & Rs.242.40 Crores is approved for FY 2009-10, FY 2010-11 & FY 2011-12 for the control period.

Interest and Finance charges on loan capital

Petitioner's Submission

Loans Transferred as per Final Opening Balance Sheet -

2.42 The 'Final Opening Balance Sheet' as on 31.05.05, notified by the State Government, indicated a capital loan amount of Rs. 1313.22 Crores, as mentioned in Para 1.6 of this petition. An additional loan of Rs. 5.53 Crores has also been transferred through a foot note from MPPGCL (Genco). The loan has been indicated in following sub-heads;

Table : 28

i.	Loan from Government of MP	Rs. 473.05 Crores
ii.	Capital Liabilities	Rs. 572.27 Crores
iii.	Payment due on capital liabilities	Rs. 267.90 Crores
iv.	Loan from MPPGCL	Rs. 5.53 Crores
TOTAL -		**Rs. 1318.75 Crores**

The supporting details further classify the loan liabilities as on 31.05.05 are tabulated hereunder;

Table :29 (Amount Rs. in Crores)

S. No.	Source	Principal Not Due	Principal Due	Interest Due	TOTAL
1	State Govt.(ADB)	208.44	0.00	0.00	208.44
2	State Govt.(NABARD)	76.19	12.15	0.00	88.34
3	State Govt.(General)	28.77	2.15	0.00	30.92
4	State Govt.(Market Bonds)	159.65	12.00	0.00	171.65
A	**State Govt. (Total)**	**473.05**	**26.30**	**0.00**	**499.35**
5	Loan from PFC	309.91	0.00	0.00	309.91
6	Loan from SADA	7.20	4.80	3.03	15.03
7	Bonds & Debentures	255.16	118.42	115.35	488.93
B	**Capital Liabilities**	**572.27**	**123.22**	**118.38**	**813.87**
8	Loan from MPPGCL	5.53	0.00	0.00	5.53
C	**MPPGCL**	**5.53**	**0.00**	0.00	**5.53**
D	**TOTAL LOAN (A+B+C)-**	**1050.85**	**149.52**	**118.38**	**1318.75**

<u>Development between 01.06.05 to 31.03.09</u> -

2.43 During the above mention period, the MPPTCL received additional loans from PFC, ADB, Canara Bank and repaid certain amount of loans. The loan from SADA has been cleared. The details of loan receipt and repayment have been submitted in earlier petitions. The loan amounts outstanding as on 31.03.08 as per audited accounts was Rs. 2016.67 Crores. The details of loan of Rs. 2016.67 Crores as on 31.03.08 are tabulated hereunder:

Table : 30

S. No.	Particulars	Principal Not Due	Principal Due	Interest Due	TOTAL
	Domestic Loans -				
A1	Loan from PFC secured	5640.47	0.00	0.00	5640.47
A2	Loan from PFC unsecured	42546.45	0.00	0.00	42546.45
A3	Loan from Canara Bank	2425.00	0.00	0.00	2425.00
A4	Bonds & Debentures	634.97	31495.91	23115.05	55245.93
A5	MPGENCO	553.00	- 0.31	0.00	552.69

S. No.	Particulars	Principal Not Due	Principal Due	Interest Due	TOTAL
A	**TOTAL - A**	**51799.89**	**31495.60**	**23115.05**	**106410.54**
1	**State Govt. Loan -**				
B1	Direct Loans	1163.73	465.49	356.69	1985.91
B2	ADB 1869	35524.87	1758.84	9056.41	46340.12
B3	GOMP ADB 2323	4436.58	0.00	103.03	4539.61
B4	GOMP ADB 2346	2986.02	0.00	57.75	3043.77
B5	NABARD	4214.87	5070.29	3130.43	12415.59
B6	General Loans	2735.50	355.87	991.85	4083.22
B7	Market Bonds	12002.93	5162.57	5683.08	22848.58
	TOTAL - B	**63064.50**	**12813.06**	**19379.24**	**95256.80**
	TOTAL (A+B) -	**114864.39**	**44308.66**	**42494.29**	**201667.34**

<u>Outstanding Loans as on 31.03.2009</u> –

2.44 The applicant has made certain projections for outstanding loans as on 31.03.09 in the True-up petitions for year 2007-08 submitted on 10.10.08. While making the projections, the applicant has been conservative on projecting the receipt of loan from financial institutions, whereas, there has been an appreciable drawal of loan of the order of Rs. 388.58 Crores from ADB during the year. The actual amounts are to be True-up by the Commission for FY 2008-09, the application for which is scheduled, to be filed by 15.10.2009. However, for the purpose of making projections for the new control period i.e. from FY 2009-10 to 2011-12, the applicant has fine tuned the projections for year 2008-09. The details are given in formats F-8(a) & F-8(b) of this petition. The outstanding loan projections as on 31.03.2009 are tabulated hereunder:

Table : 31 (Rs. in Lacs)

S. No.	Particulars	Principal Not Due	Principal Due	Interest Due	TOTAL
	Domestic Loans -				
A1	Loan from PFC secured	22330.86	0.00	0.00	22330.86
A2	Loan from PFC unsecured	23401.95	0.00	0.00	23401.95
A3	Loan from Canara Bank	2425.00	(-) 0.05	0.00	2424.95
A4	Bonds & Debentures	8156.58	2136.81	3639.55	13932.94
A5	MPGENCO	552.69	0.00	0.00	552.69
A	**TOTAL - A**	**56867.08**	**2136.76**	**3639.55**	**62643.39**
1	**State Govt. Loan -**				
B1	Direct Loans	930.98	698.24	545.51	2174.73
B2	ADB 1869	34528.22	2759.63	13123.26	50411.11
B3	GOMP ADB 2323	17142.99	0.00	390.48	17533.47
B4	GOMP ADB 2346	30871.55	0.00	465.32	31336.87
B5	NABARD	2888.41	6396.74	4266.35	13551.50
B6	General Loans	2688.47	402.90	1396.38	4487.75
B7	Market Bonds	10379.58	6785.92	8032.78	25198.28
	TOTAL - B	**99430.20**	**17043.43**	**28220.08**	**144693.71**
	TOTAL (A+B) -	**156297.28**	**19180.19**	**31859.63**	**207337.10**

Main Sources of Loans -

2.45 MPPTCL is executing the capital works plan from loans obtained from the ADB, PFC, NABARD, Canara Bank etc. with equity support from the State Government. A good number of old assets have been transferred to the MPPTCL through Final Opening Balance Sheet against loans from the State government and finance raised through Bonds and Debentures. A small loan from SADA Gwalior has already been cleared. The brief of rate of interest and repayment schedule is tabulated hereunder:

Table : 32

S. No.	Source / Scheme	Average Rate of Interest	Repayment Period
1	ADB-I scheme 1869 (through State Govt.)	10.5%	(i). 15 Equal annual installments after 5 year moratorium. and (ii). 5 year moratorium for 50% and 20 annual installments for 50%.
2	ADB scheme 2323 (through State Govt.)	5.27%	40 equal Half yearly installments from year 2012-13.
3	ADB scheme 2346 (through State Govt.)	4.67%	40 equal Half yearly installments from year 2012-13.
4	State Govt. Direct	10.5%	Payment in 7 years from loan sanction.
5	State Govt. NABARD	11.25%	Payment in 7 years from loan sanction.
6	State Govt. General	12.69%	Repayment in 10 years from date of sanction.
7	State Govt. Market Bonds	12.34%	Repayment in 10 years from date of sanction.
8	PFC Unsecured	11.24%	40/20 quarterly / half yearly installments after moratorium of 3 years.
9	PFC Secured	11.96%	40/20 quarterly / half yearly installments after moratorium of 3 years.
10	Bonds & Debentures	13.27%	-
11	MP Genco	9.45%	15 installments starting from 2014.
12	Canara Bank	10.75%	In 40 quarterly installments.
13	Expected tie up for ADB-III scheme and other loans (expected)	8.00% (Assessed)	To be tied up.

