

**MADHYA PRADESH ELECTRICITY REGULATORY  
COMMISSION**

**"Metro Plaza", Bittan Market , Bhopal - 462 016**



**Petition No. 62/2007**

**PRESENT:**

**Dr. J. L. Bose, Chairman**

**R. Natarajan, Member**

**K. K. Garg, Member**

**IN THE MATTER OF:**

**True-up of Transmission Tariff for FY 2006-07 and Continuation  
of Transmission Tariff for FY 2008-09 under MYT regime.**

**MPPTCL (Petitioner) represented among others by –**

- 1. Shri C. S. Sharma, Chief Financial Officer**
- 2. Shri S. K. Nagesh, Joint Secretary,**
- 3. Shri D. P. Saxena, Consultant**
- 4. Shri Vincent D'souza, Executive Engineer**
- 5. Shri Debashish Chakraborty, Executive Engineer**

## ORDER

### Petition No. 62/2007

*(Passed on this 19<sup>th</sup> Day of March, 2008)*

- 1 The Madhya Pradesh Electricity Regulatory Commission (hereinafter referred to as “the Commission” or “MPERC”) having heard the applicant, interveners, consumers, consumer representatives of various consumer groups on 05<sup>th</sup> February 2008 at Bhopal, having had formal interactions with the Officers of Madhya Pradesh Power Transmission Company Ltd. (hereinafter referred to as “MPPTCL” or “Transmission Licensee”) during the months of December 2007 and January 2008 and having met with the members of the State Advisory Committee on 28<sup>th</sup> December 2007 and having considered the documents available on record and orders issued by Government of Madhya Pradesh (Energy Department) on 31<sup>st</sup> May 2005 making the Transfer Scheme Rules effective from 1st June 2005, (order no. 3679/FRS/18/13/2002 dated 31.5.2005), on 3<sup>rd</sup> June 2006 making the Madhya Pradesh Electricity Reforms Transfer Scheme Rules, 2006, allocation of generating capacity to the three Distribution Companies on 17<sup>th</sup> October 2006 and again on 14<sup>th</sup> March 2007 reallocating the Generating Capacity available to the State among the three Distribution Companies of the State hereby accepts the applications with modifications, conditions and directions as herewith attached.
- 2 The Commission has gone through the Petition filed by the Transmission Licensee of the State. The Commission has noted that the State Government has not issued the Final Opening Balance Sheet till date thus the basis of projection made by the Licensee is still provisional. The Commission, in its Transmission Tariff Order for control period i.e. from FY2006-07 to FY2008-09 had stated that the transmission charges determined by the Commission for the control period are subject to changes, if any, on the basis of the notified opening balance Sheet that may be made by the Government of Madhya Pradesh (GoMP). The State Govt. through various notifications extended the date for notification of the final opening Balance Sheet up to 31<sup>st</sup> March 2008. Since the depreciation, interest and O&M expenses had been allowed on the basis of submissions made by the Transmission Licensee based on opening balance sheet, there may be a need to review the tariff determined based on

the actual capitalization, loans actually availed and the actual physical progress on the basis of modifications, if any, to the opening balance sheet.

- 3 The Commission had determined the transmission tariffs for FY 2006-07 to FY2008-09 vide its order of March 13th 2006. As the audited statement of accounts for FY 2006-07 are available and the Transmission Licensee has applied for truing up of the Transmission Tariff for FY 2006-07, the Commission has decided to take up the truing up exercise for the tariff determined for FY2006-07 and to carry forward the resultant into the transmission tariff for FY2008-09.
- 4 With regard to the truing up of the norms and the Tariff as determined by the Commission vide its Transmission Tariff Order for FY2006-07 to FY2008-09 dated 13/03/2006, the Commission has decided that the norms / benchmarks in the Regulations and adopted in the multi year tariff order need not be changed during the control period but the Commission will consider the claim for any uncontrollable factors after the audited Statements of Account and the performance benchmarks as achieved by the Company and certified by the SLDC for the years under tariff period are made available. Hence, in the present order the Commission has not considered this request of the Licensee and has decided to continue with the tariff for FY 2008-09 as determined vide its order of 13/03/2006.
- 5 The Petitioner must take immediate steps to implement the Order after giving seven (7) days 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. The Commission shall consider the transmission charges determined in this order for the Distribution Licensees in their Revenue Requirement for FY2008-09.
- 6 Ordered as above read with attached detailed reasons and grounds,

**-sd-**  
**(K. K. Garg)**  
**Member (Engineering)**

**-sd-**  
**(R. Natarajan)**  
**Member (Economics)**

**-sd-**  
**(Dr. J. L. Bose)**  
**Chairman**

**Date: 19/03/2008**

**Place: Bhopal**

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## **CHAPTER 1 – BACKGROUND OF THE ORDER**

### **Introduction**

- 1.1 This order relates to petition number 62 of 2007 filed by the Madhya Pradesh Power Transmission Company Limited (hereinafter referred to as “MPPTCL” or “Transmission Licensee”) for truing up of the Transmission Tariff for FY2006-07 and continuation of Transmission Tariff for FY 2008-09. MPPTCL is the owner of the transmission network previously owned by Madhya Pradesh State Electricity Board (hereinafter referred to as “MPSEB” or “Board”). MPPTCL has started functioning independently from 1<sup>st</sup> June 2005. While passing the order for determination of Transmission Tariff for FY2005-06 and also for FY2006-07 to FY2008-09, the Commission examined in detail the operational and the financial data of the transmission function of the period when the functions were part of MPSEB. The order passed by the Commission for FY2005-06 was based on the past records, submission of MPPTCL and views expressed by stakeholders. The order passed by the Commission for FY2006-07 to FY2008-09 was based on the Multi Year Principles i.e. on the performance benchmarks set by the Commission for multi year regime vide its notification of December 06/12/2005 namely “Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Transmission Tariff) Regulations 2005. In the Transmission Tariff Order of the Commission passed on 13/03/2006 for FY2006-07 to FY2008-09, the Commission directed that the transmission charges determined by the Commission are subject to changes, if any, in the notified opening Balance Sheet that may be made by GoMP or on availability of audited Balance Sheet as on 01/06/2005. Since the depreciation, interest and O&M expenses had been allowed on the basis of submissions made by the Licensee, there was a need to review the tariff determined based on the actual capitalization, loans actually availed and the physical progress achieved. The Transmission Licensee is entitled to file its proposal for truing up of the Transmission Tariff during the control period on the basis of the Audited Statements of Accounts and regulations issued by the Commission in this regard.

### **Procedural history**

- 1.2 In its Transmission Tariff Order for FY2006-07 to FY2008-09, the Commission had determined the Transmission Tariff which would deem to be effective from 1<sup>st</sup> April 2006 and would continue to be operative till 31<sup>st</sup> March 2009 under the multi year tariff principles subject to yearly approval of the Commission along with any changes necessitated on account of uncontrollable factors. Clause 1.25 of the Commission’s regulations namely Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2005 stipulates that:

*“A Transmission Licensee shall file a petition at the beginning of the tariff period and every year thereafter. A review shall be undertaken by the Commission to scrutinise and true up the data and to accommodate any uncontrollable variations. This filing shall be in accordance with the formats prescribed in MPERC (Details to be furnished and fees payable by licensee or generating company for determination of tariff and manner of making an application) Regulation, 2004 by 15<sup>th</sup> October every year.”*

Accordingly, the Transmission Licensee was required to file its petition by the due date i.e. 15<sup>th</sup> October 2007. MPPTCL filed the Petition on 12/10/2007.

- 1.3 The Commission, vide its Transmission Tariff Order of March 2006 had approved the transmission tariff on the multi-year principles for FY2006-07 to FY2008-09. The Current petition filed by MPPTCL is for trueing up of transmission tariff for FY2006-07, revision of the O&M Norms for the period FY2006-07 to FY2008-09 and continuing of the transmission tariff for FY2008-09 with the new proposals.
- 1.4 MP Power Transmission Company Limited (MPPTCL) has requested in the current petition to allow a true up of Rs. 173.41 Crore for year 2006-07 on account of actual expenses incurred on O&M, Interest, Pension liabilities etc. as per the audited accounts for the period 1.4.06 to 31.3.07. MPPTCL has also requested to revise the O&M Norms for the period FY2006-07 to FY2008-09 and to revise O&M expenses accordingly. The MPPTCL has further requested to consider the revision in the provisions for Terminal Benefit for FY2007-08 & FY-2008-09 on account of impact of wage revision of employees and Pension of retired persons. The revised “Annual Fixed Charges” for FY-2006-07 to FY2008-09 has been proposed as hereunder;

**Table 1: Revised Annual Fixed Charges as filed by the MPPTCL (Rs. In Lakh)**

S. No.	Particulars	Annual Transmission Charges					
		FY 2006-07		FY 2007-08		FY 2008-09	
		Approved	Proposed	Approved	Proposed	Approved	Proposed
1	O&M Expenses	9266	13141	9821	15531	10411	18831
2	Depreciation	9974	15938	11031	11031	11756	11756
3	Interest on Loan	5494	13736	7150	7150	8293	8293
4	Interest on Working Capital	6713	1916	7045	7045	6106	6106
5	Terminal Benefit Liabilities	16000	19472	16748	22542	17752	26071
6	Return on Equity	12278	13254	12726	12726	12726	12726
7	Taxes & Fees	143	145	173	173	202	202
8	Less Non-Tariff Income	0	(-) 393	0	0	0	0
<b>9</b>	<b>GRAND TOTAL -</b>	<b>59868</b>	<b>77208</b>	<b>64695</b>	<b>76198</b>	<b>67245</b>	<b>83985</b>

- 1.5 The MPPTCL had also proposed modifications to the Transmission System Capacity for FY 2007-08 and FY 2008-09. Accordingly, the transmission charges for Long Term Open Access and Short Term Open Access customers for the year 2007-08 and 2008-09 are proposed as under:

**Table 2: Revised Open Access Charges as filed by the MPPTCL**

S. No.	Particulars	Unit	Open Access Charges for			
			2007-08		2008-09	
			Approved	Proposed	Approved	Proposed
1	Total Annual Fixed Charges	(Rs. In Lakh)	64695	76198	67245	83985
2	Transmission System Capacity	MW	7220	6364	8170	7848
3	Fixed Charges	(Rs. Lakh / MW / Month)	0.7467	0.9978	0.6858	0.8918
4	Transmission Charges	(Rs./MW/Day)	2454.93	3280.35	2254.99	2931.90
5	Short Term Open Access Rate (25% of Normal Rate)	(Rs./MW/Day)	613.73	820.08	563.75	732.98

### Consultation with State Advisory Committee and Public Hearing

1.6 The Commission vide its order dated 05<sup>th</sup> December 2007 accepted the petition and approved the draft of the public notice submitted by the petitioner. The Commission had directed the petitioner to arrange the publication of the public notice in the news papers and obtain the comments from the stakeholders.

1.7 The Public notice was published by the petitioner in following newspapers on 12/12/2007:

Nav Bharat (Hindi)	-	Jabalpur
Raj Express (Hindi)	-	Bhopal
Nai Duniya (Hindi)	-	Indore
Dainik Bhaskar (Hindi)	-	Gwalior
Dainik Bhaskar (Hindi)	-	Satna
Free Press Journal (English)	-	Indore

The last date for obtaining the Comments / suggestions / objections was 02/01/2008.

1.8 A meeting of State Advisory Committee of the Commission had been convened on 28/12/2007. The members made their observations on the petition and gave valuable suggestions, which have been considered while finalising this order.

1.9 The Commission held a public hearing on the subject tariff petition of MPPTCL at Bhopal on 05<sup>th</sup> February 2008 in the Court Room of the Commission's office.



## CHAPTER 2 – STATUS OF THE TRANSMISSION COMPANY

2.1 MPPTCL is a company incorporated under the Companies Act, 1956 in 2002 and was functioning under an O & M Agreement with MPSEB ever since. The Government of Madhya Pradesh (GoMP) notified the transfer scheme vide its notification No. 3679/FRS/18/13/2002 dated 31<sup>st</sup> May 2005 as per which the MPPTCL was assigned assets and liabilities, on a provisional basis, as per the table given below:

**Table-3: Provisional Opening Balance Sheet of MPPTCL**

(Rs. Crore)

Liabilities			Amount		Assets			Amount		
<b>Equity From GoMP</b>			<b>845</b>							
<b>Project Specific Capital Liabilities (Including payments overdue)</b>	Power Finance Corporation (PFC)	321	<b>Fixed Assets</b>	Gross Assets			2407			
	SADA Gwalior	15		Less Accumulated depreciation			1076			
	Loan from GoMP (ADB)	195		Net Fixed Asset			1331	1331		
	<b>Total</b>	<b>531</b>		<b>531</b>	<b>Capital Works in Progress</b>			<b>847</b>		
<b>Loan from MPSEB</b>			<b>835</b>		<b>Regulatory Assets towards Pension Liabilities</b>			<b>3910</b>		
<b>Current Liabilities</b>	Staff Related	20	<b>Current Assets</b>	Stock			66			
	Intt. Accrued but not due	13		Total			66	66		
	<b>Total</b>	<b>33</b>		<b>33</b>						
<b>Pension Liabilities</b>			<b>3910</b>							
<b>Borrowings for working capital</b>	<b>Overdraft</b>	<b>0</b>	<b>0</b>							
	<b>Working capital demand loan + cash credit</b>	<b>0</b>								
<b>Accumulated Surplus/ (Deficit)</b>			<b>0</b>							
<b>Reserves and Reserve Funds</b>			<b>0</b>							
<b>Total Liabilities</b>			<b>6154</b>		<b>Total Assets</b>			<b>6154</b>		

Notes: -

- The values of the fixed Assets are as per the book values
- The Contingent Liabilities to the extent they are associated with or related to transmission activities or to the Undertakings or Assets of MPTRANSCO shall vest in MPTRANSCO. (Estimated to be Rs. 41.66 Cr.)
- The above balance sheet is provisional till finalisation of actual balance sheet as on date of transfer date.

As per the notification, the above balance sheet was provisional for a period of 12 months. The period has now been extended up to 31/03/2008. During the provisional period, the GoMP may change the values stated in the opening balance sheet.

- 2.2 MPPTCL assumed independent functioning from 1<sup>st</sup> June 2005 consequent to the notification of its Balance Sheet by the State Government on 31<sup>st</sup> May 2005. On the Petitions filed by the Transmission Licensee for determination of Transmission tariff for FY2005-06, and for FY2006-07 to FY2008-09 (under multi year tariff (MYT) principles), the Commission passed the Tariff Orders on 07/02/2006 and 13/03/2006 respectively.
- 2.3 These Transmission Tariff Orders of the Commission were based on the Balance Sheet notified by the GoMP. The Commission had given a detailed note on the allocation of the equity, project specific loans and MPSEB loans towards GFA & CWIP in these Transmission Tariff Orders for FY2005-06 and FY2006-07 to FY2008-09.
- 2.4 The deployment of equity, project specific loans and MPSEB loan as considered by the Commission is shown in the following table:

**Table-4: Source-wise Deployment of Fund in Commission's Orders**

<b>Amount in Rs. Crore</b>					
<b>Sl. No.</b>	<b>Source</b>	<b>Amount as per notified Balance Sheet</b>	<b>Fixed Assets</b>	<b>Capital Works In Progress (CWIP)</b>	<b>Working Capital</b>
1.	Equity	845.00	722.00	123.00	
2.	Project Specific Loans	531.00	519.00	12.00	
3.	MPSEB Loan	835.00		712.00	123.00

- 2.5 In the Commission's order on Truing up of the Transmission Tariff Order for FY 2005-06, the Equity, project specific loans, working capital, addition in the assets and gross value of fixed assets were :
- a. Equity – Rs. 901.83 Crore
  - b. Capitalisation from Project Specific Loans – Rs. 856.08 Crore (for interest liability)
  - c. Working Capital – Rs. 117.91 Crore
  - d. Addition in the Fixed Assets – Rs. 649.52 Crore
  - e. Gross Asset Value as on 31/03/2006  
Rs. 2407 Crore + 649.52 Crore = Rs. 3056.52 Crore
- 2.6 As the Government of MP is yet to notify the Final Balance Sheet the Commission is of the opinion that the similar allocation will be applicable for the present petition also.

