

MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION

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



Petition No. 66/2008

PRESENT:

**Dr. J. L. Bose, Chairman
K. K. Garg, Member
C. S. Sharma, Member**

IN THE MATTER OF:

True-up of Transmission Tariff for FY 2007-08

MPPTCL (Petitioner) represented among others by –

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

ORDER

Petition No. 66/2008

(Passed on this 21st Day of October, 2009)

1. The Madhya Pradesh Electricity Regulatory Commission (hereinafter referred to as “the Commission” or “MPERC”) heard the applicant namely M.P. Transmission Company Ltd., Jabalpur (hereinafter referred to as “MPPTCL” or “Transmission Licensee”) and other stake-holders such as intervener and Distribution Licensee on 05th June 2009 at Bhopal in the matter of true up of Transmission Tariff for Financial year 2007-08. The Commission’s officers also had formal interactions with the Officers of Madhya Pradesh Power Transmission Company Ltd.. The matter was discussed as an agenda item in the meeting with State Advisory Committee held on 24th January and 3rd June 2009. The Commission has considered the documents available on record and orders issued by the Government of Madhya Pradesh (Energy Department) on 31st May 2005 making the Transfer Scheme Rules effective from 1st June 2005, (order no. 3679/FRS/18/13/2002 dated 31.5.2005), on 3rd June 2006 making the Madhya Pradesh Electricity Reforms Transfer Scheme Rules, 2006, and the Final Opening Balance sheets (as on 31.5.05) notified by the State Government on 12th June 2008 and reallocation of generating capacity among the three Distribution Companies by the State Government vide gazette notification dated 14th March 2007. The Commission sought several clarifications and information gap observed during scrutiny of the petition from the petitioner. A meeting with the concerned officer of MPPTCL was also convened in the office of the Commission on 24th December, 2008 wherein it was observed that the figures in various parameters of the original petition have been changed by the petitioner in its supplementary submission. The petitioner has therefore, filed revised petition vide its letter No.319 dated 9th January, 2009. The petitioner had filed draft public notice on 7th February, 2009 for publication of the gist of petition in newspaper. The Commission vide order dated 12th February, 2009 admitted the petition and directed the petitioner to publish gist of the petition in English and Hindi newspapers to invite comments/suggestions from stakeholders. The public hearing in the matter was conducted on 5th June, 2009 in the Commission’s office at Bhopal.

2. The Commission, in its Transmission Tariff Order for the control period 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 final by the Government of Madhya Pradesh (GoMP). The Commission has noted that the State Government has now issued the final Opening Balance Sheet on 12th June 2008. Thus the true up petition filed by the Licensee is based on final opening balance sheets.

3. The Commission had determined the transmission tariffs for FY 2006-07 to FY2008-09 vide its order of March 13, 2006. As the audited statement of accounts for FY 2007-08 furnished by the petitioner are based on the final opening Balance Sheet notified by the State Government and the Transmission Licensee has applied for truing up of the Transmission Tariff for FY 2007-08, the Commission has decided to take up the truing up exercise for the tariff determined for FY 2007-08.

4. The Commission has made detailed evaluation of the impact of the Final Opening Balance Sheets as notified by the State Government and has taken into consideration the same in the finalisation of this true-up application. The Commission has noted that despite the changes in opening Balance Sheet, it is not possible to reopen and revise the audited accounts for 2005-06 and 2006-07. The commission has however considered the submission of Transmission Licensee to review the true up of 2005-06 and 2006-07 due to notification of final opening balance sheet.

5. The True-up amount (in Rs. Crore) for FY 2005-06 and 2006-07 arising out of changes made in the opening balance sheet of MPPTCL as determined by the Commission is given in the Table below:

S. No.	Particulars	2005-06 (01.06.05 to 31.3.06)			2006-07			Additional True up amount for 2005-06 & 2006-07
		As per 'True-up' order dated 01.03.07	Allowed in this Order	Difference	As per 'True-up' order dated 19.03.08	Allowed in this Order	Difference	
1	O&M Expenses	90.22	90.22	0.00	131.41	131.41	0.00	0.00
2	Terminal Benefits	128.19	128.19	0.00	194.72	194.72	0.00	0.00
3	Depreciation	77.84	70.90	(6.94)	98.25	89.06	(9.19)	(16.13)
(i)	AAD	AAD is admissible only for new projects, hence not considered						
4	Interest on Loans	81.16	65.05	(16.11)	100.66	81.59	(19.07)	(35.18)
(ii)	Interest on Working Capital	10.81	12.27	1.46	17.29	16.52	(0.77)	0.69
5	Return on Equity	94.72	87.33	(7.39)	132.55	118.44	(14.11)	(21.50)
TOTAL								(72.12)