Provisions of Regulation

2.46 The Clause 24 under MYT Regulation provides that,

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

The normative loan outstanding as on 1.4.2009 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.3.2009 from the gross normative loan.

The repayment for each Year of the Tariff period 2009-12 shall be deemed to be equal to the depreciation allowed for that Year.

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.

The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of each Year applicable to the Project:

> *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.*

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

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

Commission's Analysis

2.47 The Govt. has notified the final opening balance sheet as on 01/06/2005 on 12/06/2008. MPPTCL has undertaken various transactions and the total of loan liabilities as on 31/03/2009 as per the audited balance sheet is 2073.37 Crores, which includes 247.56 Crores of secured loans and 1825.81 Crores of unsecured loans. In Para 8.2.1 of the Petition the MPPTCL has submitted that details of Loan as on 31/03/20009 as given below:-

Table : 33 Rs. in Lacs

S. No.	Particulars	Principal Not Due	Principal Due	Interest Due	TOTAL
	Domestic Loans -				
A1	Loan from PFC secured	22330.86	0.00	0.00	22330.86
A2	Loan from PFC unsecured	23401.95	0.00	0.00	23401.95
A3	Loan from Canara Bank	2425.00	(-) 0.05	0.00	2424.95
A4	Bonds & Debentures	8156.58	2136.81	3639.55	13932.94
A5	MPGENCO	552.69	0.00	0.00	552.69
A	**TOTAL - A**	**56867.08**	**2136.76**	**3639.55**	**62643.39**
1	**State Govt. Loan -**				
B1	Direct Loans	930.98	698.24	545.51	2174.73
B2	ADB 1869	34528.22	2759.63	13123.26	50411.11
B3	GOMP ADB 2323	17142.99	0.00	390.48	17533.47
B4	GOMP ADB 2346	30871.55	0.00	465.32	31336.87
B5	NABARD	2888.41	6396.74	4266.35	13551.50
B6	General Loans	2688.47	402.90	1396.38	4487.75
B7	Market Bonds	10379.58	6785.92	8032.78	25198.28
	TOTAL - B	**99430.20**	**17043.43**	**28220.08**	**144693.71**
	TOTAL (A+B) -	**156297.28**	**19180.19**	**31859.63**	**207337.10**

2.48 MPPTCL has submitted the details of domestic loans, bonds and financial leasing and loans from State Govt. as submitted by the petitioner in form 8 A and 8 B of the petition. This detail has been submitted for FY 2008-09 to FY 2011-12. The total closing balance of Rs. 2073.37 Crores as on 31/03/2009 in form 8 B tallies with the total loan liabilities mentioned in the Audited Balance Sheet of FY 2008-09. The weighted average rate of interest for the control period is as under:-

Table : 34 (Amount Rs. in Lacs)

S. No.	Source of Loan	Rate of Interest	2009-10		2010-11		2011-12	
			Loan	Interest	Loan	Interest	Loan	Interest
1	State Govt. Direct	10.50%	930.98	97.75	697.98	73.28	464.98	48.83
2	ADB-1869	10.50%	34528.22	3625.46	33453.22	3512.59	31847.32	3343.97
3	ADB-2323	5.27%	17142.99	903.44	34142.99	1799.34	46642.99	2458.09
4	ADB-2346	4.67%	30871.55	1441.70	53871.55	2515.80	71371.55	3333.05
5	NABARD	11.25%	2888.41	324.95	1562.41	175.77	236.41	26.60
6	General Loan	12.69%	2688.47	341.17	2641.47	335.20	2573.47	326.57
7	Market Bonds	12.34%	10379.58	1280.84	8756.58	1080.56	7133.58	880.28
8	New ADB / Others	8.00%	0.00	0.00	7000.00	560.00	28100.00	2248.00
9	PFC Secured	11.96%	22330.86	2670.77	24710.86	2955.42	26771.06	3201.82
10	PFC Unsecured	11.24%	23401.95	2630.38	28745.95	3231.04	32171.42	3616.07
11	Canara Bank	10.75%	2425.00	260.68	3664.00	393.88	3421.00	367.76

S. No.	Source of Loan	Rate of Interest	2009-10		2010-11		2011-12	
			Loan	Interest	Loan	Interest	Loan	Interest
12	Bond & Debentures	13.27%	8156.58	1082.38	8156.58	1082.38	8156.58	1082.38
13	MP Genco	9.45%	552.69	52.23	552.69	52.23	552.69	52.23
14	**TOTAL**	**-**	**156297.28**	**14711.75**	**207956.28**	**17767.49**	**259442.20**	**20985.65**

15	**Weighted Average Rate of Interest**	14711.25 / 156297.28	x 100	= 9.41%	17767.49 / 207956.28	x 100	= 8.55%	20985.65 / 259442.20	x 100	= 8.09%

Thus, the weighted average rate of interest for the three years is as given below;

(i). FY 2009-10 - 9.41%
(ii). FY 2010-11 - 8.55%
(iii) FY 2011-12 - 8.09%

The details of principle not due and correspondence interest for the new control period are given below based on the loans received during the year as per table 16 under para 2.14 of this order and projected addition of GFA approved in this order :-

Table : 35 (Amount Rs. in Lacs)

S. No.	Particulars	Financial Year		
		2009-10	**2010-11**	**2011-12**
1	Principal not due at the beginning of year	156297.28	175067.3	184631.28
2	Loan received during the year	35200.00	28900.00	25700.00
3	Notional repayment equal to Depreciation	16430.00	19336.00	20912.00
4	Principal not due at the end of the year (S. No. 1+2 – 3)	175067.28	184631.3	189419.28
5	Average principal not due during the year (S. No. 1+ 4 ÷ 2)	165682.28	179849.3	187025.28
6	Weighted Average rate of interest	9.41%	8.55%	8.09%
7	Interest during the year	15590.70	15377.11	15130.35