## CHAPTER 3 - TRANSMISSION SYSTEM OF MPPTCL

### Intra-State Transmission System

- 3.1 Intra-State Transmission System of MPPTCL comprises of EHV Lines and Sub-stations of various voltages. Position as on 31.03.2007 is tabulated hereunder.

**Table 5: MPPTCL Transmission System – At a glance**

S. No.	Voltage Level	EHV Lines	EHV Sub-Stations	
		Circuit kMs	Number	MVA Capacity
1	400 kV	2314	4	3885
2	220 kV	7709	37	9650
3	132 kV	10865	157	11316
4	66 kV	61	1	20
<b>TOTAL</b>		<b>20949</b>	<b>199</b>	<b>24871</b>

### Average Transmission System Capacity

- 3.2 Average transmission system capacity as determined by the Commission vide order dated 01.03.2007 is tabulated hereunder.

**Table 6: Average Transmission System Capacity as Approved by Commission**

Average transmission system capacity of Intra-State transmission system			
FY2005-06	FY2006-07	FY2007-08	FY2008-09
5563 MW	6493 MW	7220 MW	8170 MW

- 3.3 The average transmission system capacity as determined by the Commission has further been distributed among the Distribution Licensees of the State and the SEZ in the following manner:

**Table 7: Transmission System Capacity Allocation (MW)**

S. No.	Distribution Licensee / Long-term Customer	Capacity allocation			
		Percentage	FY2006-07	FY2007-08	FY2008-09
1	MP Poorv Kshetra Vidyut Vitaran Company Limited (East Discom)	29.60%	1919	2133	2414
2	MP Madhya Kshetra Vidyut Vitaran Company Limited (Central Discom)	32.50%	2107	2343	2652
3	MP Paschim Kshetra Vidyut Vitaran Company Limited (West Discom)	37.90%	2457	2732	3092
4	Total	100.00%	6483	7208	8158
5	SEZ, Pithampur		10	12	12
6	<b>Grand Total</b>		<b>6493</b>	<b>7220</b>	<b>8170</b>

3.4 Above mentioned projections of the average transmission system capacity was made by the Commission based on the projected commissioning schedules of generation projects. It is indicated by the petitioner in the petition that the generation capacity has not come up as per the expectation. Therefore, the Transmission Licensee has proposed to revise the average transmission system capacity keeping in view the expected commissioning of the new generation projects. The revised transmission system capacity as proposed is summarized hereunder:

**Table 8: Revised Transmission System Capacity as Proposed by MPPTCL (in MW)**

Particulars	FY2006-07			FY2007-08			FY2008-09		
	Total Capacity	Aux. Cons.	Capacity for trans. System	Total Capacity	Aux. Cons.	Capacity for trans. System	Total Capacity	Aux. Cons.	Capacity for trans. System
MPPGCL Thermal	2272.50	216.17	2056.33	2147.50	205.12	1942.38	2857.50	273.71	2583.79
MPPGCL Hydel	895.00	2.73	892.27	897.17	8.69	888.48	917.17	8.89	908.28
Joint Venture Hydel i.e. ISP & SSP	1851.50	5.55	1845.95	1836.50	5.51	1830.99	2356.50	7.43	2349.07
Central Sector	1885.49	152.04	1646.78	1885.49	152.04	1646.78	2237.77	183.75	1951.32
Additional Share EREB	50.00	4.50	43.23	50.00	4.50	43.23	50.00	4.50	43.23
SEZ, Pithampur	10.00	0.90	8.65	12.00	0.00	12.00	12.00	0.00	12.00
Grand Total	6964.49	381.89	6493.19	6828.66	375.86	6363.85	8430.94	478.28	7847.68
Say	6493 MW			6364 MW			7848 MW		

3.5 The MPPTCL proposed that the average transmission system capacity as worked out in above mentioned table to be allocated to the three Distribution Licensees as per the percentage allocation mentioned in the State Government Notification of 14<sup>th</sup> March 2007. The capacity for SEZ, Pithampur is additional which is taken as per the Commission's order of June 12, 2007 in the matter of the Petition No. 99/2006. The revised transmission capacity allocation as proposed is tabulated below:

**Table 9: Proposed Reallocation of Revised Transmission System Capacity (MW)**

S. No.	Distribution Licensee / Long-term Customer	Capacity allocation			
		Percentage	FY2006-07	FY2007-08	FY2008-09
1	MP Poorv Kshetra Vidyut Vitaran Company Limited (East Discom)	29.60%	1919	1880	2320
2	MP Madhya Kshetra Vidyut Vitaran Company Limited (Central Discom)	32.50%	2107	2064	2546
3	MP Paschim Kshetra Vidyut Vitaran Company Limited (West Discom)	37.90%	2457	2408	2970
4	Total	100.00%	6483	6352	7836
5	SEZ		10	12	12
6	Grand Total		6493	6364	7848

3.6 The Commission had looked into the revision as proposed by the MPPTCL in the transmission capacity for FY2007-08 and FY2008-09. The Commission had noted that the Transmission Licensee had not proposed any change in the transmission system capacity for FY 2006-07 for which the Transmission Licensee had applied for the true up. The State Government of Madhya Pradesh allocated the capacity among the three Distribution Companies by its notification of 14<sup>th</sup> March 2007. This had affected the percentage allocation of capacity from FY 2007-08. In view of this, for FY2006-07 the Commission considers the transmission system capacity as determined by the Commission in its Transmission Tariff Order for FY 2006-07 to FY 2008-09 for true-up of transmission tariff for FY 2006-07. Further, the Commission is of the opinion that any changes in the transmission system capacity with regard to FY2007-08 and FY2008-09 will be done as and when the Transmission Licensee applies for true up of transmission tariff for those years.

### **Performance of Intra-State Transmission System**

3.7 The MPPTCL had claimed that the addition in the capacity of the transmission system helped them in reducing the transmission losses. The transmission losses of 6.12% in FY 2003-04 had been reduced to 5.23% in FY2005-06. The Commission had specified the transmission losses for FY 2006-07 of the order of 5.00%. The Commission had further improved the target of the transmission losses by reducing to 4.9% for FY 2007-08. The transmission loss for FY 2008-09 has been pegged at 4.90%. The Commission had also specified the availability of the total transmission system for FY 2006-07 to FY 2007-08 as 97% and for FY 2008-09 as 97.5%. The achievements of the Transmission Licensee have been discussed with regard to the performance of the transmission system in the following paragraphs.

### **Transmission losses**

3.8 The MPPTCL had filed the status and performance of the transmission system in the State of Madhya Pradesh. The transmission losses in Intra-State transmission system have been reducing gradually during the last few years on account of the execution of several works proposed under transmission investment plan. The trajectory of energy handled by the system and transmission losses is tabulated hereunder:

**Table 10: Transmission losses**

<b>Details</b>	<b>FY 2003-04</b>	<b>FY 2004-05</b>	<b>FY 2005-06</b>	<b>FY 2006-07</b>	<b>FY 2007-08</b>	<b>FY 2008-09</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Estimated</b>	<b>Estimated</b>
Energy received into system (MUs)	27555	29531	31306	32594	33682	34692
Energy sent out of system (MUs)	25870	27871	29669	30963	32032	32992
Energy lost (MUs)	1685	1660	1637	1631	1650	1700
Transmission loss (%)	6.12%	5.62%	5.23%*	5.00%* *	4.90%	4.90%
Reduction in loss (%)	-	0.50%	0.39	0.22%	0.10%	0.00%

\* Target was 5.22%,

\*\* Target was 5.00%

- 3.9 As per the directives of the Commission, the MPPTCL has also computed and filed the voltage-wise transmission losses. The details for year 2005-06 and 2006-07 are given hereunder:

**Table 11: Voltage wise losses**

S. No.	Voltage Level	Percentage losses in year	
		2005-06	2006-07
1	400 kV	1.40%	1.26%
2	220 kV	3.26%	3.41%
3	132 kV	1.60%	1.29%
Overall System		5.23%	5.00%

- 3.10 The MPPTCL submitted that it had already taken note of the higher losses at 220 kV level and made necessary provisions in its transmission investment plan accordingly.
- 3.11 The Commission had noted that the MPPTCL had reduced the transmission losses from 5.23% to 5.00%. The Commission, in its Transmission Tariff Order for FY2006-07 to FY2008-09 had directed the Transmission Licensee to endeavour for greater thrust to reduce the losses further as these are of the order of 4.40% in Gujarat, 4.86% in Karnataka and 4.6% in Rajasthan. The MPPTCL should try and reduce the losses further and bring it to the level of best States in India.

### **Transmission system availability**

- 3.12 The quarterly and annual transmission availability for the year 2005-06 and 2006-07 as filed is tabulated below:

**Table 12: Transmission system availability**

S. No.	Period	Transmission System Availability			
		400 kV System	220 kV System	132 kV System	Overall System
1	April-June'05	98.37%	98.27%	99.17%	98.55%
2	July-September'05	94.35%	99.45%	99.15%	98.46%
3	October-December'05	99.08%	99.31%	99.33%	99.25%
4	January-March'06	99.73%	98.24%	99.22%	98.78%
A	Year 2005-06				98.41%
5	April-June'06	97.76%	98.97%	99.07%	98.78%
6	July-September'06	99.43%	98.59%	99.09%	98.84%
7	October-December'06	99.58%	98.70%	99.32%	99.02%
8	January-March'07	99.06%	99.44%	99.51%	99.33%
B	Year 2006-07	98.93%	99.05%	99.06%	98.96%

- 3.13 The overall system availability compares favourably with the target availability of 97% for FY2006-07 and FY2007-08 and 97.5% for FY2008-09 as per MPERC (Terms and Conditions for determination of Transmission Tariff) Regulations, 2005. The availability achieved by MPPTCL also compares favourably with the normative availability of 98% fixed by CERC in its order dated 16<sup>th</sup> January 2004. The Commission had specified incentive / penalty mechanism for MPPTCL for deviation in availability from the norms specified in MPERC (Terms and Conditions for Determination of Transmission Tariff) Regulations 2005.

## CHAPTER 4 - TRANSMISSION INVESTMENT PLAN

- 4.1 The MPPTCL had earlier submitted its investment plan for the period from FY 2005-06 to FY 2011-12 for the approval of the Commission. The proposed plan was of Rs. 4469.45 Crore. The Transmission Licensee also informed that out of the total proposed capital expansion plan of Rs 4469.45 Crore, the financial assistance of Rs. 1491.72 Crore from various financial institutions was arranged. For the remaining requirement of Rs. 2977.73 Crore the efforts were on for arranging the financial assistance. The Commission had granted the provisional approval on that plan with the condition that the impact of investment on Return on Equity, the interest cost and depreciation shall be considered while truing up when the licensee submits its audited financial accounts. The gist of the plan is given below:

**Table-13: Investment Plan as Approved by the Commission (Rs. Crore)**

Sl. No	Particulars	Year wise Fund Requirement up to year 2011-12							
		2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	Total
1.	400 kV Lines	0.00	7.24	70.00	103.00	80.00	30.88	0.00	291.13
2.	400 kV S/s	7.90	7.13	50.00	67.00	43.00	34.00	0.00	209.03
3.	220 kV Lines	87.40	342.26	208.66	190.65	119.10	86.08	70.00	1104.17
4.	220 kV S/s	45.06	157.10	165.52	121.55	52.00	98.30	122.75	762.28
5.	132 kV Lines	69.03	178.66	152.38	176.25	197.95	69.87	171.74	1015.88
6.	132 kV S/s	57.59	169.65	197.88	210.11	191.32	140.22	91.89	1058.66
7.	Misc. Works	14.85	10.75	0.00	2.70	0.00	0.00	0.00	28.30
<b>8.</b>	<b>Total</b>	<b>281.83</b>	<b>872.82</b>	<b>844.44</b>	<b>871.26</b>	<b>683.37</b>	<b>459.35</b>	<b>456.38</b>	<b>4469.45</b>

- 4.2 The actual addition in the assets for FY 2005-06 had already been considered by the Commission in its Truing-up of the Transmission Tariff Order for FY 2005-06 dated 01/03/2007. For the year 2006-07 the impact of investment has been considered by the Commission in this order in the following chapter. The Transmission Licensee in the present petition and also through a separate petition (Petition No. 75/2007) filed the revised investment plan for FY 2007-08 to FY 2011-12.
- 4.3 In its submission with regard to the revised transmission plan, the petitioner indicated that the provisions of transmission capacity expansion from the year 2007-08 to 2011-12 have been covered under 11<sup>th</sup> 5-year plan. After submission of plan for 2005-06 to 2011-12, there have been significant decisions on setting up new power projects, which are scheduled to be completed during 11<sup>th</sup> plan. Hence the evacuations of power from the new generating projects and strengthening of allied system have to be incorporated in 11<sup>th</sup> plan itself. The annual provisions from 2007-08 to 2011-12 (11<sup>th</sup> plan) have been accordingly modified and the revised proposal had been submitted by the MPPTCL for approval of the Commission. The petitioner had submitted that out of total plan of Rs.6804.46 Crore the financial assistance for Rs. 1852.47 Crore has been tied up and financial linkage for Rs. 4951.99 Crore is in process. The revised investment plan as submitted by the MPPTCL is given in the following table:



**Table 14: Revised Transmission Investment Plan filed by the Petitioner**

S. No.	Particulars	Expenditure (Rs. Lakh)					
		2007-08	2008-09	2009-10	2010-11	2011-12	Total (2007-12)
1	2	3	4	5	6	7	8
<b>A.</b>	<b>TRANSMISSION LINES</b>						
1	400 kV	1273	9000	27888	79024	77196	194381
2	220 kV	21618	27502	29451	18400	6746	103717
3	132 kV	12066	24075	26308	28720	26238	117407
	<b>TOTAL</b>	<b>34957</b>	<b>60577</b>	<b>83647</b>	<b>126144</b>	<b>110180</b>	<b>415505</b>
<b>B.</b>	<b>EHV SUB-STATIONS</b>						
1	400 kV	500	11500	16291	13704	14311	56306
2	220 kV	16955	25857	17990	12268	11293	84363
3	132 kV	14190	19082	16665	8416	11560	69913
	<b>TOTAL</b>	<b>31645</b>	<b>56439</b>	<b>50946</b>	<b>34388</b>	<b>37164</b>	<b>210582</b>
<b>C.</b>	<b>FEEDER BAYS (Nos.)</b>						
1	400 kV	0	0	5100	1600	1600	8300
2	220 kV	1432	3418	4970	4200	280	14300
3	132 kV	2090	5296	7444	3694	4570	23094
	<b>TOTAL</b>	<b>3522</b>	<b>8714</b>	<b>17514</b>	<b>9494</b>	<b>6450</b>	<b>45694</b>
<b>D.</b>	<b>Installation of 132 kV Capacitors (MVAR)</b>	150	710	400	425	4675	6360
<b>E.</b>	<b>Misc. Works</b>	1305	1000	0	0	0	2305
	<b>GRAND - TOTAL</b>	<b>71579</b>	<b>127440</b>	<b>152507</b>	<b>170451</b>	<b>158469</b>	<b>680446</b>

4.4 The physical programme in commensurate to above given financial plan is given below:

**Table 15: Physical Plan filed by the Petitioner**

S. No.	PARTICULARS	UNIT	YEARWISE PHYSICAL PROGRAMME					
			2007-08	2008-09	2009-10	2010-11	2011-12	TOTAL (2007-12)
<b>A.</b>	<b>TRANSMISSION LINES</b>							
1	400 KV	CIRCUIT KMS	29.4	0	80	800	2290	3199.4
2	220 KV		956.28	771.5	1983.1	1435	450	5595.88
3	132 KV		441	971.7	1932.13	1833.33	2014	7192.16
	<b>TOTAL</b>		<b>1426.68</b>	<b>1743.2</b>	<b>3995.23</b>	<b>4068.33</b>	<b>4754</b>	<b>15987.44</b>
<b>B.</b>	<b>EHV SUB-STATIONS</b>							
1	400 KV	MVA	0	630	630	1260	2205	4725
2	220 KV		1000	1800	2900	1100	1600	8400
3	132 KV		660	1447	1538	883	940	5468
	<b>TOTAL CAPACITY</b>		<b>1660</b>	<b>3877</b>	<b>5068</b>	<b>3243</b>	<b>4745</b>	<b>18593</b>

- 4.5 In the matter of petition number 75/2007, the Transmission Licensee had made available the details of load flow studies carried out by it, with and without the proposed works. It has been noted from the out put of the load flow study submitted that with all the works in place as per the transmission plan as on 31/03/2007 (i.e. the in put for load flow study for FY 2007-08 without the works of 2007-08), the over loading of the transmission line has reduced considerably. There are only two cases of line over loading and three cases of transformer overloading indicated in the abnormal report. The transmission losses as indicated in the results of load flow study are of the order of 4.57% i.e. less than directed by the Commission.
- 4.6 The Transmission Licensee had also filed the cost benefit analysis for power evacuation and transmission system strengthening works included in the revised transmission investment plan. It has been envisaged by the petitioner that with the implementation of works involved in the proposed plan for FY2007-08 and FY2008-09 by the year 2010-11, it would be able to save energy equivalent to an amount of Rs. 307 Crore (Considering the average cost of electricity is Rs. 2.31 / kWh).
- 4.7 The Commission is aware of the fact that the petitioner has to perform to its utmost potential so as to provide best facilities in terms of maximum availability in range of 99% associated with least transmission losses in the range of 4%. In order to achieve it, the Transmission Licensee has to put additional resources in to the system. The Commission appreciates the efforts put in by the Transmission Licensee in strengthening of the State Transmission System. The Commission also envisages that the transmission licensee shall have to keep itself ready for future expansion of the sector so as to meet the ever burgeoning load growth and also to cater for the up-coming generation to the load centres in most efficient manner. Considering this, the Commission provisionally approves the plan filed by the Transmission Licensee subject to the following conditions:
- (a) The impact of investment on Return on Equity, the interest cost and depreciation shall be considered while truing up when the Licensee submits its audited financial accounts.
  - (b) The Licensee shall inform the Commission after every six months (by 20<sup>th</sup> October and 20<sup>th</sup> April of each financial year) about the physical and financial progress in respect of each work executed under various schemes.
  - (c) The Licensee shall also be required to justify when it files its revised plan, the investment made during last financial year by indicating the improvement in transmission system in respect of improvement of voltage profile and loading conditions of the State Transmission System.
  - (d) The Licensee shall examine the economic, technical, system and environmental aspects of all viable alternatives to the proposal for investing in or acquiring new assets to meet such needs.

(e) The Licensee shall make investment in each of the said financial year in accordance with the said investment plan. However, if any unforeseen contingencies require reallocation of funds within the schemes listed in the annual investment plan, the licensee shall inform the following to the Commission in its half yearly report:

- (i) Physical and financial achievement of all works covered under annual investment plan.
- (ii) Re-allocation of fund, if any required within the schemes listed in annual investment plan.
- (iii) The details of works, which have not been taken up by the licensee during the period under report.

(f) The Licensee shall submit complete work-wise and scheme-wise details of the annual investment plan for next financial year as prescribed by the Commission in the Capex Guidelines.

4.8 The Transmission Licensees should comply with the aforementioned conditions timely. The capitalisation of the asset shall be considered when the Transmission Licensee files its audited statement of account to the Commission.

## CHAPTER 5 - TRUE-UP OF ANNUAL REVENUE REQUIREMENT FOR FY 2006-07

- 5.1 As per the MPERC (Terms & Conditions for Determination of Transmission Tariff) Regulations, 2005 notified on 16.12.2005, the MPPTCL submitted the petition for determination of transmission and allied charges for FY2006-07 to FY2008-09 on 07/01/2006. The Commission approved the year-wise ARR and simultaneously determined the transmission tariff for the first control period (i.e. FY2006-07 to FY2008-09) vide its order of March 13, 2006. Annual transmission charges as approved by the Commission are given in the following table:

**Table 16: Annual transmission charges as approved by the MPERC (Rs. Crore)**

S. No.	Details	Year		
		FY2006-07	FY2007-08	FY2008-09
1	O&M expenses	92.66	98.21	104.11
2	Depreciation	99.74	110.31	117.56
3	Interest on Loans	54.94	71.50	82.93
4	Interest on Working Capital	67.13	70.45	61.06
6	Return on Equity	122.78	127.26	127.26
7	Provision for terminal liabilities	160.00	167.48	177.52
8	Taxes and fee paid to MPERC	1.43	1.73	2.02
	<b>Total</b>	<b>598.68</b>	<b>646.95</b>	<b>672.45</b>

- 5.2 The MPPTCL accordingly billed the transmission charges to the three Distribution Companies and a long term Open Access Customer i.e. MPAKVN (SEZ, Pithampur, Distt. Dhar), as per allocated transmission system capacity approved for FY2006-07. In the present petition the MPPTCL requested the Commission to true-up the ARR for FY 2006-07 and accordingly revise the ARR of FY 2007-08 and 2008-09. The details of each cost item have been discussed in the subsequent sections.

### O&M expenses

- 5.3 The Operation and Maintenance (O&M) Expenses comprise Employee Expenses, Administrative and General (A&G) Expenses and Repairs and Maintenance (R&M) Expenses. The Commission had determined these expenses for FY2006-07 to FY2008-09 on the basis of the principles specified by the Commission in its regulation namely "MPERC (Terms and Conditions for Determination of Transmission Charges) Regulations, 2005" as given below:

**Table-17: O&M Expenses as per norms specified in Regulations (Rs. Lakh)**

Sl. No.	Voltage Level	Particulars	Year wise O&M Expenses		
			FY2006-07	FY2007-08	FY2008-09
1	400 kV	Per 100 Ckt Km or part thereof	9.48	10.04	10.65
		Per Bay	4.31	4.56	4.84
2	220 kV	Per 100 Ckt Km or part thereof	10.66	11.30	11.98
		Per Bay	4.87	5.17	5.48
3	132 kV	Per 100 Ckt Km or part thereof	10.66	11.30	11.98
		Per Bay	4.60	4.87	5.17

- 5.4 These norms in the regulation were specified prior to the issue of the Commission’s Transmission Tariff Order for FY 2005-06. While fixing the norms for O&M expenses the Commission considered capitalisation rate at 33.14% for employee cost, 22% for A&G expenses and 12% for R&M. The petitioner in its submission made for determination of the Transmission tariff for FY2005-06 submitted the different rates of capitalisation of these expenses. After scrutiny of the data submitted by the petitioner the Commission revised the rate of capitalisation to 10%. Accordingly, the Commission had allowed O&M expenses of Rs. 92.66 Crore for year FY2006-07. The provision was based on the amended O&M expense norms appeared in Transmission Tariff Order of March 13, 2006. The same is reproduced hereunder:

**Table 18: Amended O&M expense norms (Rs. Lakh)**

S. No.	Details	Year		
		FY2006-07	FY2007-08	FY2008-09
1	400 kV Level			
i	Per 100 Ckt Km or part thereof	10.29	10.90	11.56
ii	Per Bay	4.62	4.90	5.19
2	220 kV Level			
i	Per 100 Ckt Km or part thereof	11.57	12.27	13.00
ii	Per Bay	5.23	5.54	5.88
3	132 kV Level			
i	Per 100 Ckt Km or part thereof	11.57	12.27	13.00
ii	Per Bay	4.93	5.23	5.54

- 5.5 In the filing for determination of the Transmission Tariff for FY 2006-07 to FY 2008-09, the petitioner provided the details and justification for the projected output as on 31<sup>st</sup> March 2006. In absence of the relevant details for FY 2006-07, FY 2007-08 and FY 2008-09 the Commission considered the assets as on 31<sup>st</sup> March 2006 and determined the O&M expenses. The physical quantity of the assets considered is given below:

**Table 19: Physical Quantity of the Assets as on 31<sup>st</sup> March 2006**

Sl. No.	Voltage Level	Particulars	Assets As On 31/03/2006
1	400 kV	Transmission Lines (Ckt. kM)	2314.8
		Bays (Nos.)	59
2	220 kV	Transmission Lines (Ckt. kM)	7025.34
		Bays (Nos.)	267
3	132 kV	Transmission Lines (Ckt. kM)	11035.7
		Bays (Nos.)	1068

- 5.6 Accordingly, the O&M expenses as allowed by the Commission in the Transmission Tariff Order for FY 2007-08 to FY 2008-09 are given below:

**Table 20: Approved O&M Expenses (Rs. Crore)**

Details	FY2006-07	FY2007-08	FY2008-09
O&M	92.66	98.21	104.11

- 5.7 In accordance with the O&M norms as specified by the Commission and subsequently the O&M expenses as determined by the Commission in the Transmission Tariff Order for FY 2006-07 to FY 2008-09, the eligible expenses for FY 2006-07 are given below:

**Table 21: Eligible O&M expenses for FY 2006-07**

S. No.	Particulars	Unit	Position in FY2006-07	Norms for FY 2006-07	Amount (Rs. in Lakh)
1	400 kV Line	Ckt. Km	2314	Rs. 10.29 Lakh/100 Ckt. Kms or part thereof	246.96
2	220 kV Line	Ckt. Km	7349	Rs. 11.57 Lakh/100 Ckt. Kms or part thereof	856.18
3	132 kV Line	Ckt. Km	10686	Rs. 11.57 Lakh/100 Ckt. Kms or part thereof	1237.99
4	400 kV Bays	Nos.	58	Rs. 4.62 Lakh/Bay	267.96
5	220 kV Bays	Nos.	274	Rs. 5.23 Lakh/Bay	1433.02
6	132 kV Bays	Nos.	1024	Rs. 4.93 Lakh/Bay	5048.32
<b>Total</b>					<b>9090.43</b>

- 5.8 The MPPTCL submitted that the eligibility worked out was on much lower side due to the fixation of O&M expense norms on the basis of apportioned expenses from MPSEB's accounts for year 2001-02 to 2004-05. These were highly restricted on account of financial crunch. The Commission approved O&M expenses during 2005-06 (01.06.2005 to 31.03.2006 = 10 months) in its true-up order of March 01, 2007 as Rs. 90.22 Crore, which works out to Rs. 108.27 Crore for entire year, whereas O&M expense eligibility in 2006-07 on the basis of the norms specified is worked out only Rs. 90.90 Crore. The MPPTCL hence requested for the revision of O&M expenses and also the norms.
- 5.9 The Commission had gone through the submission of the Licensee. The Commission noted that the Transmission Licensee sought the revision of the allowance in the Employee Expenses, A&G Expenses and R&M Expenses for FY2006-07 on the basis of the Audited Accounts of the year. The Transmission Licensee further requested for the revision in the O&M norms on the basis of the Audited Accounts for FY 2006-07 and on account of wage revision and payment of arrears thereon. The Commission had also noted that Transmission Licensee revised the projections for Asset addition during the control period. The Opening Balance Sheet is still to be finalised by the GoMP but the audited Statement of Accounts for FY 2006-07 are now available, which have been prepared on the basis of the Provisional Opening Balance Sheet. In this situation, the Commission decided to true up the O&M expenses for FY2006-07 on the basis of audited Statements of Accounts for uncontrollable factors only. With regard to the revision in the O&M norms for FY2007-08 to FY2008-09, it had already been indicated by the Commission that these norms were framed for the control period i.e. from FY2006-07 to FY2008-09 and any variation due to uncontrollable factors would be considered after timely availability of audited Statements of Accounts for future years. The Commission's analysis on the true-up of the O&M expenses is given in the following paragraphs.

**Employee expenses**

- 5.10 The MPPTCL submitted that during 2006-07, GoMP notified wage revision for the employees of MPPTCL. On account of the wage revision, the employee expenses had gone up considerably in comparison to the expenditures in year 2005-06. The comparison as per ‘Audited Annual Accounts’ of both the years is tabulated hereunder:

**Table 22: Comparison of employee expenses (Rs. Lakh)**

S. No.	Particulars	Expenses in Annual Accounts for 31/03/2006 (10 Months)	Corresponding Expenses prorated for 12 Months	Expenses in 2006-07
1	Salaries (including Addl. PA/DA)	5947.95	7137.54	9426.37
2	Allowances & Other Benefits	1496.62	1795.95	1345.38
3	Contractual Employment / Deputations Cost	9.41	11.29	25.14
Total Employee Cost		7453.98	8944.78	10796.89
Less Employee Cost chargeable to construction works		585.27	702.32	724.71
Net Employee Cost chargeable to Revenue		6869.71	8242.46	10072.18

- 5.11 The petitioner further submitted that for FY 2006-07 the employee expenses thus worked out includes the employee expenses of State Load Despatch Centre (SLDC) of the order of Rs. 213.84 Lakh. As the Commission had separately determined the ARR of the SLDC for the year 2006-07, the net employee expenses after deducting the SLDC portion worked out to Rs. 9858.34 Lakh.
- 5.12 The Commission had taken the stock of the situation that the Annual Accounts for FY 2006-07 had been audited but the opening balances had been taken from the Provisional Opening Balance Sheet which are yet to be finalised by the GoMP. The Transmission Tariffs were determined by the Commission on the basis of the aforementioned provisional Opening Balance Sheet.
- 5.13 The Commission understands that the increase in the employee expenses during FY 2006-07 was due to the wage revision and revision in the Dearness Allowances as declared by the State Government. The petitioner has no control over such decisions. This is an uncontrollable factor for the Transmission Licensee. Hence, the Commission approves the revised employee expenses of Rs.98.58 Crore. But at the same time the Commission has to safe guard the interest of the consumers. The MPPTCL should, therefore, ensure that rise in the employee cost is compensated by increased productivity of the employees.

### Administrative & General expenses

- 5.14 Although the Commission had specified the norms for determination of the O&M expenses, the MPPTCL, in its petition, had requested separate true-up for A&G expenses. The petitioner had submitted that during FY 2006-07 the A&G expenses had been restricted to the amount less than the amount actually incurred under this head during FY 2005-06. The Commission had allowed the actual amount as reflected in the audited Statement of Accounts for FY2005-06. The expenses of the two years are compared hereunder.