2.49 The CWIP in the audited accounts for year 2008-09 is indicated as Rs. 721.73 crores. Taking into account the GFA, loan, equity, GFA capitalization and CWIP approved by the Commission, the projections for CWIP are as under :-

Table : 36 (Amount Rs. in Lacs)

S. No.	Date	Outstanding Loan / provisioning	Outstanding Equity	NFA as per Audited Accounts	Net current Assets/ profit loss	CWIP
1	01.04.09	217664.13	132453.06	207694.17	70250.32	72172.7
2	01.04.10	252897.46	147553.06	231563.73	86714.09	82172.7
3	01.04.11	281830.80	159953.06	245328.04	106083.12	90372.7
4	01.04.12	307497.46	170953.06	253715.80	126962.03	97772.7

The average CWIP during a year and its funding is projected hereunder;

Table : 37 (Amount Rs. in Lacs)

S. No.	Year	Average CWIP during the year	CWIP against Loan	CWIP against Equity
1	2009-10	77172.7	54020.89	23151.81
2	2010-11	86272.7	60390.89	25881.81
3	2011-12	94072.7	65850.89	28221.81

It may be mentioned that the CWIP is funded from Loan / Equity received that year, therefore, the Weighted Average Rate of interest will be different, as worked out hereunder and adopted for projection. The exact value will be indicated during True-up for these years. But for the purpose of this order, rate of interest as submitted by the petitioner (as given below) is taken into consideration.

Table : 38 (Rs. in Crores)

S. No.	Source of Loan	Rate of Interest	2009-10		2010-11		2011-12	
			Loan	Interest	Loan	Interest	Loan	Interest
1	ADB-2323	5.27%	170.00	8.96	125.00	6.58	75.00	3.95
2	ADB-2346	4.67%	230.00	10.74	175.00	8.17	15.00	0.70
3	Others	8.00%	70.00	5.60	211.00	16.88	439.00	35.12
4	PFC Secured	11.96%	32.00	3.83	30.00	3.58	0.00	0.00
5	PFC Unsecured	11.24%	112.00	12.58	95.00	10.68	100.00	11.24
6	Canara Bank	10.75%	13.00	1.40	0.00	0.00	0.00	0.00
7	**TOTAL**	-	**627.00**	**43.11**	**636.00**	**45.89**	**629.00**	**51.01**

8	**Weighted Average Rate of Interest**	$\frac{43.11}{627.00}$	x 100	= 6.87%	$\frac{45.89}{636.00}$	x 100	= 7.21%	$\frac{51.01}{629.00}$	x 100	= 8.10%

2.50 The interest during construction (IDC), during control period is calculated hereunder:-

Table : 39 (Amount Rs. In Lacs)

S. No.	Particulars	FY 2009-10	FY 2010-11	FY 2011-12
1	Average CWIP during the year against Loan	54020.89	60390.89	65850.89
2	Rate of interest as per loan portfolio	6.87%	7.21%	8.10%
3	Interest during construction (IDC)	3711.24	4354.18	5333.92

2.51 The MPPTCL has assumed that it will not be able to arrange the equity of 30% and hence has claimed interest on normative loan also. However, the Commission wishes to emphasize that the MPPTCL must try to arrange equity @ 30% and adjustments if any on this account will be dealt with during the True up of the corresponding year. Hence no amount has been permitted for purpose of this tariff order with respect to the interest on normative loan claimed by the Transco. The interest on loans is approved as under:

Table : 40 (Amount Rs. in Lacs)

S. No.	Particulars	FY 2009-10	FY 2010-11	FY 2011-12
1	Interest on Loan (Principal not due)	15590.7	15377.11	15130.35
2	Interest on Normative Loan (from Equity)	0	0	0
3	**TOTAL**	**15590.7**	**15377.11**	**15130.35**
4	Less Interest during construction	3711.24	4354.18	5333.92
5	**Net Interest Claim**	**11879.46**	**11022.93**	**9796.43**

Thus Interest of Rs.118.79 Crores, Rs.110.23 Crores & Rs.97.96 Crores is approved for FY 2009-10, FY 2010-11 & FY 2011-12 of the control period.

<u>Normative loans and Interest thereon</u>

2.52 Taking into consideration GFA, equity, CWIP approved in this order, calculation for normative loan and interest thereon is as under :-

Table : 41 (Amount Rs. in Lacs)

S. No.	Particulars	FY 2009-10	FY 2010-11	FY 2011-12
I.	**Gross Fixed Assets**			
i.	At the beginning of the year	395413	435713	468813
ii.	At the end of the year	435713	468813	498113
iii.	Average during the year	415563	452263	483463
II.	Ceiling limit of Equity Employed on Capital works [30% of I (iii)]	124668.9	135678.9	145038.9
III.	**Equity held**			
i.	At the beginning of the year	132453.06	147553.06	159953.06
ii.	At the end of the year	147553.06	159953.06	170953.06
iii.	Average during the year	140003.06	153753.06	165453.06
IV.	Average Equity under CWIP (from table under Para 8.8)	23151.81	25881.81	28221.81
V.	Average Equity employed on capital works [III (iii) – IV]	116851.25	127871.25	137231.25
VI.	Normative Loan (V-II)	0	0	0
VII.	Rate of interest	9.41%	8.55%	8.09%
VIII.	Interest on Normative Loan	0	0	0

As seen in the above table, nil interest as normative loan is approved for the purpose of this order.

Interest on working capital

Petitioner's Submission

2.53 The interest on working capital computed as per Regulations 38.1 and 28.1 is as hereunder:

Table : 42 (Amount in Rs. Lacs)

S. No.	Particulars	FY 2009-10	FY 2010-11	FY 2011-12
1	Maintenance spares 15% of O&M Expenses	3202.34	3680.14	4187.75
2	O&M Expenses of 1 month	1779.08	2044.52	2326.53
3	Receivables equivalent to 2 month transmission charges	18701.33	21763.17	24569.67
4	Total working capital required	23682.75	27487.83	31083.94
5	SBI's PLR rate on 1st April	12.25%	12.25%	12.25%
6	Interest on working capital	2901.14	3367.26	3807.78

Provisions under Regulation:

2.54 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.

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 April 1 of the relevant Year. 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.

Commission's Analysis:

2.55 The interest on working capital computed as per Regulations 38.1 and 28.1 is approved by the Commission. The SBI's PLR on 1st April of the relevant year and other details will be reworked based on actual information during True -up. The details are as under:

Table : 43 (Amount Rs. in Crores)

S. No.	Particular	FY 2009-10	FY 2010-11	2011-12
1	O&M charges for one month	31.272	34.45	37.62
2	Maint. Spares @15% of O&M	17.37	19.14	20.90
3	Receivables 2 Months	172.18	134.46	141.94
4	Working capital	12.25	12.25	12.25
5	Interest rate (PLR+1%)	220.83	188.05	200.45
6	Interest on working capital	27.05	23.04	24.56

Interest on working capital of Rs.27.05 crores, Rs.23.04 crores and Rs.24.56 crores is approved for FY 2009-10, FY 2010-11 and FY 2011-12 respectively.