**Table 23: Comparison of Administrative & General expenses**

Particulars	AMOUNT (Rs. in Lakh)	
	Current Year as at 31.03.2007 (12 months)	Previous Year as at 31.03.2006 (10 months)
Property Related Expenses	54.32	35.78
Communication Expenses	100.17	93.70
Fee Paid to MPERC & Taxes	101.26	170.21
Professional, Legal & Statutory Charges	35.06	228.11
Conveyance & Travelling Expenses	698.44	413.66
Other Expenses	378.43	548.73
Materials Related Expenses	9.69	- 49.975
Work Outsourcing Expenses	130.81	51.40
Miscellaneous Losses and Write-Offs	1.67	5.48
Total Administration & General Expenses	1509.84	1497.15
Less: Admin. & Gen. Expenses Capitalized to WIP	149.48	117.56
<b>Administration &amp; General Expenses</b>	<b>1360.36</b>	<b>1379.59</b>
Less fee paid to MPERC & Taxes	(-) 144.43	(-) 170.21
<b>Net A&amp;G Expenses</b>	<b>1215.93</b>	<b>1209.38</b>

- 5.15 The petitioner had further submitted that the A&G expenses of SLDC of Rs. 14.86 Lakh are also included in the aforementioned amount. As the Commission had already allowed the separate ARR for SLDC this amount has now been reduced from Rs. 1215.93 Lakh. The actual claim as submitted by the Transmission Licensee is of the order of Rs. 1201.07 Lakh.



5.16 The Commission had pondered over the issue. The A&G expenses are part of O&M and are not separately defined in the Commission Regulation for determination of the Transmission Tariff. The amount approved by the Commission for FY 2006-07 in the Transmission Tariff Order for FY 2006-07 to FY 2008-09 against the O&M expenses (Rs. 92.66 Crore) is even less than the actual employee expenses incurred by the Transmission Licensee during the year (Rs. 98.58 Crore). The A&G and R&M expenses are over and above employee expenses. Further, it is evident from the Audited Statement of Account for FY 2006-07 that the Transmission Licensee had incurred less amount against A&G expenses in FY 2006-07 than it would have actually incurred for the 12 months' operation in FY 2005-06. In FY 2005-06 the operation was for only 10 months. In this condition the Commission considers it appropriate to deviate from the norms and allows the Transmission Licensee the actual A&G expenses of Rs. 1201.07 Lakh as claimed by it on the basis of audited Statement of Accounts for FY 2006-07.

**Repairs & Maintenance expenses**

5.17 The R&M expenses are also a part of the O&M expenses and are not defined separately in the Transmission Tariff Order for FY 2006-07 to FY 2008-09. In view of the fact that the Transmission Licensee had incurred the employee expenses for FY 2006-07 more than the total O&M allowed, the petitioner had requested to consider the R&M expenses separately for approval of the Commission. The details of R&M expenses for the current year and previous year are compared in the following table:

**Table 24: Repair and Maintenance expenses**

Particulars	AMOUNT (Rs. in Lakh)	
	Current Year as at 31.03.2007 (12 months)	Previous Year as at 31.03.2006 (10 months)
Repairs and Maintenance of Buildings	174.03	206.02
Repairs & Maintenance of Plant Machinery	1836.09	955.78
Repairs & Maintenance of Vehicle	81.33	41.31
Repairs & Maintenance of Furniture and Fittings including Fan	3.22	2.73
Repairs & Maintenance of Computers and Accessories	14.99	5.20
Repairs & Maintenance of Assets not belonging to the Company	00.00	0.07
Other R & M Cost (Entry Tax)	22.19	11.20
Total Repairs & Maintenance Expenses	2131.86	1222.30
Less: Rep. & Maint. Charges Capitalized To WIP	41.50	65.88
Net R&M Expenses	2090.36	1156.42

5.18 The petitioner had further indicated that out of the R&M expenses of Rs. 2090.36 Lakh the SLDC had a share of Rs. 8.41 Lakh.

- 5.19 The Commission has always encouraged the proper maintenance and repair. In the past, because of financial crisis of the MPSEB adequate funds were not made available for R&M and hence the historical expenditure on R&M was low. Approved expenditure for the MYT period was based on the past data. However, in order to encourage proper R&M, Commission considers it appropriate to allow the actual spending done by MPPTCL on R&M. The Commission approves Rs. 2081.95 Lakh (Rs.2090.36 Lakh – Rs. 8.41 Lakh) as claimed by the petitioner.

**Total O&M expenses**

- 5.20 The total O&M expenses as approved by the Commission in aforementioned paragraphs are given below:

**Table 25: True-up of O&M expenses (Rs. Crore)**

S. No.	Particulars	As Approved by the Commission	Total Expenses during 2006-07	Expenses of SLDC of 2006-07	Net O&M Expenses of MPPTCL 2006-07	Additional O&M Expenses Allowed
1	Employee expenses	<b>92.66</b>	100.72	2.14	98.58	<b>38.75</b>
2	A&G expenses		12.16	0.15	12.01	
3	R&M expenses		20.90	0.08	20.82	
<b>TOTAL O&amp;M</b>			<b>133.78</b>	<b>2.37</b>	<b>131.41</b>	

**Terminal benefits expenses**

- 5.21 The State Government of MP, through the notification on Transfer Scheme of 13.06.2005 transferred the responsibility of meeting the pension liabilities of all Pensioners to MPPTCL.
- 5.22 At the time of passing the Transmission Tariff Order, the Commission observed that the formalities with regard to the setting up of the Terminal Benefit Trust as envisaged in the Transfer Scheme had not been completed. The Commission had therefore allowed the current liabilities of the pension, gratuity and annuity projected for control period for Pensioners of all the Companies constituted on unbundling of the erstwhile MPSEB to the MPPTCL. The terminal benefits for control period as per order dated 13.03.2006 are tabulated below:

**Table 26: Terminal benefits as approved by the Commission**

S. No.	Particulars	Expenses Allowed for Years (Rs. Crore)		
		FY 2006-07	FY 2007-08	FY 2008-09
1	Terminal Benefit Liabilities	160.00	167.48	177.52

- 5.23 The MPPTCL, in the true up petition filed, had submitted that similar to the revision of salary of working employees, the pension of the pensioners had also been revised as per the orders of the State Government. Further, on account of the increase in the salary, the pension related liabilities of the retirees are also being increased substantially. For these reasons and also on account of further retirements, the additional burden was of about 28% in FY2006-07 as compared to FY2005-06. The actual amount of expenses on Terminal Benefits is finalized for year 2006-07 from the Annual Accounts 2006-07 and as claimed by the petitioner is given below:

**Table 27: Terminal benefits as per the Accounts**

S. No	Particular	Amount (Rs. Crore)
1	Pension (A/c 75-870)	151.58
2	Gratuity (A/c 75-840)	43.05
3	Annuity (A/c 75-884)	00.09
<b>TOTAL</b>		<b>194.72</b>

- 5.24 The Commission had already stated in the Transmission Tariff Orders that it will allow the terminal benefits as actually incurred by the Transmission Licensee. Hence, the Commission approves the actual expenditure of 194.72 Crore incurred on account of payment of terminal benefits. The Commission has also noted that the Terminal Benefit Trust has been constituted but the same has not been operationalised till date. The Commission directs to get the trust operationalised as early as possible. The additional amount on account of terminal benefits in 2006-07 is Rs. 34.72 Crore (Rs. 194.72 Crore – Rs. 160.00 Crore).

## **Interest & finance charges**

### **Interest on Loan**

- 5.25 For FY 2006-07, the Commission had allowed the net interest of Rs. 54.94 Crore against the claim of Rs. 148.50 Crore. The Commission did not consider the MPSEB loan as project specific loan as the petitioner at that time failed to establish the purpose for which the loan from MPSEB was availed. The Commission decided to allocate the MPSEB loan between work in progress and working capital requirement. The interest portion on the MPSEB loan allocated to the CWIP was to be capitalised and balance amount was to be considered as working capital loan. The Commission in its order dated. 13/03/2006 had not allowed any interest against the loan liabilities from the MPSEB (i.e. generic loans) amounting to Rs. 835.00 Crore. The comparison of claims and allowed amount is shown in the following table:

**Table 28: Interest expenses allowed (Rs. Crore)**

S. No.	Particulars	2006-07	
		Claimed	Allowed
1.	PFC	30.32	26.94
2.	ADB	27.02	27.02
3.	SADA	00.48	00.48
4.	MPSEB	90.18	00.00
5.	REC	00.50	00.50
6.	State Govt.	00.00	00.00
<b>TOTAL</b>		<b>148.50</b>	<b>54.94</b>

- 5.26 The Commission had reckoned a portion of the MPSEB’s loan as Working Capital and allowed an interest on working capital of Rs. 67.13 Crore against the interest on normative Working Capital as worked out to Rs. 17.00 Crore. Thus, the total interest as allowed by the Commission was Rs. 122.07 Crore against total claim of Rs. 165.50 Crore.
- 5.27 In the present petition the petitioner had submitted to the Commission that loan liabilities in respect of the PFC, ADB, MPSEB, and SADA had been transferred to the MPPTCL through provisional Opening Balance Sheet of May 31, 2005 by GoMP. Certain loans had been received during FY 2005-06 and FY2006-07. In the petition filed by the Transmission Licensee determination of Multi Year Tariff (MYT), it was projected that loan assistance would also be availed from REC. The same could not be materialized. However, the petitioner had tied up a loan from Canara Bank during 2006-07. The loan liabilities, loans received during the year and payments made by the Transmission Licensee as per its Audited Statements of Account for FY 2006-07 are summarized below.

**Table 29: Interest expenses as filed by the Petitioner (Rs. Crore)**

S. No.	Particulars	Principal loan outstanding as on		Interest Accrued
		01.04.2006	31.03.2007	
1.	PFC (Unsecured)	353.76	448.26	42.31
2.	PFC (Secured)	0.00	19.40	00.12
3.	ADB	312.07	419.92	34.41
4.	MPSEB	781.64	815.74	89.76
5.	State Govt.	20.80	23.14	02.34
6.	Canara Bank	0.00	10.01	00.01
7.	SADA	4.64	2.40	00.48
8.	Cost of raising Finance/Bank charges etc.	-	-	1.42
<b>TOTAL</b>		<b>1472.91</b>	<b>1738.45</b>	<b>170.85</b>
Less interest chargeable to works under progress		-	-	(-) 33.49
<b>Net Interest Payable</b>				<b>137.36</b>

- 5.28 Thus, the Transmission Licensee had requested the Commission to allow it the interest expenses of the amount of Rs. 137.36 Crore as per its Audited Statements of Account for FY 2006-07.

**Interest on working capital**

- 5.29 The MPPTCL had requested the Commission to allow the interest on working capital derived as per the norms specified in the Commission’s transmission tariff regulations notified on 16/12/2005. The Transmission Licensee had filed the following details in this regard:

**Table 30: Interest on working capital as filed by the Petitioner**

Sl no	Particular				Amount	
1	O&M Expenses for 1 Month Rs. 132.85 Crore ÷ 12				Rs. 11.07 Crore	
2	Spares @ 1% of Opening Gross Block Rs. 3056 Crore				Rs. 30.56 Crore	
3	2 month receivables				Rs. 128.67 Crore	
	Revised ARR (772.03)	x	2	=		1544.06
	12					12
Total Working Capital					Rs. 170.30 Crore	
Interest on Working Capital @ 11.25%					Rs. 19.16 Crore	

- 5.30 On the basis of the submission indicated in the above paragraphs the Transmission Licensee had requested the Commission to allow it the true-up for the interest and finance charges as given below:

**Table 31: True-up of interest amount as requested by the petitioner (Rs. Crore)**

S. No.	Particulars	As Calculated above	As Allowed in Order dated 13.3.2006	True-up Requested
1	Interest & Finance Charges	137.36	54.94	82.42
2	Interest on Working Capital	19.16	67.13	(-) 47.97
<b>Total Interest</b>		<b>156.52</b>	<b>122.07</b>	<b>34.45</b>

- 5.31 In addition to the above submissions, the Transmission Licensee had also submitted the working of interest liabilities on the basis of the redeployment of funds as had been done by the Commission while issuing the Transmission Tariff Orders for FY 2005-06 and for FY 2006-07 to FY 2008-09 and also the truing up order for FY2005-06. The same is reproduced in the following paragraph:

- 5.31.1 In the true-up order of Transmission tariff for FY 2005-06 the Commission mentioned that

*"As the Opening Balance Sheet of the Company has not been finalized by the Government yet, therefore, the Commission has done the truing up of the interest and ROE on the basis of allocation of loans and equity to GFA as reflected in the audited balance sheet".*

- 5.31.2 The Commission adopted the basis of fixed assets and CWIP's allocation as on 31.05.05, as assumed in transmission tariff order for 2005-06. The Opening Balance Sheet as on 01/06/2005 is yet to be finalized. However, the MPPTCL had got its accounts audited for year FY2005-06 as well as for FY2006-07. The deployment of equity, project specific loans and MPSEB loan as considered by the Commission for FY 2005-06 is shown in the following table:

**Table-32: Source-wise Deployment of Fund in Commission's Orders**  
Amount in Rs. Crore

Sl. No.	Source	Amount as per notified Balance Sheet	Fixed Assets	Capital Works In Progress (CWIP)	Working Capital
1.	Equity	845.00	722.00	123.00	
2.	Project Specific Loans	531.00	519.00	12.00	
3.	MPSEB Loan	835.00		712.00	123.00

5.31.3 In the Commission's order on Truing up of the Transmission Tariff Order for FY 2005-06, the Equity, project specific loans, working capital, addition in the assets and gross value of fixed assets were :

- |    |  |   |   |
|----|--|---|---|
| a. | Equity                                     | – | Rs. 901.83 Crore                                  |
| b. | Capitalisation from Project Specific Loans | – | Rs. 856.08 Crore                                  |
| c. | Working Capital                            | – | Rs. 117.91 Crore                                  |
| d. | Addition in the Fixed Assets               | – | Rs. 649.52 Crore                                  |
| e. | Gross Asset Value as on 31/03/2006         |   |   |
|    |  |   | Rs. 2407 Crore + 649.52 Crore = Rs. 3056.52 Crore |

5.31.4 The working for FY 2006-07, similar to that done for truing up of Transmission Tariff for FY 2005-06 is given below:

- (i). Loans outstanding as on 31.03.07, as per Audited Statement of Accounts is given below
- |      |             |                   |
|------|-------------|-------------------|
| (a). | Unsecured - | Rs. 1709.05 Crore |
| (b). | Secured -   | Rs. 29.41 Crore   |
|      | TOTAL -     | Rs. 1738.46 Crore |
- (ii). Equity Employed on completed works –

S. No.	Position as on	Equity Employment Against		
		Fixed Assets	CWIP	TOTAL
1	31.03.05	722.00	123.00	845.00
2	31.03.06	901.83 (722.00 + 123.00 + 56.83 Received in FY 2005-06)	NIL	901.83
3	31.03.07	991.68 (901.83 + 89.85 from Equity received in FY 2006-07)	53.70 (From Equity received in FY2006-07)	1045.38

- (iii). CWIP as on 31.03.07 from Equity - Rs. 53.70 Crore  
 CWIP as on 31.03.07 from Loan - Rs. 488.89 Crore  
CWIP TOTAL : Rs. 542.59 Crore
- (iv). Total outstanding loan as on 31.03.07 - Rs. 1738.46 Crore  
 Less CWIP against Loan - (-) Rs. 488.89 Crore  
 Eligible Loan for interest claim Rs. 1249.57 Crore

- (v). Total Capitalization in 2006-07 - Rs. 249.08 Crore  
 Capitalization from Equity in 2006-07 - Rs. 89.85 Crore  
 Capitalization from Loan in 2006-07 - Rs. 159.23 Crore.

(vi). **Project Specific Loans against Completed Works –**

i.	As on 31.05.05	Rs. 519.00 Crore
ii.	Added from Capitalization in year 2005-06 from Loan	Rs. 469.69 Crore
iii.	Added from Capitalization in year 2006-07 from Loan	Rs. 159.23 Crore
Total Loan against Completed Works as on 31.03.07 -		Rs. 1147.92 Crore
Less repayment of Principal in 2006-07 (-)		Rs. 112.21 Crore
Net Loan eligible for interest		Rs. 1035.71 Crore
Interest at the weighted rate of interest 11.38% on Rs. 1035.71 Crore		Rs. 117.86 Crore

(vii). **Interest on Working Capital –**

(a)	Eligible loan employed on Capital Works on 31.3.07 as per Point (iv) above	Rs. 1249.57 Crore
(b)	Loan on which interest allowed treating them project specific	Rs. 1035.71 Crore
(c)	Remaining loan to be treated as Working Capital (a-b)	Rs. 213.86 Crore
(d)	Interest on Working Capital @ 11%	Rs. 23.52 Crore

(viii). **Comparison to Actual Interest in Audited Account –**

(a)	Total Interest as per Para (vi) & (vii) above	Rs. 117.86 Crore + Rs. 23.52 Crore = Rs. 141.38 Crore
(b)	Total interest as per Audited Account Paragraph 5.30	Rs. 156.47 Crore

**Commission's Analysis**

- 5.32 The Transmission Licensee had filed the information with regard to the opening and closing balances of the loan in the petition. The Transmission Licensee had also submitted its Audited Statements of Accounts for FY 2006-07. The position of assets and liabilities as on 31/03/2007 as per the audited Statement of Accounts is as under:

**Table-33: Position of Asset and Liabilities as on 31/03/2007 (Rs. Crore)**

Liabilities		Assets	
Share Capital	1045.37	Gross Fixed Assets	3305.60
Reserves and Surplus	31.42	Less Depreciation	1374.90
Secured Loans	29.41	Net Fixed Assets	1930.70
Unsecured Loans	1709.05	Capital Works in Progress	542.59
Liability for Terminal Benefits	3910.00	Regulatory Assets Towards Terminal Benefits	3910.00
		Current Assets, Loans and Liabilities	456.97
		Less Current Liabilities	115.06
		Net Current Assets	341.91
		Miscellaneous Expenditure not Written Off	0.05
<b>Total</b>	<b>6725.25</b>	<b>Total</b>	<b>6725.25</b>

5.33 According to the Audited Statements of Accounts as on 31/03/2007, the total loan liability was of Rs. 1738.46 Crore and out of it, the secured loan was of Rs. 29.41 Crore and unsecured loan was of Rs. 1709.05 Crore. This loan liability includes Rs. 177.47 Crore of interest accrued and due and Rs. 52.32 Crore of repayment due as given in table 34. The Commission can not consider any default in payment of interest or principal repayment to be included as part of the loan amount. Thus the balance amount of loan as on 31/03/2007 eligible for claiming interest is restricted to Rs. 1508.66 Crore.

5.34 The Commission studied the documents filed by the Transmission Licensee as well as the Audited Statement of Accounts for FY 2006-07. For ease of understanding, the position of gross fixed assets and its possible source of funding is summarised as under:

Gross Fixed Assets (GFA) as on 31/03/2007 -	Rs. 3305.60 Crore
Equity attributable at 30% of GFA -	Rs. 991.68 Crore
Loan Funding at 70% of GFA -	Rs. 2313.92 Crore

5.35 However, the loan outstanding as on 31/03/2007 as indicated in the paragraph 5.33 is of Rs. 1508.66 Crore. The Capital Works In Progress (CWIP) will account for Rs. 488.90 Crore as out of the total CWIP of Rs.542.59 Crore as indicated in the audited Statement of Account for FY 2006-07, the sum of Rs. 53.69 Crore is considered as funded from equity (Equity as on 31/03/2007 is Rs. 1045.37 Crore and Equity allocated to fixed assets Rs. 991.68 Crore, thus balance is Rs. 53.69 Crore). Thus the loan availed by the Transmission Licensee for completed projects amounts to Rs. 1019.76 Crore.

5.36 Taking the position from 01/06/2005 to 31/03/2007 the Commission had brought out the source wise opening balance of loans, scheduled repayment during FY 2005-06 and 2006-07 and the additional loan availed during FY 2005-06 and 2006-07. The situation as 31/03/2007 as per the filing of the petitioner is as given below:



**Table-34: Details of Loans as per Petitioner's filing (Rs. Crore)**

Source	Opening Balance	Scheduled repayment	Addl. Loan Availed	Balance	Scheduled repayment	Addl. Loan Availed	Balance	As Per Audited Statement of Account
	As on 01/06/2005	2005-06	2005-06	As on 31/03/2006	2006-07	2006-07	As on 31/03/2007	As on 31/03/2007
<b>Project Loans</b>								
PFC (U)	321	30.11	62.87	353.76	46.7	141.2	448.26	448.26
PFC (S)	0	0	0	0	0	19.4	19.4	19.4
SADA	15	2.4	0	4.64	2.46	0.36	2.54	2.12
ADB	195	4.83	85.82	275.99	6.14	78.27	348.12	348.11
CANARA	0	0	0	0	0	10	10	10
NABARD	0	0	20.8	20.8	2.97	0	17.83	3.87
<b>Total</b>	<b>531</b>	<b>37.34</b>	<b>169.49</b>	<b>655.19</b>	<b>58.27</b>	<b>249.23</b>	<b>846.15</b>	<b>831.76</b>
<b>MPSEB</b>	<b>835</b>	<b>83.5</b>	<b>15.49</b>	<b>766.99</b>	<b>85.04</b>	<b>0</b>	<b>681.95</b>	<b>662.94</b>
<b>TOTAL</b>	<b>1366</b>	<b>120.84</b>	<b>184.98</b>	<b>1422.18</b>	<b>143.31</b>	<b>249.23</b>	<b>1528.1</b>	
<b>GOMP</b>								<b>13.96</b>
<b>SHORT TERM</b>	<b>0</b>	<b>0</b>	<b>16.08</b>	<b>16.08</b>	<b>16.08</b>	<b>0</b>	<b>0</b>	
<b>TOTAL2</b>	<b>1366</b>	<b>120.84</b>	<b>201.06</b>	<b>1687.9</b>	<b>159.39</b>	<b>249.23</b>	<b>1528.1</b>	
<b>Interest Accrued and due</b>								<b>177.47</b>
<b>Repayment Due</b>								<b>52.32</b>
<b>Total</b>								<b>1738.45</b>

5.37 As indicated above, a sum of Rs. 846.15 Crore is identified with project specific loans by the petitioner. As the Commission had arrived at an amount of Rs. 1019.76 Crore for the completed projects, it would mean that the balance of Rs. 173.61 Crore for the project specific assets had been utilised from the MPSEB loan. Similarly, the loan utilised for capital WIP amounting to Rs. 488.90 Crore is considered as availed from the MPSEB loan. This will work out to Rs. 662.51 Crore. Hence the Commission considers that the MPSEB loan is accounted for as under:

For Project Specific Loan	-	Rs. 173.61 Crore
Capital Works In Progress	-	Rs. 488.90 Crore
Total	-	Rs. 662.51 Crore

5.38 From the table as given above it can be seen that as on 31/03/2007 the balance of MPSEB loan works out to Rs. 681.95 Crore but the MPSEB loan as per the audited Statements of Account for FY 2006-07 is only Rs. 662.94 Crore against the Commission's working of MPSEB loan of Rs. 662.51 Crore. Thus, for the true-up exercise, the Commission will consider interest on MPSEB loan amounting to Rs. 173.61 Crore. Interest is allowed at the rate of 12% p.a. on this loan which works out to Rs. 20.83 Crore.

5.39 In respect of the other project specific loans, the Commission had considered the opening balance as on 01/04/2006 and the closing balance as on 31/03/2007 for working the average loan amount for calculation of interest. The Transmission License had indicated the rate of interest on loans for various financial institutions as given below:

Power Finance Corporation (Secured and Unsecured Loans) (PFC) -	10.75%
Special Area Development Authority (SADA)	- 10.00%
Asian Development Loan (ADB)	- 10.50%
National Bank for Rural Development (NABARD)	- 10.50%
Canara Bank	- 10.50%
Interest on Working Capital	- 11.25%

5.40 The Commission had applied the actual rate of interest on the average loan amount during the year 2006-07 for working out the total interest liability of the Transmission Licensee for FY 2006-07 as given in the table below:

**Table-35: Interest Liability for Project Specific Loans as Calculated by the Commission (Rs. Crore)**

Project Specific Loans	Opening Balance As On 01/04/2006	Closing Balance As On 31/03/2007	Average Loan During FY 2006-07	Actual Rate of Interest	Amount of Interest
PFC (Un-Sec)	353.76	448.26	401.01	10.75%	43.11
PFC (Sec)	0.00	19.40	9.70	10.75%	1.04
SADA	4.64	2.54	3.59	10.00%	0.36
ADB	275.99	348.12	312.06	10.50%	32.77
CANARA	0.00	10.00	5.00	10.50%	0.52
NABARD	20.80	17.83	19.32	10.50%	2.03
<b>Total</b>	<b>655.19</b>	<b>846.15</b>	<b>750.67</b>		<b>79.83</b>

5.41 The Commission thus allows the actual interest expenses of the amount of Rs. 79.83 Crore plus Rs. 20.83 Crore on MPSEB loan.

5.42 As indicated in the paragraphs 5.37 the balance of MPSEB loan has been considered as has been utilised for projects specific loan or for Capital Works In Progress. Hence the Commission considers it appropriate to allow the Transmission Licensee the interest on working capital as per the norms specified by the Commission in the Transmission Tariff Regulations of December 2005. The Regulations stipulate the normative working capital requirement will be the sum of O&M expenses of one month, Spares @1% of opening gross block and receivable of 2 months. Accordingly, the working capital has been worked out as under:

**Table-36: Normative Working Capital Requirement (Rs. Crore)**

Particulars	Amount
O&M Expenses for One Month =	131.41/12 10.95
Spares @ 1% of Opening Gross Block =	3056.51x1% 30.57
Two Months' receivables =	673.15/6 112.19
<b>Total</b>	<b>153.71</b>

- 5.43 The Transmission Licensee had indicated the interest on working capital at the rate of 11.25%. Hence, the interest liability on the working capital loan @ 11.25% is worked out to Rs. 17.29 Crore.
- 5.44 The true up of the interest expenses is summarised below:

**Table-37: Trued Up Interest Liability for FY2006-07 (Rs. Crore)**

S. No.	As Allowed in Transmission Tariff Order			As filed by the petitioner (Considering Audited Accounts for FY2006-07)			As Allowed by the Commission after Truing up			Net True Up
	Interest on Loans	Interest on Working Capital	Total	Interest on Loans	Interest on Working Capital	Total	Interest on Loans	Interest on Working Capital	Total	
1	54.94	67.13	122.07	137.36	19.16	156.52	100.66	17.29	117.93	<b>-4.12</b>

- 5.45 Thus the total interest for the FY 2006-07 works out to Rs.117.93 Crore and is allowed as a result of the truing up exercise. The net true up amount allowed is Rs. (-) 4.12 Crore.

## Depreciation

- 5.46 The Transmission Licensee in its petition for determination of the transmission tariff for FY 2006-07 to FY2008-09 filed the following details:

**Table-38: Details of Gross Fixed Assets, Depreciation and Net Fixed Assets (Rs. Crore)**

Year	Gross Fixed Assets			Depreciation			Net Fixed Asset		
	At Beginning of Year	Added During Year	At the End of Year	At Beginning of Year	Added During Year	At the End of Year	At Beginning of Year	Added During Year	At the End of Year
FY 2005-06	2407.00	621.00	3028.00	1076.00	79.22	1155.22	1331.00	541.78	1872.78
FY 2006-07	3028.00	501.85	3529.85	1155.22	97.89	1253.11	1872.78	403.96	2276.74
FY 2007-08	3529.85	787.00	4316.85	1253.11	113.97	1367.08	2276.74	673.03	2949.77
FY 2008-09	4316.85	404.05	4720.90	1367.08	139.34	1506.42	2949.77	264.71	3214.48

- 5.47 The Transmission Licensee later on revised the figures with regard to the depreciation during the year for FY 2006-07, 2007-08 and 2008-09. The Commission studied the submission of the Licensee. The Commission recalculated the depreciation amount by applying the rate as specified by the Commission in its regulations. The Commission allowed the depreciation as indicated in the following table:

**Table-39: Depreciation as per original and revised claim and as allowed by the Commission (Rs. Crore)**

Sl. No.	Year	Claim as per petition	Revised Claim	Allowed by the Commission
1.	FY 2006-07	97.89	105.93	<b>99.74</b>
2.	FY 2007-08	113.97	126.66	<b>110.31</b>
3.	FY 2008-09	139.34	45.88	<b>117.56</b>

- 5.48 While truing-up of the Transmission Tariff Order for FY 2005-06, the Commission allowed the depreciation amount as indicated in the Audited Statements of Accounts for FY 2005-06. At that time the Commission observed that Final Opening Balance Sheet of the Licensee was not notified by the Government of MP and the statutory auditor of the Licensee commented on depreciation computation on the opening Fixed Assets value of Rs.2407.00 Crore as follows:

*“Assets of Rs.2407 Crore received in Provisional Opening Balance Sheet as on 01.06.05 in Transfer Scheme is depreciated @ 3.10% (Average Rate) as no details of the said assets were available. The amount of depreciation is subject to change on notification of detailed final balance sheet by Govt. of MP.”*

Operating norms had been prescribed by the Commission for the Transmission Licensee from the FY 2006-07 for the control period of three years ending on 31.03.2009. However, no norms were prescribed for the FY 2005-06.

Since the opening balance sheet had the provisional figures, the Commission accepted the depreciation as per the Audited Statements of Account with the direction that as and when the Transmission Licensee finalises its asset registers on the basis of the Final Opening balance Sheet, it should approach the Commission for finalisation of the assets and depreciation.

- 5.49 For FY 2005-06 as there was no tariff regulations in vogue and the Final Opening Balance Sheet was to be notified, the Commission considered the depreciation claim as indicated in the Audited Statements of Account for FY 2005-06 with the direction that Transmission Licensee should re-work the depreciation after the final notification of the Opening Balance Sheet and file the same to the Commission for consideration. Further, the Commission also directed the Transmission Licensee to prepare the asset register for break-up of the opening gross block of Rs. 2407 Crore. The Commission also wanted to ensure that the Transmission Licensee should not claim the depreciation after the asset value depreciated to 90%. The Transmission Licensee in compliance to this direction of the Commission prepared the asset registers and submitted to the Commission. The Transmission Licensee derived the gross asset value as Rs. 2539.47 Crore. As the Final Opening Balance Sheet has not been notified till date by State Government and there is the possibility that the opening gross block value may undergo a change, the Commission decides to continue with the opening gross block value of Rs. 2407 Crore as indicated in the Provisional Opening Balance Sheet. The Audited Statements of Account for FY 2005-06 and FY 2006-07 have also been prepared on the base value the assets as Rs.2407 Crore.