Depreciation

Petitioner's Submission

2.56 The petitioner has filed the following regarding rates of depreciation, addition of GFA during each year of the control period and depreciation claims as below :-

Rates of Depreciation

2.57 The Rates of Depreciation have been mentioned in Appendix-II for different type of Assets. These are applicable for the Assets commissioned on or after 01.04.2009, and are applicable for 12 years. After 12 years, the remaining depreciable value as on 31st March shall be spread over balance useful life of the asset. The Assets given in Appendix-II of the Regulations can be grouped (rate of depreciation being same) as mentioned hereunder:

Table : 44

S. No.	Group	Assets Covered	Rate of Depreciation
1	Plants & Machinery in EHV Sub-stations	(i) Transformers, (ii) Switch Gears (iii) Lightening Arrestors, (iv) Synchronous condenser, (v) Batteries, (vi) Underground Cables and duct system (vii) Meters, (viii) Air conditioners (Static)	5.28%
2	Building and Civil works in EHV Sub-stations and Colonies	(i) Investment in Land, (ii) Clearing of Site (iii) Office showroom, (iv) Roads	3.34%
3	EHV Lines	Overhead Lines on fabricated steal supports operating at terminal voltages of upto and higher than 66 KV.	5.28%
4	Vehicles	Self propelled vehicles	9.50%
5	Computers & Accessories	I.T. Equipments	15.00%
6	Office Equipments	(i) Office Equipments (ii) Fittings	6.33%
7	Office Furniture	Office furniture and furnishing	6.33%
8	Communication Equipments	(i) Radio & High frequency carrier system. (ii) Telephone Lines and Telephones.	6.33%

<u>Gross Fixed Assets & Depreciation for New Control Period</u> -

2.58 The MPPTCL has made a plan provision of Rs. 1280 Crores, 1300 Crores and 1285.40 Crores in years 2009-10, 2010-11 and 2011-12 respectively. The receipt of funds against plan provision is expected to be Rs.896, Rs.910 and Rs.899 Crores as mentioned in Para 4.8 of this petition. Taking into accounts, certain funds under CWIP, the expected Capitalization during years of control period has been submitted in Form No.7 of the petition. The same is given below with response to the GFA of Rs.3954.13 crores as per audited accounts of FY 2008-09 :

Table : 45

(Rs. in Crores)

S. No.	Year	Gross Fixed Assets		
		At the beginning of the year	Addition during the year	At the end of the year
1	2009-10	3954.13	768.00	4722.13
2	2010-11	4722.13	780.00	5502.13
3	2011-12	5502.13	771.00	6237.13

The execution of plan and associated capitalization is subject to "True Up" each year on the basis of audited accounts.

<u>Depreciation Claim during Control Period</u> -

2.59 Based on above, the details of category-wise assets added each year, Depreciation chargeable and net fixed assets are given in Formats F-7 for each year attached with this petition. These are summarized for the three years of control period hereunder;

Table : 46

(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
2009-10	**3954.13**	**768.00**	**4722.13**	**1459.58**	**171.52**	**1631.10**	**2494.55**	**3091.03**
2010-11	**4722.13**	**780.00**	**5502.13**	**1631.10**	**218.56**	**1849.66**	**3091.03**	**3652.47**
2011-12	**5502.13**	**771.00**	**6273.13**	**1849.66**	**254.67**	**2104.33**	**3652.47**	**4168.80**

Repayment Liabilities and Add

2.60 The details of repayment of loans due during the three years, have been shown in format F-8(a) & (b). Since the National Tariff Policy and the Transmission Tariff Regulations do not provide for Advance Against Depreciation (AAD), no claim has been made for AAD during the control period.

Depreciation Claim for Control Period -

2.61 Referring to the table mentioned at Para 7.7 above, it is prayed that the Hon'ble Commission may allow depreciation claims for the three years, as hereunder;

(i). 2009-10- Rs. 171.52 Crores
(ii). 2010-11- Rs. 218.56 Crores
(iii). 2011-12- Rs. 254.67 Crores

Provisions of Regulation

2.62 The provisions under Clause 25.1 of the Regulation are given as below :-

"For the purpose of Tariff, depreciation shall be computed in the following manner:

a) The value base for the purpose of depreciation shall be the capital cost of the assets as admitted by the Commission
b) 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.
c) 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.
d) 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.

e) 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.

f) In case of the existing Projects, the balance depreciable value as on 1.4.2009 shall be worked out by deducting the cumulative depreciation including Advance Against Depreciation as admitted by the Commission upto 31.3.2009 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 %.

g) 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."

Commission's Analysis

2.63 In Para 7.3 of the Petition the licensee has stated that the work of reconciliation is still in progress. MPPTCL has submitted that depreciation claimed as per Tariff Regulations (and True up Orders passed by the Commission) and not as per Company' Act is as under:-

Table : 47 Rs. in Crores

S. No.	Particular	As on 1.6.2005	As on 31.3.2006	As on 31.3.2007	As on 31.3.2008	As on 31.3.2009
1	GFA	2932.75	3092.46	3341.55	3575.99	3954.13
2	Accumulated Depreciation	1088.06	1173.14	1262.2	1359	1459.58
3	Depreciation during the Year	-	85.08 for 12 months/ 70.90 for 10 months	89.06	96.80	100.58

2.64 In Para 7.7 of the Petition, MPPTCL has claimed depreciation as under:-

Table : 48 **(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
2009-10	**3954.13**	**768.00**	**4722.13**	**1459.58**	**171.52**	**1631.10**	**2494.55**	**3091.03**
2010-11	**4722.13**	**780.00**	**5502.13**	**1631.10**	**218.56**	**1849.66**	**3091.03**	**3652.47**
2011-12	**5502.13**	**771.00**	**6273.13**	**1849.66**	**254.67**	**2104.33**	**3652.47**	**4168.80**

2.65 In the True Up Order for FY 2007-08, the Commission has stated that "*The accumulated depreciation as on 01.06.2005 as per final opening balance sheet was Rs 1206 Crs., whereas the petitioner in its supplementary submission on 27.06.09 has informed the accumulated depreciation as Rs. 1088 Crs. as on 31.03.05, Rs.1173 crores as on 31.03.06, Rs.1262 crores as on 31.03.07 & Rs.1359 crores as on 31.03.08. The Petitioner has also submitted that the reconciliation is still going on in the matter of depreciation. At present the Commission considers the depreciation figures submitted by the petitioner. However, the MPPTCL is directed to reconcile the depreciation figures and file the same prior to next true up filing*."

2.66 While approving the depreciation for the next control period under subject petition, the Commission has taken into consideration the following :

(i) The MPPTCL is still in the process of reconciling the depreciation figures.

(ii) The past records reveal that GFA has increased by Rs. 160 Crores, 249 Crores, 234 Crores, 379 Crores in FY 2005-06 to FY 2008-09.

(iii) The depreciation allowed has been Rs. 85.08 Crs., Rs. 89.06 Crs, Rs. 96.80 Crs and Rs. 100.58 Crs. in FY 2005-06 and FY 2006-07, FY 2007-08 and FY 2008-09 respectively.

(iv) Now the MPPTCL has projected addition to GFA of Rs. 768 Cr., Rs. 780 Cr. and Rs. 771 Crs.and depreciation of Rs. 171.52 Crs., Rs. 218.56 Crs. and Rs. 254.67 Crs. during the control period, which appears to be an ambitious target.

2.67 The Commission while considering the addition to GFA as Rs.403 crores, Rs.330 crores and Rs.293 crores in FY 2009-10, FY 2010-11 and FY 2011-12 as mentioned in table 16 of para 2.14 of this order has recomputed the depreciation amount to be allowed in each year of the control period as given below :-

Table : 49

(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
2009-10	**3954.13**	**403**	**4357.13**	**1459.58**	**164.30**	**1623.88**	**2494.55**	**2733.25**
2010-11	**4357.13**	**331**	**4688.13**	**1623.88**	**193.36**	**1817.24**	**2733.25**	**2870.89**
2011-12	**4688.13**	**293**	**4981.13**	**1817.24**	**209.12**	**2026.36**	**2870.89**	**2954.77**

2.68 In view of the above mentioned facts, the Commission has approved depreciation as Rs.164.30 crores, Rs.193.36 crores and Rs.209.12 crores for FY 2009-10, FY 2010-11 and FY 2011-12 respectively in this tariff order. The petitioner is directed to reconcile the depreciation figures and file them with the true-up petitions so that correct depreciation may be allowed accordingly.

OTHERS

MPERC FEES

Petitioner's Submission

2.69 MPERC fees during a year is payable at the rate of Rs. 300/- per MU energy received into transmission system of MPPTCL. The energy input during FY 2008-09 is recorded as 34282 MU. The growth rate for sale of energy may be taken as 8%. On the other hand, there should be reduction in energy input on account of reduction in T&D losses, as per target fixed. Therefore, taking an overall growth rate of 5%, the energy input into Intra-State transmission system and corresponding fee payable is give below:

Table : 50 (Amount Rs. in Lacs)

S. No.	Particulars	FY 2009-10	FY 2010-11	FY 2011-12
1	Energy input into Transmission System	35996 MU	37796 MU	39686 MU
2	Rate of Fees	Rs. 300/- / MU	Rs. 300/- / MU	Rs. 300/- / MU
3	Total fees payable in Rs. Lacs.	107.99	113.39	119.06

Commission's analysis:-

2.70 The Commission accepts MPPTCL's submission & allows provisions for fees as proposed by the petitioner for the purpose of this Tariff Order.

TAXES

Petitioner's Submission

2.71 In Para 10.2 of the Petition MPPTCL has submitted that it has paid a fringe benefit tax (FBT) of Rs.35.96 Lacs and Rs. 44.64 Lacs in year 2007-08 and 2008-09 respectively. Accordingly, under mentioned tax provisions are proposed by it.

(i). FY 2009-10 Rs. 50.00 Lacs = Rs. 0.50 Crores
(ii). FY 2010-11 Rs. 75.00 Lacs = Rs. 0.75 Crores
(iii) FY 2011-12 Rs. 100.00 Lacs = Rs. 1.00 Crores

Commission's analysis:-

2.72 The Commission's Regulations do not provide for considering FBT as a pass through expenditure. Hence, the Commission does not accept MPPTCL's submission in this regard.

NON TARIFF INCOME

Petitioner's Submission

2.73 In Para 10.3 of the Petition, MPPTCL has assessed the non- tariff income for control period as given below:

(i). FY 2009-10 Rs. 3.00 Crores
(ii). FY 2010-11 Rs. 4.00 Crores
(iii) FY 2011-12 Rs. 5.00 Crores

Commission's analysis

2.74 While going through the actual non-tariff income reflected in the audited balance sheet of the petitioner and the true-up order issued for FY 2007-08, the Commission has observed the non-tariff income actually received is Rs.6.84 crores in FY 2007-08 and Rs.9.71 crores as filed by the petitioner in true-up petition for FY 2008-09. In view of the past trend, the Commission does not accept the non-tariff income filed by the petitioner and provides for non-tariff income of Rs.12.00 crores, Rs.14.00 crores and Rs.16.00 crores for FY 2009-10, FY 2010-11 and FY 2011-12 respectively.

Annual Fixed Cost

Petitioner's Submission

2.75 The Annual Fixed Cost filed by the petitioner for the control period is given as below :-

Table : 51 (Amount Rs. in Crores)

S. No.	Particulars	FY 2009-10	FY 2010-11	FY 2011-12
1	O&M Expenses	213.49	245.34	279.18
2	Terminal Benefits	352.78	379.25	403.53
3	Depreciation	171.52	218.56	254.67
4	Interest & Finance Charges	135.43	160.19	189.53
5	Interest on working capital	29.01	33.67	38.08
6	Return on Equity	221.27	270.90	312.00
7	MPERC Fees & Taxes	1.58	1.88	2.19
8	**Total S. No. 1 to 7**	**1125.08**	**1309.79**	**1479.18**
9	Less Non Tariff Income	3.00	4.00	5.00
10	**Net Annual Fixed Cost**	**1122.08**	**1305.79**	**1474.18**

Commission's analysis:-

2.76 Based on the above analysis made by the Commission and the amount computed for various heads, the annual fixed cost for the control period is approved as under :-

Table : 52 - Annual Fixed Cost

(Amount Rs. in Crores)

S. No.	Particulars	FY 2009-10	FY2010-11	FY 2011-12
1	O&M Expenses	208.48	229.64	250.77
2	Terminal Benefits	318.99	37.51	41.63
3	Depreciation	164.30	193.36	209.12
4	Interest & Finance Charges	118.79	110.23	97.96
5	Interest on working capital	27.05	23.04	24.56
6	Return on Equity	206.40	225.87	242.4
7	MPERC Fees	1.08	1.13	1.19
8	**Total S. No. 1 to 7**	**1045.09**	**820.78**	**867.63**
9	Less Non Tariff Income	12.00	14.00	16.00
10	**Net Annual Fixed Cost**	**1033.09**	**806.78**	**851.63**

TRANSMISSION CHARGES FOR LONG – TERM CUSTOMERS

2.77 The long term beneficiaries of the Transmission Licensee shall be required to pay charges as given in the table below:

Table : 53 – Transmission charges for long term beneficiary

S. No.	Particulars	FY 2009-10	FY 2010-11	FY 2011-12
1	Annual Fixed Cost (Rs. – Cr.)	**1033.09**	**806.78**	**851.63**
2	Transmission System Capacity (MW)	8091	8656	9241
3	Transmission Charges per MW per Annum (Rs. Lacs)	12.77	9.32	9.22
4	Transmission Charges Rs/ MW/ Day	3498	2554	2525