- 5.50 During the FY 2005-06, the Transmission Licensee had added the assets of the order of Rs. 649.52 Crore thus making the gross block as Rs. 3056.52 Crore at the end of the year. This is the opening gross block for FY 2006-07. During the FY 2006-07, the Transmission Licensee claimed to have added the assets of the amount of Rs.249.08 Crore thus making the gross block at the end of the year is Rs. 3305.59 Crore. The Audited Statements of Account for FY 2006-07 confirmed the same. Further, for FY 2006-07 as per the Audited Statements of Account the depreciation amount is Rs. 221.05 Crore.
- 5.51 For the year 2006-07, the Transmission Licensee requested the Commission to allow it the depreciation as per the Audited Statement of Accounts for FY 2006-07 wherein the MPPTCL had applied rates of depreciation as per Schedule-XIV of Companies Act, 1956. In the true up petition filed by MPPTCL, it claimed depreciation as per the rates prescribed in the Companies Act so as to ensure the repayment of its term loans. However, the Transmission Licensee had also furnished the details of depreciation as per the Commission regulations.
- 5.52 The Commission opines that the Commission's regulations on transmission tariff dated 16/12/2005 are binding on the Transmission Licensee in the State, and for tariff calculation same rates should be used. In view of this the Commission had not considered the depreciation claim as requested by MPPTCL.
- 5.53 The licensee had provided the calculations of depreciation as per the Commission's Regulations which is summarised as under:

**Table 40: Depreciation as per the tariff regulations (Rs. Crore)**

S. No.	Particulars	Gross Block	Depreciation
1	Depreciation on Gross Block as on 31.03.2006	3056.51	94.70
2	Depreciation on assets capitalized during year 2006-07	247.81	3.52
3	Depreciation on Assets directly booked to Fixed Assets (Group 10)	1.27	0.03
<b>TOTAL</b>		<b>3305.59</b>	<b>98.25</b>

- 5.54 The Commission, therefore, approves the depreciation as worked out as per the Commission's regulations of Rs. 98.25 Crore.
- 5.55 The MPPTCL in the true up petition filed, requested that in case the depreciation on the rates notified in the Regulations have been considered by the Commission, there would be a huge mismatch between the eligibility of depreciation and the repayment liabilities of principal amount. The MPPTCL had submitted that against the repayment of Rs. 159.38 Crore, the eligible depreciation as per the Commission's norms is Rs. 98.25 Crore. The petitioner had, therefore, requested the Commission to approve the Advance Against Depreciation. The repayment due is tabulated below:

**Table 41: Principal Repayment as Claimed by the Petitioner (Rs. Crore)**

S. No.	Institution	Principal Repayment Due
1.	PFC - Unsecured	46.70
2.	PFC - Secured	00.00
3.	SADA, Gwalior	02.46
4.	MPSEB	85.04
5.	State Govt.	02.97
6.	ADB	06.14
7.	Short Term	16.08
<b>TOTAL -</b>		<b>159.39</b>

- 5.56 The Commission examined the repayment liabilities as mentioned by MPPTCL. The Commission observed that requirement of Advance Against Depreciation had arisen due to the fact that the petitioner has been making the repayment of the MPSEB loan. Out of the MPSEB loan, the Commission had considered Rs. 173.61 Crore as project specific as explained earlier. Hence, the MPSEB loan repayment in 2008-09 would amount to Rs. 17.36 Crore. This would make the repayment liability as Rs. 91.71 Crore (Rs. 159.39 Crore – Rs. 85.04 Crore + Rs. 17.36 Crore).
- 5.57 As The Commission has allowed the depreciation amount of Rs 98.25 Crore, against the repayment liabilities of MPPTCL of Rs 91.71 Crore, there is no need of Advance against Depreciation.

### **Return on Equity**

- 5.58 In the transmission tariff regulation it is stipulated that the transmission licensee is entitled for return at the rate of 14% on equity employed in assets those have been commissioned. Accordingly, the Commission had allowed Rs. 122.78 Crore for the year 2006-07 as return on equity by its order of March 13, 2006.
- 5.59 The Transmission Licensee in its petition indicated that as per Audited Statements of Account the total equity held by it as on 31/03/2006 was Rs. 901.83 Crore and as on 31/03/2007 was Rs. 1045.38 Crore. It is also indicated in the petition that as on 31/03/2007 the equity employed in CWIP was 53.70 Crore. Hence, the equity actually employed in the completed assets as on 31/03/2007 was 99.68 Crore (1045.38 – 53.70). The details of calculations as filed by the petitioner are given below:

**Table 42: Equity of MPPTCL as filed (Rs. Crore)**

S. No.	Date	Total Equity	Equity against CWIP	Equity Employed on completed works
1	31.05.2005	845.00	123.00	722.00
2	31.03.2006	901.83	0.00	901.83
3	31.03.2007	1045.38	53.70	991.68

- 5.60 The petitioner had also informed that the position as on 31/05/2005 and 31/03/2006 is as considered by the Commission in its orders. The calculations as filed are given below:

**Table 43: True-up of ROE**

	<b>Particular</b>	<b>Amount</b>
1	Equity at the beginning of Year 2006-07	Rs. 901.83 Crore
2	Equity at the end of Year 2006-07	Rs. 991.68 Crore
3	Average Equity during 2006-07	Rs. 946.755 Crore
4	Return on Equity @ 14%	Rs. 132.546 Crore
5	True-up for ROE	
(a)	ROE as above	Rs. 132.546 Crore
(b)	ROE as allowed in order dated 13.03.2006	Rs. 122.78 Crore
	<b>True-up requested</b>	<b>Rs. 9.766 Crore</b>

- 5.61 The Commission had noted that the gross fixed assets in the beginning and the end of FY 2006-07 were Rs. 3056.52 Crore and Rs. 3305.60 Crore. The average value of the gross block for the year could be taken as Rs. 3181.06 Crore. Considering the normative 70:30 as debt equity ratio, the equity for FY 2006-07 would be Rs. 954.32 Crore. Since the average equity as claimed by the petitioner and as indicated in table given above is Rs. 946.76 Crore, the Transmission Licensee is entitled for 14% return on equity on the actual equity of the amount of Rs. 946.76 Crore. The Commission accepts calculations for true-up of the Return on Equity as proposed by the Transmission Licensee and allows the Return on Equity to the tune of Rs. 132.55 Crore and Rs. 9.77 Crore as true-up amount on this account.

### **Taxes, duties and fee**

- 5.62 The MPPTCL had paid the following taxes and fees during year 2006-07:

**Table 44: Taxes and duties**

<b>S. No.</b>	<b>Particular</b>	<b>Amount</b>
1	Income Tax for the year	Rs. 5.173 Crore
2	Fringe Benefit Tax	Rs. 0.434 Crore
3	Fee paid to the MPERC for continuation of tariff for year 2007-08	Rs. 1.0117 Crore

- 5.63 It is indicated in the petition that the Income Tax as indicated in the table above shall be billed to the Distribution Licensees and Long Term Users of the transmission system directly, whereas the Fringe Benefit Tax and MPERC's fee amounting to Rs. 1.446 Crore is to be recovered through ARR for year 2006-07.
- 5.64 The Commission in its Transmission Tariff Order for FY 2006-07 to FY 2008-09 had approved the amount of Rs. 1.43 Crore towards the Taxes and Duties in addition the Income Tax which would be payable as per actual by the Long Term users of the transmission system. The Commission approves the petitioner's proposal for true up.

### **Prior period adjustment**

- 5.65 As per Annual Accounts of MPPTCL, operating expenses of Rs. 0.75 Crore had been booked this year.

## Other income

5.66 Apart from the transmission charges, the MPPTCL had billed following charges:

### Charges not to be covered under Non-Tariff Income

- (a) Reactive Energy Charges (Rs. 0.133 Crore): These charges are not to be subtracted from ARR. As per clause 3.10(b) of the MPERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2005 and to be used for reactive power management works.
- (b) Incentives (Rs. 17.18 Crore): These are performance linked incentives and are not to be subtracted from ARR.
- (c) Delayed Payment Surcharge (Rs. 3.27 Crore): Not to be considered as per Para 4.51 of true-up order dated 01.03.2007.
- (d) Revenue from Short Term Open Access customers (Rs. 5.37 Crore): Short Term Open Access charges are being set-off to Long Term Open Access Customers as per the Regulations, month to month, hence not to be subtracted from ARR.

### Charges to be covered under Non-Tariff Income

5.67 The following charges had been covered under the non-tariff income of the Transmission Licensee.

**Table 45: Non-Tariff Income**

1	Income from interest	Rs. 1.576 Crore
2	Application processing fees	Rs. 0.258 Crore
3	Miscellaneous receipts	Rs. 2.136 Crore*
TOTAL		Rs. 3.925 Crore

\* Out of total miscellaneous receipts of Rs. 6.352 Crore, Rs. 4.216 Crore are excluded being miscellaneous income not pertaining to Revenue.

5.68 With regard to the charges not covered under non-tariff income as indicated in paragraph 5.66, the Commission is in agreement with the submission of the Transmission Licensee. 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 utilised 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 term users in the bills of long term users.

5.69 With regard to the charges covered in the non-tariff income the Transmission Licensee had informed that out of total other income of Rs. 6.352 Crore as indicated in the Audited Statement of Account for FY 2006-07, Rs. 4.216 Crore have been excluded on account of income not pertaining to revenue. The Licensee had also substantiated its claim by submission of relevant portion of its Trial Balance. The Commission agrees with the submission of Licensee. The total non-tariff income to be considered for the true up purpose shall be Rs. 3.93 Crore.



## Incentives and Penalties

- 5.70 The Transmission Licensee has been entitled to receive incentive on achieving weighted annual availability beyond the target availability as per the regulations. For FY2006-07 the Transmission Licensee was entitled to receive the incentive on achieving weighted annual availability beyond 97%. The incentive should be paid by all long term beneficiaries who are liable to pay annual transmission charges in the ratio of their average allotted capacity for the year and the recovery of the transmission charges below the level of target availability should be on pro rata basis i.e. at zero availability no transmission charges are recoverable.
- 5.71 In its Petition filed by the Transmission Licensee for truing up, the Transmission Licensee has indicated that it had achieved the annual availability of 98.96% and this had been certified by the SLDC. Accordingly, as per the Audited Statements of Accounts for FY 2006-07, the Licensee earned an incentive of Rs.17.18 Crore. The Commission approves the same for FY 2006-07.

### True-up amount for FY 2006-07

- 5.72 Based on the submissions made in preceding paragraphs, the true-up amount is tabulated hereunder:

**Table 46: True-up amount for FY 2006-07**

S. No.	Particulars	As approved by order of 13.03.2006	As filed in this petition for true-up	Revised ARR	True-up Amount
					(Col. 4 - Col 3)
1	2	3	4	5	6
1	O&M Expenses	92.66	131.41	131.41	38.75
2.i.	Depreciation	99.74	98.25	98.25	-1.49
ii.	Advance Against Depreciation	0.00	61.13	0.00	0.00
2	Total Depreciation	99.74	159.38	98.25	-1.49
3.i.	Interest on Loan	54.94	137.36	100.66	45.72
ii.	Interest on Working Capital	67.13	19.16	17.29	-49.84
3	Total Interest	122.07	156.52	117.95	-4.12
4	Provision for Terminal Benefit	160.00	194.72	194.72	34.72
5	Return on Equity	122.78	132.54	132.55	9.77
6	Taxes and Fee paid to MPERC	1.43	1.45	1.45	0.02
7	Prior Period Adjustment	0.00	0.00	0.75	0.75
<b>8</b>	<b>TOTAL</b>	<b>598.68</b>	<b>776.02</b>	<b>677.08</b>	<b>78.40</b>
9	Less Non-Tariff Income	0.00	-3.93	-3.93	-3.93
<b>10</b>	<b>GRAND TOTAL</b>	<b>598.68</b>	<b>772.09</b>	<b>673.15</b>	<b>74.47</b>

5.73 The True up amount for FY 2006-07 of Rs. **74.47** Crore is to be recovered by the Transmission Licensee in 12 equal instalments during FY 2008-09 along with the Transmission Charges as determined by the Commission for FY 2008-09. The recovery of Rs. **74.47** Crore shall be done from the long term beneficiaries as per the table given below:

**Table-47: Recovery of Trued-up of Transmission Charges (FY 2006-07) (Rs. Crore)**

<b>Sl. No.</b>	<b>Details</b>	<b>Amount</b>
1	Trued Up Transmission Charges for FY 2006-07	74.47
2	Transmission System Capacity during FY 2006-07 (MW)	6493.00
3	Transmission Charges to be paid by long term beneficiaries per MW per annum ((Sl. No.1)/(Sl. No.2)) (Rs. Lakh)	1.15
4	Charges to be recovered from long term beneficiaries during FY 2008-09 based on the capacity allocated to them (True-up FY 2006-07)	74.47
(a)	M.P. Poorv Kshetra Vidyut Vitaran Co. Ltd., Jabalpur- 1919 MW	22.01
(b)	M.P. Madhya Kshetra Vidyut Vitaran Co. Ltd., Bhopal- 2107 MW	24.17
(c)	M.P. Paschim Kshetra Vidyut Vitaran Co. Ltd., Indore- 2457 MW	28.18
(d)	SEZ – 10 MW	0.11
	<b>Total – 6493 MW</b>	<b>74.47</b>

## CHAPTER 6 – REVISION OF ANNUAL REVENUE REQUIREMENT (ARR) FOR FY2007-08 & FY 2008-09

- 6.1 The Commission in its Transmission Tariff Order of March 13, 2006, had approved the ARR for FY 2007-08 and FY 2008-09 as given hereunder:

**Table 48: Annual Transmission Charges as Approved by the Commission (Rs. Crore)**

S. No.	Particulars	Annual Transmission Charges for	
		FY2007-08	FY2008-09
1	O&M Expenses	98.21	104.11
2	Terminal Benefit Liabilities	167.48	177.52
3	Depreciation	110.31	117.56
4	Interest on Loan	71.50	82.93
5	Interest on Working Capital	70.45	61.06
6	Return on Equity	127.26	127.26
7	Taxes and Fees	1.73	2.02
<b>TOTAL</b>		<b>646.95</b>	<b>672.45</b>

- 6.2 The Transmission Licensee through the present petition had requested the Commission to consider the revision in the ARR of FY 2007-08 and FY 2008-09 on account of the increase in the O&M expenses and Terminal Benefit expenses due to wage revision of the employees of the Company and the revision in the terminal benefits of the retired and retiree employees. The revised ARR as submitted by the Transmission Licensee is given below:

**Table 49: Annual Transmission Charges as filed by the Petitioner for FY 2007-08 and FY 2008-09 (Rs. Crore)**

S. No.	Particulars	Annual Transmission Charges for			
		FY 2007-08		FY 2008-09	
		Approved	Proposed	Approved	Proposed
1	O&M Expenses	98.21	155.31	104.11	188.31
2	Terminal Benefit Liabilities	167.48	225.42	177.52	260.71
3	Depreciation	110.31	110.31	117.56	117.56
4	Interest on Loan	71.50	71.50	82.93	82.93
5	Interest on Working Capital	70.45	70.45	61.06	61.06
6	Return on Equity	127.26	127.26	127.26	127.26
7	Taxes and Fees	1.73	1.73	2.02	2.02
<b>TOTAL</b>		<b>646.95</b>	<b>761.98</b>	<b>672.45</b>	<b>839.85</b>
% Increase (w.r.t. approved)		-	17.8%	-	24.9%

- 6.3 The Transmission Licensee in its present petition had submitted that at the time of determining the norms for O&M expense norms and subsequently at the time of issuing of the Transmission Tariff Orders in FY 2005-06, there was no consideration of wage revision or pension revision. The wage revision was declared on 27.04.2006, which brought a quantum leap in the employee expenses. Similarly, the revision of pension also resulted in increase in terminal benefit liabilities. The tariff provisions and actual expenditure under the O&M expenses for year 2006-07 are given below.