Rate for Short Term Open Access

2.78 The intra-state open Access regulations provides for Short Term rates in Rs./MW/Day i.e. based on the allocated capacity. The ST rates are also required in per unit basis i.e. Rs./MWH as per the requirement of CERC's regulation for cases where short term open access in intra-state system is allowed in continuation of inter state transmission system. The rates are worked out in the following table:

Table : 54 – Transmission charges for short term open access

S. No.	Particulars	FY 2009-10	FY 2010-11	FY 2011-12
1	Transmission charges in Rs./MW/Day	3498	2554	2525
2	ST Rate (25%) Rs./MW/Day	874.55	638.38	631.21
a.	ST Rate upto 6 hours in one block	218.64	159.60	157.80
b.	ST Rate more than 6 hours up to 12 hours in one block	437.27	319.19	315.61
c.	More than 12 hours up to 24 hours	874.55	638.38	631.21
3	Units expected to be transmitted in the year (MUs)	35996	37796	39686
4	Total Annual Fixed Cost (Rs. in Cr)	**1033.09**	**806.78**	**851.63**
5	Short Term Open Access Rate in Rs./MWH (S. No. 4÷3)x0.25	71.75	53.36	53.65

Charges to be paid by non-conventional Power producers

Petitioner's Submission

2.79 Hon'ble Commission in its order dated 13th March 2006 under petition No. 148 / 2005 in the matter of determination of tariff for transmission for FY – 07 to FY – 09 prescribed the charges to be paid by non-conventional power producers. These charges and their proportion of recovery from non-conventional energy producer and reimbursement from the State Government is shown in Para 4.62 & 4.63 of order, a copy of which is enclosed as Annexure-VII.

2.80 It is mentioned that the payment need to be made by the generator and the Government only when the generating unit is connected to 132 KV and above voltage levels. Practically no non-conventional energy generator in this voltage class availed open access during previous control period. Such generators are now expected, and the rates are therefore required for this control period i.e. from 2009–10 to 2011–12.

2.81 Hon'ble commission in its order dated 13th March 2006, determined these charges, working out pro-rata annual transmission cost for a 10MW generator, and units transmission corresponding to 22.5% capacity utilization factor. Since the Electricity Act 2003 provides for promotion of co-generation and generation of electricity from renewable sources of energy, it is submitted, for consideration that the per unit charges be fixed based on actual energy projected to be handled by transmission system each year of control period. The rates are accordingly proposed in following tables;

Table 55

S. No.	Particulars	FY 2009-10	FY 2010-11	FY 2011-12
1	Annual Fixed Cost (Rs. – Cr.)	1122.08	1305.79	1474.18
2	Units Projected to be transmitted during year (MU)	35996	37796	39686
3	Transmission Cost Paise / Unit (Rounded to paise)	31	35	37
4	Transmission Charges to be paid by the generator (Paise / Unit) (Rounded to paise)	10	12	12
5	Reimbursement from the State Govt.	21	23	25

2.82 The charges recovered from this category of customer shall be passed on to the long term open Access Customers through "True – Up" petition in the ratio as may be decided by the Hon'ble Commission.

Commission's Analysis

2.83 The Commission has observed from the petitioner's submission itself that no non-conventional energy generators has availed open access during previous control period at 132KV and above voltage levels. The petitioner is expecting such non-conventional energy generators in future.

2.84 In view of the aforementioned paragraph, the Commission does not find the necessity for determining the transmission charges to be paid by non-conventional energy producers connected to 132KV and above voltage levels at this stage. The Commission shall decide this issue raised by the petitioner as and when the situation arises in light of relevant Regulations notified by the Commission and the policy notified by the GoMP in this regard.

CHAPTER 3

Status of compliance to the directives given by the Commission vide Order dated 19th March, 2008

The petitioner has submitted the compliance to the directives issued by the Commission vide Tariff Order dated 19th March, 2008.

(1) **Commission's Observations/Directives**

The MPPTCL should try to reduce the losses further to bring losses to the level of best States in India.

MPPTCL's Compliance Report

MPPTCL since its inception in July 2002 has executed its Capital Plan in such a way which has not only restricted the incremental losses against increase in energy handled by the Transmission System, but also resulted in tangible reduction in transmission losses continuously over past years. The losses have come down from the level of 7.93% in the 2002-03 to the lowest level of 4.09% in the year 2007-08 against target of 4.90% fixed by the Hon'ble MPERC.

In year 2008-09 also the loss level of 4.08% (Provisional) is achieved against target of 4.90%. In ensuing years also, the MPPTCL will make its best endeavour to achieve loss level as per aspirations of the Hon'ble Commission.

(2) Commission's Observations/Directives

The licensee shall inform the Commission after every six month (by 20th Oct. and 20th April of each financial year) about the physical and financial progress in respect of each work executed under various schemes.

MPPTCL's Compliance Report

Six monthly report about the physical and financial progress for the year 2007-08 has already been submitted vide letter No. 04-01/CRA Cell/ 4124 dtd. 28.4.08. Six monthly report for year 2008-09 is under submission.

(3) Commission's Observations/Directives

MPPTCL should ensure that rise in the Employee cost is compensated by increased productivity of the employees.

MPPTCL's Compliance Report

(i) Transmission loss for the year 2007-08 is 4.09% against target of 4.9% which resulted saving of about 285 MUs. Thus saving of about Rs. 100 Crores considering cost of supply as Rs. 3.69 / Unit.
(ii) The Transmission System Availability for the year 2007-08 was 99.02% against the target of 97%.

The above achievements could be met by enhanced productivity of employees. The targets for 2008-09 are also achieved.

(4) Commission's Observations/Directives

The Commission directs that the Transmission Licensee should file the accounts of the amount collected by the petitioner against the reactive energy charges and amount utilized for reactive power management works to the Commission within one month from the date of this order. The Transmission Licensee should also submit the documents indicating the adjustment of revenue earned from the short terms users in the bills of long-term users.

MPPTCL's Compliance Report

The amount of reactive charges received / recoverable alongwith details of billing of reactive charges for FY-07 and documents indicating adjustment of revenue earned from short term users in the bills of Long term users have already been submitted vide letter No. 04-01/CRA Cell/F/3904 dtd. 21.4.08. Subsequently, the clarification as desired by the Hon'ble Commission has also been submitted vide letter No. 04-01/CRA Cell/F-121/5467 dtd. 5.6.08. The observation is finally complied.

(5) Commission's Observations/Directives

The Transmission Licensee has initiated the process for building a strong data base. The regular compliance through half yearly reports should be filed to the Commission.

MPPTCL's Compliance Report

The technical evaluation of bid for ERP completed. Since DFID has confirmed not to fund this scheme, case is being processed for financial linkage from PFC. Next half yearly report is under submission.

(6) Commission's Observations/Directives

The Commission directs that the Transmission Licensee should finalize the asset registers as soon as the Final Opening Balance Sheet is notified by the State Government.

MPPTCL's Compliance Report

The State Government has notified the final Opening Balance Sheet (as on 01.06.05) on 12.06.08. As per noting therein certain supporting details have been furnished by MPSEB's Account Wing to MPPTCL. These include summary of code-wise Opening Gross Block, NFA on 01.06.05. The total Assets indicated therein fairly tally with field Asset register's summary. However, code-wise reconciliation / matching is under progress. The provisional data base of assets has been submitted with True-Up petition and depreciation is based on it.

(7) Commission's Observations/Directives

The Transmission Licensee should fill the vacant posts by taking appropriate actions such as deployment of the existing staff.

MPPTCL's Compliance Report

The Board of Directors of MPPTCL has approved filling up of minimum essential vacant positions upto 30% of existing sanctioned strength in phased manner. After GoMP approval, the MPPTCL has recruited three batches of Graduate Engineers one each in 2006, 2007 & 2008 totaling to 79 Engineers (amongst them 69 Engineers are presently on rolls). Recruitment process for 2009 batch of Graduate Engineers is underway, in which 54 (including vacancies of previous year) Engineers are to be recruited. 80 Testing Attdt. Gr. II (ITI holders) have been recruited in the year 2008-09 (out of which 65 are presently on rolls). 48 departmental employees (Diploma Holders) have been redeployed by MPSEB to the post of Junior Engineers as on date.

CHAPTER 4

Objections and Comments on MPPTCL's petition

The Commission issued a public notice on 27th October 2009 inviting all interested parties to attend the public hearing on 10th November 2009. The Public notice was published in Dainik Bhaskar, Bhopal, Nai Dunia, Indore, Nav Bharat, Jabalpur and Hindustan Times (All Madhya Pradesh Edition).

The Commission held a public hearing on the tariff petition of MPPTCL at Commission's Office, Bhopal on 10th November 2009.

The comments/suggestions/objections received from MPEB Pensioner's Association, Jabalpur had been forwarded to the petitioner for reply. The gist of the petitioner's response vis-à-vis the objections of MPEB Pensioner's Association is given below :-

1. Comments/Objections raised by MPEB Pensioner's Association, Jabalpur

The State Govt. has formed the MP Electricity Reforms First Transfer Scheme Rules, 2003, vide notification dtd. 1.10.03 & 13.6.05. The notifications provide for funding and due payment of Terminal Benefits to the existing pensioners.

Response by the petitioner

No comments, since it is a matter of records.

2. Comments/Objections raised by MPEB Pensioner's Association, Jabalpur

Similar proviso exists for the existing employees at the time of transfer.

Response by the petitioner

No comments, since it is a matter of records.

3. Comments/Objections raised by MPEB Pensioner's Association, Jabalpur

The State Govt.; MPSEB and the Five Companies have executed a Trust Deed known as MPSEB Terminal Benefit Trust Deed which is registered on 25.2.06. As per clause 11(I) of the deed, a trust named as MPSEB Terminal Benefit Trust has been formed. Name of ex-officio and permanent members of the Trust have been mentioned. An account No. 00000030037526244 has been opened in the name and style of MPSEB Terminal Benefits Fund with the SBI, Nayagaon, Jabalpur. As per Clause 5(a), (d) & (e) of the Deed, following are the ex-officio and permanent members of the Trust.

Response by the petitioner

No comments, since it is a matter of records.

4. Comments/Objections raised by MPEB Pensioner's Association, Jabalpur

As provided in Clause 7 of the Deed, MPSEB Terminal Benefits Fund Rules, 2006 have been framed and have been approved by the GoMP vide Energy Departments reference No. 6581/13/2006 dtd. 17.10.2006.

Response by the petitioner

No comments, since it is a matter of records.

5. Comments/Objections raised by MPEB Pensioner's Association, Jabalpur

Similar provision exists for contribution towards gratuity (Rule 21).

Response by the petitioner

No comments, since it is a matter of records.

6. Comments/Objections raised by MPEB Pensioner's Association, Jabalpur

The sub-rule 22(i) of the MPSEB Terminal Benefits Fund Rules 2006 provides that rate of future Employer monthly contribution shall be based on the Actuarial Valuation as on March 31. 2003 ……………..

Response by the petitioner

No comments, since it is a matter of records.

7. Comments/Objections raised by MPEB Pensioner's Association, Jabalpur

The DFID has already carried out a detailed actuarial analysis regarding the pension liability of the Board, which is assessed around Rs. 3910 Crores. Contribution of around 27% of the establishment expenditure has been recommended towards pension fund of the existing employees.

Response by the petitioner

The amount is as per Actuarial Valuation conducted in year 2003. Rs. 3910 Crores was assessed against past unfunded liabilities. Whereas, around 27% of salary amount was assessed to fund, terminal benefits liabilities of existing employees.

8. Comments/Objections raised by MPEB Pensioner's Association, Jabalpur

The Transco in their petition has proposed provision of Rs. 352.78 Crores, Rs. 379.25 Crores and Rs. 403.53 Crores for the years 2009-10, 2010-11 and 2011-12 respectively towards the payment of Terminal Benefits.

Response by the petitioner

The amount proposed is for current Pension / Gratuity of pensioners and provisioning for existing employees. Provision for pensioners to build up fund has not been included.

9. Comments/Objections raised by MPEB Pensioner's Association, Jabalpur

The Hon'ble Commission has not been dealing the matter of creation of Terminal Benefits Funds in its entirety but dealt in the piece meal as is clear from various orders passed from time to time.

Response by the petitioner

No comments required from petitioner.

10. Comments/Objections raised by MPEB Pensioner's Association, Jabalpur

In the Transmission Tariff order for FY 07 to 09, passed on 19.3.08, it is stated that 'The Commission has also noted that the Terminal Benefit Trust has been constituted but the same has not been operationalized till date. The Commission directs to get, the Trust operationalized as early as possible.'

Response by the petitioner

The State Government has approved the "MPSEB Terminal Benefit Fund Rules" vide order No. 6581/13/2006 dated 17.10.06. Trust Deed has been executed on 25.02.2006. Ex-officio and permanents members of the Trust have also been specified. An initial amount of around Rs. 5.93 Crores exists in the fund. However, no further contributions could be made to the fund by the Companies formed out of reorganization of MPSEB, on account of financial crunch.

11. Comments/Objections raised by MPEB Pensioner's Association, Jabalpur

In the ARR and Retail Tariff Determination for 2008-09 for Discoms order, it is stated that "as at present, the terminal benefits are being taken care of by the MPPTCL in absence of creation of a pension trust as envisaged in the GoMP order dtd. 31.5.05, no separate provision for Terminal Benefits has been considered in this order for the Licensee."

Response by the petitioner

Hon'ble Commission in the MYT order dtd. 13.3.06 for MPPTCL allowed only the current Terminal Benefit liability of the existing pensions of all the Companies in the ARR of MPPTCL.