**Table 50: O&M expenses for FY2006-07 as Submitted by the Petitioner (Rs. Crore)**

S. No.	Particulars	Provision in Tariff Order	Actual Expenses as per Audited Accounts
1	O&M expenses	92.66	131.41
2	Terminal benefit expenses	160.00	194.72

- 6.4 The Transmission Licensee had further submitted that in addition to the wage/pension revision as stated above, 50% DA in case of working employees and 50% of dearness relief in case of pensioners had been merged into basic pay and pension respectively. Therefore, the requirements of O&M expenses and terminal benefits for FY 2007-08 and FY 2008-09 are estimated quite high as compared to provisions approved by the Commission in its Transmission Tariff Orders of March 13, 2006. The difference is projected here under:

**Table 51: Projection of O&M and Terminal Benefit Expenses (Rs. Crore)**

S. No.	Particulars	FY 2007-08		FY 2008-09	
		Tariff provisions	Projection of actual expenses	Tariff provisions	Projection of actual expenses
1	O&M expenses	98.21	157.01	104.11	190.37
2	Terminal benefit expenses	167.48	225.42	177.52	260.71

- 6.5 The Transmission Licensee had also submitted that the regulations issued by the Commission provide for allowing the actual expenses over and above the norms at the time of true-up exercise. The petitioner further submitted that as the true-up is possible on the basis of the availability of the Audited Statements of Accounts, there is a time gap of about 2 years between the actual expenses and its recovery through the tariff. Hence, the Transmission Licensee requested the Commission to revise the ARR FY 2007-08 and FY 2008-09 on above basis.
- 6.6 The Commission had carefully gone through the request of the petitioner. The Commission had observed that the petitioner had requested the revision in the ARR for FY 2007-08 and FY 2008-09 on the basis of the increase in expenses on account of the O&M and Terminal Benefits for FY 2006-07. The Commission had already allowed the increase in the O&M expenses and the expenses for Terminal Benefits as per actual and as indicated in the Audited Statement of Account for FY 2006-07. The Commission would like to point out that for FY 2005-06 also, there was a true-up amount approved by the Commission which was allowed to be recovered along with the transmission tariff of 2007-08. Similarly, the true-up amount approved in this order will be recovered along with the determined tariff for the FY 2008-09.
- 6.7 With regard to the petitioner's request to revise the expenses in the ARR of FY 2007-08 and FY 2008-09 for O&M and Terminal Benefits, the Commission wanted to draw the petitioner's attention towards the Commission's Transmission Tariff Regulations wherein at clause 1.25 it is indicated that a review of the tariff shall be undertaken by the Commission to scrutinise and true up the data and to accommodate any

uncontrollable variations. The Commission had, in accordance of its Transmission Tariff Regulations approved the ARR of the Transmission Licensee for the years 2006-07, 2007-08 and 2008-09 vide its Transmission Tariff Order of March 13, 2006. In accordance with the regulations the Commission had also undertaken the exercise to scrutinise and true up of the data for FY 2006-07. The revised ARR for FY 2006-07 had been determined in the previous chapter of this order. For truing up of the ARR for FY 2007-08 and FY 2008-09 the Commission is of the view that the revision in ARR for FY 2007-08 is not at all warranted at this point of time, since FY 2007-08 is almost over and the actual performance and audited figures would be available after the completion of FY 2007-08.

- 6.8 With regard to the revision of the ARR for FY 2008-09, the Commission reiterates that the Commission had approved the ARRs for FY 2006-07, FY 2007-08 and FY 2008-09 in accordance with the provisions of the Commission's regulations on Transmission Tariff for a tariff block of 3 years. The mid term revision in the norms defeats the purpose of MYT frame work.
- 6.9 In view of the reason given in paragraphs 6.7 and 6.8 , the Commission decides to continue with Transmission Tariff for FY 2007-08 and FY 2008-09 as approved by the Commission in its Transmission Tariff Order of March 13, 2006. However MPPTCL can bring the true up petition for FY 2007-08 and FY 2008-09 when its Audited Statement of Accounts and actual performance are available for the respective year.
- 6.10 Transmission Charges FY 2008-09 for long term as well as short term customers of the Transmission System are tabulated below:

**Table-52: Transmission Charges Applicable for FY 2008-09**

Sl. No.	Details	FY 2008-09
1	Allowed Transmission Charges as per Commission's Transmission Tariff Order of 13/03/2006(Rs. Crore)	672.45
2	Transmission System Capacity (MW)	8170.00
3	Transmission Charges to be paid by long term beneficiaries per MW per annum ((Sl. No.1)/(Sl. No.2)) (Rs. Lakh)	8.23
4	Transmission Charges to be paid by long term beneficiaries per MW per day(Rs.)	2254.99
5	Short term beneficiaries ( 0.25* (Sl. No.4)) (Rs./MW/Day)	563.75
(a)	Upto 6 Hours In One Block (0.25* (Sl. No.5))(Rs./Mw/)	140.94
(b)	More than 6 hours and upto 12 hours in one block (0.5*(Sl. No.5)) (Rs./MW)	281.87
(c)	More than 12 hours and upto 24 hours (Sl. No.5) (Rs/MW)	563.75
6	Charges to be recovered from long term beneficiaries during FY 2008-09	672.45
(a)	M.P. Poorv Kshetra Vidyut Vitaran Co. Ltd., Jabalpur- 2414 MW	198.69
(b)	M.P. Madhya Kshetra Vidyut Vitaran Co. Ltd., Bhopal- 2652 MW	218.28
(c)	M.P. Paschim Kshetra Vidyut Vitaran Co. Ltd., Indore- 3092 MW	254.49
(d)	SEZ – 12 MW	0.99
	Total – 8170 MW	672.45

- 6.11 The Commission had also carried out the truing up exercise of the Transmission Tariff for FY 2006-07 and allowed a true-up of Rs. 74.47 Crore to be recovered during FY 2008-09 in 12 equal monthly instalments. Thus, during FY 2008-09 the Transmission Licensee is entitled to recover the total transmission charges from the long term beneficiaries as per the table given below:

**Table-53: Total Transmission Charges to be recovered during FY 2008-09 (Rs. Crore)**

<b>Sl. No.</b>	<b>Name of the Beneficiary</b>	<b>True – up Amount of Transmission Charges for FY 2006-07</b>	<b>Transmission Charges for FY 2008-09</b>	<b>Total Transmission Charges to be recovered during FY 2008-09</b>
<b>1</b>	<b>M.P. Poorv Kshetra Vidyut Vitaran Co. Ltd., Jabalpur</b>	22.01	198.69	220.70
<b>2</b>	<b>M.P. Madhya Kshetra Vidyut Vitaran Co. Ltd., Bhopal</b>	24.17	218.28	242.45
<b>3</b>	<b>M.P. Paschim Kshetra Vidyut Vitaran Co. Ltd., Indore</b>	28.18	254.49	282.68
<b>4</b>	<b>SEZ</b>	0.11	0.99	1.10
<b>5</b>	<b>Total</b>	74.47	672.45	746.92

## **CHAPTER 7 - STATUS OF COMPLIANCE OF THE DIRECTIVES GIVEN BY COMMISSION**

7.1 In the Transmission Tariff Order for FY 2006-07 to FY 2008-09, the Commission had given certain directives. The present status of compliance of those directives is described in further paragraphs.

**Directive:** Implementation of Intra-State ABT

**MPPTCL Compliance Reported:** The MPPTCL/SLDC have developed the infrastructure for implementation of Intra-State ABT. Following steps have been taken;

- i. ABT metering at practically all interface points has been completed.
- ii. Necessary software has been installed at SLDC for accounting.
- iii. Training to Discom persons in scheduling imparted.
- iv. Data transfer to SLDC started for Mock exercise.

The discussion of Balancing & Settlement Code has been completed, and the Commission is in process of notifying Balancing & Settlement Code. The Intra-State ABT can be implemented soon thereafter. Madhya Pradesh will be one of the pioneer States in this matter.

**Commission's Observation:** The Balancing and Settlement Code is to be notified shortly so as to enable the implementation of intra-State ABT in the State.

**Directive:** Progress Report on Capital Expenditure

**MPPTCL Compliance Reported:** The progress reports on the implementation of the Transmission Plan, improvement in the voltage profile and relaxation in the loading conditions have been submitted by the Company to the Commission.

Scheme-wise and work-wise Transmission Investment Plan for five year 2007-08 to 2011-12 has also been submitted.

**Commission's Observation:** The Transmission Company had submitted the reports on the implementation of the transmission plan, voltage profile and relaxation in the load conditions to the Commission. The progress of implementation was not as envisaged in the plan submitted to the Commission. However, with the erection of new substations and new transmission lines, the conditions have improved. The Commission has directed that the MP Power Transmission Company should leave no stones unturned while execution of the works so as to achieve the implementation of the plan to maximum extent.

**Directive:** Building up of Data Base.

The Transmission Licensee is required to submit a time bound programme for building up a strong data base of technical, operational and financial information/data.

**MPPTCL Compliance Reported:** The MPPTCL is going in for ERP implementation with Central Data Collection Architecture. With the implementation of ERP, the full fledged facility for the Database will be available. The implementation programme of ERP is as under:

- i. Technical Specifications for ERP finalized by a Committee of HODs.
- ii. Bid documents completed and NIT for appointing a system integrator issued in the first week of September 2007.
- iii. Pre-bid conference was held scheduled on 27.09.07.
- iv. Bid opening date was 27<sup>th</sup> October 2007.
- v. Evaluation of bids including Site Visits may take a time of 3 months.
- vi. "Pilot Roll out," taking one T&C Circle is likely to take 18 months from date of order.
- vii. Enterprise wide Roll out is expected by mid of 2009.

After completion of above-mentioned task an ideal system of online transfer and maintaining database shall be available with MPPTCL.

**Commission's Observation:** 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.

**Directive: Action taken on Poor Voltage Profile**

**MPPTCL Compliance Reported:** The MPPTCL had submitted the report on the actions taken by the Transmission Licensee for improvement of the voltage profile in Indore and Gwalior area.

**Commission's Observation:** The MPPTCL has strengthened the 220kV system in the Indore region with erection of number of 132kV substations in Indore area for improvement in the voltage profile and relaxation in loading conditions. For improvement in the voltage profile in Gwalior area the erection of Bina-Shivpuri 220 kV transmission line and 220kV substation at Shivpuri. The Commission appreciates the efforts with the direction to the Transmission Company to continue to implement the plan as proposed by the Company and approved by the Commission in this order.

**Directive: Preparation of Asset Registers.**

**MPPTCL Compliance Reported:** The Company has already prepared the asset registers. The actual details of assets will be submitted soon after the Govt. of MP finalizes the Opening Balance Sheet.

**Commission's Observation:** The Company had submitted the asset registers to the Commission for the asset value of Rs. 2539.47 Crore against the asset value of Rs. 2407 Crore as indicated in the provisional opening balance sheet. The Commission directs that the Transmission Licensee should finalise the asset registers as soon as the final opening balance sheet is notified by the State Government.



**Directive: Strengthening of Accounting Wing**

**MPPTCL Compliance Reported:** Proposal has been moved within the Company to MPSEB and Govt. of MP to recruit at least 25 qualified Accounts Officers to cope-up with the Accounts and Finance work load for the Corporate as well as field Accounting Units. In absence of the availability of sufficient Accounts personals, efforts have been made to avail services of qualified Chartered Accountant on contract to contribute in finalization of Companies Annual Accounts. With the result, the audited accounts could be prepared and submitted as mentioned below:

i.	Annual Accounts for year 2005-06	By Dec. '06.
ii.	Half yearly Account April-Sept.'06	Submitted vide No. 271 dtd. 21.4.07.
iii.	Annual Accounts for year 06-07	Audited accounts received in last week of Sept.'07.

**Commission's Observation:** The Commission appreciates the efforts made by the Company. The availability of the Audited Statement of Account has enabled the filing of the true up petitions timely.

**Directive: Filling of Vacant Post**

**MPPTCL Compliance Reported:** For developing the over-all staff structure in various fields, the DFID appointed Consultants are already working. As regards recruitment of professional Accounts personnels, the position has been submitted above. The Accounts-wing is presently headed by a full time Chief Financial Officer.

**Commission's Observation:** The Transmission Company should not hide its in-efficiencies on account of un-filled posts. The Transmission Licensee should fill the vacant posts by taking appropriate actions such as re-deployment of the existing staff.

**Directive:** The Transmission licensee to file the details of the amount recovered from the Distribution licensees during FY 2006-07.

**MPPTCL Compliance Reported:** The billing of the Transmission Charges to the three Discoms has been done on the basis of the Commission's order. However, the receipt of amount is through a Cash Flow Mechanism. The receipt is allocated to three Discoms pro-rata to the billed amount. Accordingly, details of billing and receipt against three Discoms are as under:

(Rs. in Crores)			
S. No.	Name of Discom	Amount Billed in 2006-07	Receipt against amount billed during 2006-07
1	Poorva Kshetra (East Discom)	177.56	138.19
2	Madhya Kshetra (Central Discom)	194.99	151.84
3	Paschim Kshetra (West Discom)	225.02	175.19

**Commission's Observation:** The Commission regrets to note that in spite of its MYT order, the Transmission Licensee is not receiving its dues from the beneficiaries. The Commission would like to point out that this would adversely affect their investment plans as well as timely execution of repairs and maintenance activities.

## **CHAPTER 8 - OBJECTONS AND COMMENTS ON MPPTCL'S PETITION**

- 8.1 The Commission had given wide publicity to the proposal received from MPPTCL and invited stakeholders to offer comments/objections. In response to the public notice of 12<sup>th</sup> December 2007, the following stake holders submitted their comments/objections:-
1. M.P. Electricity Consumers Society, Indore
  2. M.P. Paschim Kshetra Vidyut Vitaran Company Limited, Indore
- 8.2 A public hearing was arranged on 05<sup>th</sup> February 2008 in the Court Room in the Office of the Commission at Metro Plaza, Bittan Market, Bhopal. Before the hearing comments/objections had been forwarded to MPPTCL for reply, the gist of the objections, MPPTCL's response and Commissions view is given below:-

### **M.P. Electricity Consumers Society, Indore**

#### **Observation No. 1**

The Company has implemented a large amount of works during 10<sup>th</sup> Plan (2002-07) and is implementing a large number of works during 11<sup>th</sup> Plan (2007-12)

- a. What will be reduction Transmission Losses.
- b. Whether all congestions in the system will be removed.
- c. That the lines will reach all parts of the State so that HT consumers have not to pay for cost of bays in sub station and for HT lines.
- d. Fulfilling the National Objective, stated in National Electricity Policy Para 5.32.2 Sub-Para 3 reproduced below;

“Network expansion should be planned and implemented keeping in view the anticipated transmission needs that would be incident on the system in the open access regime. Prior agreement with the beneficiaries would not be a precondition to net work expansion CTU/STU should undertake network expansion after identifying the requirements in consultation with stake holders and taking up the execution after due regulatory approvals.”

In view of this the elaboration on the needs of the consumers is necessary while detailing the Present & Future Plans.

#### **MPPTCL's Response**

- a. The Investment Plan chalked out by the Company aims at;
  - i. Controlling the incremental transmission losses, on account of load growth in the System.
  - ii. Bringing down the transmission losses to an optimum level, beyond which the further investment may not be viable on Cost Benefit Analysis.

The Company has reduced the transmission losses from a level of 7.93% in year 2002-03 to 5.00% in year 2006-07. By implementing the Plan, the loss level is expected to reach optimum level of 4.9%. However, the effective loss reduction is much higher with the

additional capacity addition to the system. Had these EHV Transmission projects not implemented, for the energy handled during 2006-07 the transmission losses would have gone up to about 11%. It may not be out of place to mention that Distribution Licensees are expected to cooperate in this regard by keeping their reactive drawal within limit.

b. The Transmission Plan is drawn such that congestions are removed under normal flow condition, on implementation of planned works.

c. The Transmission Plan is formulated as per the load growth expected in different parts of the State, and addition in generating capacity. The future load demand estimation takes into account loads growth of various categories of consumers which includes HT consumers also. The EHV lines and Sub-stations will be available spreaded over through out the State. The HT consumers/Open Access customers shall be required to draw shorter lines for connecting their loads or Captive Power Plants with the Grid. However, an Open Access customer/HT consumer shall be required to bear cost of service line arrangements (EHV lines and bays for connecting his Captive Power Plant or load to nearest Sub-station).

d. The Company discharging the function of STU is planning the network expansion in coordination with the distribution licensee (customers) and the Generating Company, regarding load growth and addition in generating capacity. The needs of customers are taken care while detailing the Plan.

### **Commission's View**

a. The Commission has directed the Transmission Company to keep the losses at 4.9 % maximum. The control of the reactive drawal by the Distribution Licensees shall have a positive effect on loss profile of the transmission system. The implementation of the plan as stated by the Company has made the transmission losses to remain in the limits. The Commission through this order is also directing the Transmission Licensee to try and reduce losses further and bring them to the level of best States in India.

b. If the proposed works of the plan have been implemented the problem of the congestion would be reduced if not removed to a great extent.

c. The Commission's regulations on the terms and conditions for intra-State open access provide that the open access customers are required to pay the charges for connecting with the grid as per actuals.

d. The Transmission Company's plan has been taking care of the future load growth and generation addition. Hence, the needs of the consumers in the State have already been taken care of.

### **Observation No. 2**

The Commission may kindly take a decision that all assets transferred by State Govt. as on 31.05.2005 is final and the balance sheet be finalized. If any subsequent charge happens, it will have prospective effect only. There can not be uncertainties to consumers in the tariff.

### **MPPTCL's Response**

The State Government is expected to notify the final Opening Balance Sheet as on dated 31.05.2005 only. The Company shall be required to make projections for subsequent years adding the progress achieved thereafter. Thus, the changes may have retrospective effect, which Hon'ble Commission may kindly consider.

### **Commission's View**

The reorganization of the electricity sector in the State has been taken by the State Government as per the Electricity Act 2003 and it is the State Govt. who has to finalize the opening balance sheets of the successor entities of MPSEB and not the Commission. The State Govt. has now extended the date for finalization of the opening balance sheets up to 31/03/2008.

### **Observation No. 3**

The society submits the matter of 'True-up' cost for all the companies has to be considered together and new regulations have to be framed. Similar principles have to be applied. Our views of the 'True-up' costs are:

- a. If True-up costs are allowed, as requested the very purpose of the 'Regulatory Commission' and tariff determination based on efficiency and economy gets defeated. The Commission will only become an 'Accounting Authority.'
- b. Variable cost Adjustment as per approved formulae be allowed. This will allow only cost increases but not inefficiencies in working performance parameters.
- c. We submit that only cash losses can be allowed during 'True-up.' Increase in respect of ROE, depreciation beyond return of loan, or increased interest are not allowable. Inefficiencies have to be adjusted against ROE.

### **MPPTCL's Response**

The Regulations already provide for submission of True-up petition of all the Companies in the month of October/November. The costs of True-up, if any, for Transmission and Generation Companies are allowed as pass through in the tariff of Distribution Companies.

The existing method of tariff determination is the cost plus method, which means that the actual costs on prudent checks are passed on in the tariff. If there is any extra earning due to the efficiency, the company can not retain it, but has to pass on the benefits to the Distribution Licensees and Long Term Open Access customers as provided in the Regulations. Similarly, if any actual cost is allowed less in the tariff, the same is allowed by True-up petition on presentation of audited accounts. The audited accounts represent the actual cost. The procedure is equitable to both the customers as well as the Company, as it does not involve any element of gambling.

The MPPTCL submitted its tariff for control period FY 2006-07 to FY 2008-09, projecting expenses as per Plan. However, the Commission safeguarding the interest of the customers did not allow the full costs in anticipation of capitalization of Assets projected. These are being considered on actual progress in True-up exercise, and allowed to the Company. The MP Electricity Consumer Society is therefore under impression that some thing additional

over the actual cost is allowed to the Company, which is not true. In fact, if in any of the year, the actual expenses become less than tariff allowed, the Hon'ble Commission may give negative True-up and order recovery from subsequent tariff. An incentive/disincentive scheme is also incorporated in Regulations to ensure efficiency.

There is no variable cost involved in Transmission Tariff, and all are fixed costs. The losses are passed on in kind with an incentive/disincentive scheme for achieving the target fixed by the Commission.

The additional amount claimed in the true-up petition is not on account of any cash loss or inefficiency. This only takes care of allowing the actual costs not provided / under provided in MYT tariff. The Company has maintained losses within target, and earned incentive on System Availability.

### **Commission's View**

The true-up exercise is based on the norms and principles stipulated in the Regulations on which the tariff was determined. As pointed out by the Licensee, when the multi-year tariff was notified by the Commission, the investments projected by the Licensee had not been considered by the Commission due to the possible slippages. The allowance for depreciation, interest on loans availed for executing the projects, return on equity, if any, invested in the projects have all to be changed on the basis of actual achievement. In the true-up exercise, only uncontrollable factors are also to be considered.

The true-up exercise has to be based on certain principles. By allowing certain expenditure and disallowing certain other expenditure the exercise can not be done. It has to be carried out on the basis of the relevant Regulations.

### **Observation No. 4**

The revision of O & M Norms is not acceptable. It would be necessary for the Commission to come up with revised/amended regulations, which have to be notified and then finalized. These will be applicable prospectively. Other alternative for MPPTCL is to go in for an appeal in the High Court. The revision of Norms cannot be accepted during tariff petition.

### **MPPTCL's Response**

The MPTCL has not requested for any change in the Regulations for determination of O & M Norms but has requested only for revision in value on account of Wage Revision, which was not anticipated at the time of determination of O & M Norms. This is within the powers of the Commission as per following provision in the MPERC (Terms & Conditions for Determination of Transmission Tariff) Regulations, 2005.

“4.4 Nothing in these Regulations shall bar the Commission from adopting in conformity with the provisions of the Act, a procedure which is at variance with any of the provisions of this code, if the Commission in view of the special circumstances of a matter or class of matters and for reasons to be recorded in writing deems it necessary of expedient for dealing with such a matter or class of matters.

Section 94(f) of the Electricity Act 2003 mentions power of the Appropriate Commission as “reviewing its decisions, directions and orders.”

There is no cause for MPPTCL to go in for appeal in the High Court, when alternate remedy as mentioned above is available.

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

The revision in the O&M norms would be considered on the basis of the performance when the Regulations are issued for the new control period commencing from 01.04.2009. The effect of uncontrollable factors has been considered during the true-up exercise during the present control period which is ending on 31.03.2009.

#### **Observation No. 5**

“We feel that a small transmission will at 66 KV and one substation needs to be upgraded to 132 KV so that cost of spares and materials for 66 KV lines will be saved.”

#### **MPPTCL's Response**

“The suggestion is well taken. However, as the interface with the Matatila Supply (Inter-State Supply from UP) is at 66 KV, the line and substation are to be maintained.”

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

The Transmission Company will have to take this suggestion seriously as it will reduce the losses.

#### **Observation No. 6**

In deciding Transmission Capacity, power purchased by MP Power Trading Corporation, power purchased from captive plants and open access capacity needs to be added.

#### **MPPTCL's Response**

The transmission capacity is worked out as per the Regulations framed by the Commission. The long-term power purchases by MP Tradeco are considered. However, the short-term power purchases are governed under Short Term Open Access, where the transaction is accommodated in the margin available, and no additional transmission capacity is created.

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

The transmission system capacity has been determined on the basis of the power supplied from the long-term contracts with some spare capacity to accommodate short-term requirement. If the captive power plants are supplying the power on long term basis the same has to be considered in the determination of the capacity of the transmission system.

#### **Observation No. 7**

It is necessary to indicate the Transmission Losses in other states for comparison. There is a scope for reduction in losses.

### **MPPTCL's Response**

Madhya Pradesh is a vast State and loads are spread over a large area. Further, the generation in the State is on Eastern side whereas the load is in Western area. The transmission losses are therefore not comparable with small States. The interface metering in MPPTCL's system is on LV side of transformer, therefore, transformation losses are included in transmission loss, which may not be case in number of other States. The MPPTCL not only reduced the losses from a level of 7.93% to 5.0%, and kept it equal to target fixed for year 2006-07. The losses as available in various orders of other States are tabulated hereunder:

<b>State</b>	<b>Transmission Losses (%)</b>
Madhya Pradesh (MPPTCL)	5.0% (2006-07)
Andhra Pradesh (AP Transco)	4.97% (2005-06)
Maharashtra (MSETCL)	6.06% (2006-07)
Rajasthan (RVPN)	4.6% (2006-07)
Karnataka (KPTCL)	4.50% (2006-07)

In case of MSETCL, the ABT metering was not complete and accurate estimation of loss level was not possible.

Weekly losses displayed by PGCIL for year 2006-07 indicate that the losses vary from 3.5 % to 5.2 % in spite of the fact that its system is predominantly 400 KV, while ours is 132 KV.”

### **Commission's View**

Although, the level of the transmission losses in the State is comparable with the other States having similar conditions, there is always a scope of reduction in the losses. The Transmission Company has to make efforts for further reduction of losses.

### **Observation No. 8**

In respect of voltage wise interruptions we submit that details of momentary interruptions and voltage dips are important for modern industries and need to be indicated.

### **MPPTCL's Response**

The data of momentary interruptions from each EHV Sub-stations are also reported to the beneficiaries and Hon'ble Commission along with calculations of the System Availability. There is no recording of voltage dip of fraction of seconds, which may occur rarely on account of faults on Transmission/Distribution (sub-transmission) lines.

### **Commission's View**

The Commission agrees with the views of the Transmission Licensee.

### **Observation No. 9**

The availability of Transmission system has to be compared with other States.

### **MPPTCL's Response**

In many of the States, the system of working out System Availability, as per CERC's formula is not available. Therefore, the information is not available in the orders of most of the States. The information available is reproduced hereunder:

<b>State</b>	<b>Percentage Transmission System Availability for year</b>	
	<b>2005-06</b>	<b>2006-07</b>
Madhya Pradesh (MPPTCL)	98.41%	98.96%
Maharashtra (MSETCL)	98.72%	98.80% (Estimated)
Andhra Pradesh (AP Transco)	99.4%	N.A.
Gujarat (GETCO)	99.35% (Projected)	99.35 % (Projected)

### **Commission's View**

The percentage system availability of the transmission system of the State is more than the norms stipulated by the Commission in its Regulations.

### **Observation No. 10**

We congratulate MPPTCL for adopting new technologies. It is necessary to have a list of technologies adopted by Power Grid Corporation of India which we still have to adopt. Automation in new Sub-stations has to be taken up on priority.

### **MPPTCL's Response**

The MPPTCL adopts the new technologies available. We are not aware of any technology adopted by PGCIL which has executed 765 KV system. Automation of Sub-stations is also being taken on experimental basis.

### **Commission's View**

The Transmission Company has to keep itself informed of the latest developments happening in the sector not only in the Country but also throughout the world.

### **Observation No. 11**

The matter in respect of Depreciation needs a separate hearing and cannot be decided in the tariff hearing. Advance against Depreciation can be allowed but prospectively.

### **MPPTCL's Response**

Depreciation is a part of ARR, therefore, to be considered by the Commission along with Tariff/True-up petition. We are thankful to the Society on agreeing on AAD in principle.



### **Commission's View**

The Advance Against Depreciation would be considered as per Commission's regulations.

### **Observation No. 12**

ROE is not a matter of Right and can not be increased retrospectively.

### **MPPTCL's Response**

The finance for creation of Transmission Assets can be arranged partly by Loan and partly by Equity. The financial institutions which lend the money get their principal amount and interest on loan back in installments. Similarly, the equity holders are eligible for Return on Equity (ROE), and keeping their rights (shares) in the company. The MPPTCL has not requested for increase in equity retrospectively but asked for corrections on ROE as per audited accounts.

### **Commission's View**

The MPPTCL has requested in the correction of the return on equity on the basis of changed equity amount. In the true-up the return on equity may change from the value as determined at the time of tariff determination exercise as the Commission had not considered the projected investments due to uncertainties.

### **Observation No. 13**

The expected O & M expenses of Rs. 38.75 can be allowed subject to scrutiny. The increase of 29% as requested is not justified.

### **MPPTCL's Response**

The MPPTCL is thankful to the Society for supporting True-up on O & M expenses. Similarly, the Pensions (Terminal Benefits), repayment of liabilities are also the actual expenses. The Commission is requested to True-up the total ARR provisions as per Regulations. Whatever percentage increase (actually the difference) is there, it is the actual claim as per audited accounts.”

### **Commission's View**

The final view will be taken on the prudence check of the expenditure by the Commission.

### **Observation No. 14**

There are certain basis issues involved.

- (a) Revision of Norms for O & M.
- (b) Allowing Advance against Depreciation and the total working depends on the two issues, which needs a separate decision. The petition can be discussed only after the two issues are settled through regulatory process.

### **MPPTCL's Response**

The MPPTCL has filed a separate petition for revision of O & M Norms, as mentioned in True-up petition. However, as the O & M expenses are integral part of ARR, it is humbly submitted that these are accommodated in True-up petition.

The AAD is also a part of petition, and is nowhere dealt separately. The Commission is requested to decide the True-up petition as per Regulations.

### **Commission's View**

The revision in the O&M norms will be considered only after the completion of the present control period. The AAD may be considered in accordance with the provisions of the Commission's regulations on determination of tariff.

### **MP Paschim Kshetra Vidyut Vitaran Company Limited, Indore**

#### **Observation No. 1**

The percentage of transmission losses indicated for FY 2006-07 needs revision. As per information available in the O/o West Discom the transmission losses for FY 2006-07 works out 5.0544%. The energy lost for the year FY 2006-07 works out 1632.893 MUs, in place of 1631MUs mentioned for FY 2006-07.

### **MPPTCL's Response**

The MP Paschim Kshetra Vidyut Vitaran Company, Indore has indicated transmission losses in terms of energy as 1632.893 MU indicated by the MPPTCL in Para 3.1 of the petition (FY-2006-07). This little difference is on account of the rounding off the energy received and sent out in each month. This however, does not alter the loss level as worked out hereunder:

$$\begin{array}{lcl} \text{Energy Loss -} & 1632.893 \text{ MU} & \\ \text{Energy Input -} & 32594.16 \text{ MU} & \\ \text{Percentage Loss} & = & \frac{1632.893}{32594.16} \times 100 = 5.0097\% \\ & & \approx 5.0\% \end{array}$$

The objector has calculated transmission losses allocated to West Discom by MP Tradeco, by considering losses within the State outside the State, and then reducing prorata losses in outside State (PGCIL's network.) this may have resulted in allocation of fraction of more loss to West Discom as compared to other Discoms. The West Discom may take up this matter with MP Tradeco.

### **Commission's View**

The Transmission Losses have been considered as one value for the whole transmission system of the State. The transmission loss value for the different Distribution Companies may differ.

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