12. Comments/Objections raised by MPEB Pensioner's Association, Jabalpur

In the ARR and Retail Tariff Determination for 2009-10 for Discoms order, it is stated that "as at present, the terminal benefits are being taken care of by the MPPTCL in absence of creation of a pension trust as envisaged in the GoMP order dtd. 31.5.05, no separate provision for Terminal Benefits has been considered in this order for the Licensee."

Response by the petitioner

Subscription to the fund to be built up for payment of pension and other Terminal Benefits in future to the pensioners as well as existing employees has not been allowed to the MPPTCL, Therefore, no separate provision for Terminal Benefits could perhaps be allowed by Hon'ble Commission in the ARR of Discoms.

13. Comments/Objections raised by MPEB Pensioner's Association, Jabalpur

While the earlier order dated 19.3.08 speaks about the "Operationalization" of the Terminal Benefits Trust, therefore, there is implicit acceptance that the pension fund has been created, whereas the order dtd. 29.3.08 speaks about the absence of creation of Pension Fund. In the third order dtd. 29.7.09, the term 'Functional' has been used. The Hon'ble Commission may be pleased to clarify what is meant by the terms "Operationalization" and "Functional".

Response by the petitioner

The position has already been explained under Para 10.1.

14. Comments/Objections raised by MPEB Pensioner's Association, Jabalpur

GoMP order dtd. 31.5.05 should not be considered in isolation. To take a holistic view, it has to be considered alongwith the Transfer Scheme, the MPSEB Terminal Benefits Trust Deed and the MPSEB Terminal Benefit Fund Rules, 2006, it will be amply clear that all the formalities are completed and certain amount of Funds are available in the separate bank account opened for the purpose. Therefore, in our opinion, the Terminal Benefits Fund is Operational / Functional.

Response by the petitioner

As mentioned uner Para 10.1 above, the Trust Deed has been executed and MPSEB Terminal Benefit Rules have been approved by the State Government. A Current Account numbering 3003752644 has been opened in the State Bank of India, Nayagaon, Jabalpur in the name of "MPSEB Terminal Benefit Fund". The approximate fund in TBT is mentioned hereunder;

(Rs. in Crores)

i.	FD with IndusInd Bank	5.887
ii.	FD with SBI, Nayagaon	0.045
iii.	In current account with SBI	0.001
	TOTAL -	**5.933**

15. Comments/Objections raised by MPEB Pensioner's Association, Jabalpur

The Transco as pointed in Para 6.6 of the ARR has also claimed that the Terminal Benefit Trust is in operation. Transco is entitled to the provisions for the contribution towards the Terminal Benefits Fund the ARR in addition to expenditure on payment of current pension, gratuity etc.

Response by the petitioner

As per provisions of footnote (k) of the Final Opening Balance Sheet notified on 12th June 2008, the MPPTCL has claimed the current Terminal Benefits of pensioners of all the Companies for years 2009-11 to 2011-12.

In addition, as per Accounts Standards-15, provisioning of Terminal Benefits for existing employees of Transco only has also been claimed, on the basis recommended in the Actuarial Valuation conducted in year 2003. No claim for contribution to Trust for existing pensioners to build up fund has been presently made. This will be requested based on findings of fresh Actuarial Valuation being conducted.

16. Comments/Objections raised by MPEB Pensioner's Association, Jabalpur

It is stated in the regulation 27.5 and 27.6 of the MPERC (Terms & conditions for determination of Transmission Tariff) Regulations, 2009, among other things, that 'A scheme for funding this unfunded liability and operationalizing Terminal Benefits Trust Fund as envisaged in Rule 10 and 11 of transfer scheme Rules 2003 is yet to be pronounced by the State Government'. It may be reiterated that the State Government has already formulated the Terminal Benefits Fund in terms of Rules 7(10 & 11) of the Transfer Scheme Rules. Nothing more is required to be done by them.

Response by the petitioner

The Transfer Scheme Rules 7(10 & 11) as amended on 13th June 2005, provides for funding arrangements.

17. Comments/Objections raised by MPEB Pensioner's Association, Jabalpur

The Hon'ble Commission has taken upon itself to deny the pensioners their lawful right as conferred under the Transfer Scheme duly gazetted in so far as pension is concerned. It is denial of livelihood of thousands of the existing pensioners. It is totally incorrect and without basis to say that actual pension payment has become unsustainable because it is not a question of opinion but the lawful act of the State Govt. under Section 131 which has to prevail. An opinion against the law is not sustainable. It has been made clear in the Transfer Scheme Rules, 2003 as amended that the amount of pension and other terminal benefits payable during each year, as well as subscription to the fund to be built up for payment of pension and other terminal benefits in future, to the existing pensioners as on the date of transfer, shall be charge on the revenues of the Transco till the requisite fund is built up with the Terminal Benefit Trust.

Response by the petitioner

Hon'ble Commission has always been kind enough to consider and allow prudent expenses of the MPPTCL. The concern of the Pensioner's Association in reference of the Transmission Tariff Regulations for MYT 2009-10 to 2011-12, regarding current pension to existing pensioners is quite understandable. The MPPTCL in this regard has separately made an application to review the directions. Pensioners for all the three years of MYT control period, in the spirit of footnote (k) of the Final Opening Balance Sheet dated 12th June 2008.

18. Comments/Objections raised by MPEB Pensioner's Association, Jabalpur

It is also against the decision of the Appellate Tribunal for Electricity in case No. 2008 ELR (APTEL) 0847 that the expenditure incurred actually and properly by the licensee has to be allowed – once actual expenses on salaries and DA of the employees has been allowed, there appears to be no reason for not allowing the actual expenditure incurred on the very same employees.

Response by the petitioner

Hon'ble Commission has all the powers as per Section 46.3 of the Regulations [RG-28(I)] of 2009, to adopt a procedure which is at variance with any of the provisions of the Regulations. The petitioner is confident that Hon'ble Commission will take a sympathetic and pragmatic view in this regard. The petitioner again pray Hon'ble Commission to allow the Terminal Benefit claims as requested in the petition.

19. Comments/Objections raised by MPEB Pensioner's Association, Jabalpur

It is requested that the Hon'ble Commission may be pleased to provide for the amount as requested by the Transco in their ARR. It is also requested that the Hon'ble Commission may also be pleased to provide for contribution to the Terminal Benefits Funds as envisaged in the Terminal Benefits Funds Rules, 2006 made under the Transfer Scheme Rules, 2003, as amended.

Response by the petitioner

The MPPTCL expresses its thanks to the MP Vidyut Mandal Pensioners Association for supporting the prayer made by the MPPTCL in its MYT Tariff Petition for FY-10 to FY-12, and pray Hon'ble Commission to kindly consider the same.

20. Comments/Objections raised by MPEB Pensioner's Association, Jabalpur

We also request for personal hearing to present our case.

Response by the petitioner

No comments.

Commission's View

The Commission has taken its considered view on the above issues in accordance to the relevant provisions under MPERC (Terms and Conditions for determination of Transmission Tariff) Regulations, 2009 {RG-28 (I) of 2009} notified by the Commission on 8th May, 2009.

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