6. The Commission vide Order dated 3rd January 2008 with regard to the Petition No. 52/2007 filed by the applicant for revision of O&M norms, did not consider revision in norms as requested by the applicant and stated that the variation in the norms on the basis of the audited statement of accounts and the uncontrollable factors will be considered, when the true up is filed before the Commission. The Commission has accordingly considered the uncontrollable factors in this Order after looking into the submission made by the Transmission Licensee and the Statements of Audited accounts of the Company.

7. The Commission vide this Order has determined True up amount of Rs.19.77 crores for 2007-08 including the impact of changes in the True-up Orders issued by the Commission for Financial Year 2005-06 and 2006-07 on account of final balance sheet notified by GoMP on 12th June, 2008 as given below :

S. No.	Particulars	2007-08			True up amount for 2005-06 & 2006-07	True up amount including amount for 2005-06 & 2006-07
		As per MYT order	As per this Order	True-up for 2007-08 only		
1	O&M Expenses	98.21	144.41	46.20	0.00	46.20
2	Terminal Benefits	167.48	238.54	71.06	0.00	71.06
3	(i) Depreciation	110.31	96.80	(13.51)	(16.13)	(29.64)
	(ii) AAD	0.00	0.00	0.00	0.00	0.00
4 (i)	Interest on Loans	71.50	107.86	36.36	(35.18)	1.18
	(ii) Interest on Working Capital	70.45	22.33	(48.12)	0.69	(47.43)
4	Return on Equity	127.26	134.31	7.05	(21.50)	(14.45)
5	Taxes & Fees	1.73	1.42	(0.31)	0.00	(0.31)
6	Prior period adjustment	0.00	0.00	0.00	0.00	0.00
7	Total 1 to 6	646.94	745.67	98.73	(72.12)	26.61
8	Less Non-Tariff Income	0.00	(6.84)	(6.84)	0.00	(6.84)
9	Net ARR (8-9)	646.94	738.83	91.89	(72.12)	19.77

8. The Petitioner must take steps to implement the Order after giving public notice in accordance with clause 1.30 of MPERC (Details to be furnished and fee payable by licensee or generating company for determination of tariff and manner of making application) Regulations, 2004 and must also provide information to the

Commission in support of having complied with this order. The Commission shall consider the transmission charges determined in this order for the Distribution Licensees in their Revenue Requirement for FY2010-11.

9. Ordered as above read with attached detailed reasons and grounds,

(C. S. Sharma)
Member (Economics)

(K. K. Garg)
Member (Engineering)

(Dr. J. L. Bose)
Chairman

Date: 21/10/2009

Place: Bhopal

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CHAPTER 1 – BACKGROUND OF THE ORDER

Introduction

- 1.1 This order relates to petition number 66 of 2008 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 FY2007 – 08. 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 1st 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 provisional opening Balance Sheet that may be made final 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 effective from 1st April 2006 and continued to be operative till 31st 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. The Transmission Licensee i.e. MPPTCL filed the Petition on 16/10/2008. After preliminary scrutiny a letter no. 2480 dated 19.11.2008 was sent to MPPTCL to fill information gaps noticed in the Petition. A reply was received vide letter no. 11468 dated 26.11.2008. A meeting was organized on 24.12.2008 with MPPTCL officers to get more clarity on some of the issues. After the meeting MPPTCL was asked to file revised information by way of a written submission and also to submit revised depreciation model. The written submission was received from MPPTCL on 13.1.2009 vide letter no. 319 dated 9.1.2009. The revised depreciation model was received vide MPPTCL letter no.1226 dated 3.2.2009.

- 1.3 The public Notice giving a gist of the petition of MPPTCL was published in the news papers on 14th February 2009 and the last date of receiving the comments was 9th March 2009. No comments were received till the due date of submission of suggestions/ comments. However the comments of MP Vidyut Mandal Pensioners Association were received on 13.4.2009. The matter of True up of Transmission tariff for FY 2007-08 was discussed in the meeting with State Advisory Committee held on 24th January, 2009 and 3rd June 2009. A public hearing was held in the same matter on 5th June 2009.
- 1.4 MP Power Transmission Company Limited (MPPTCL) has requested in the current petition to allow a true up of Rs. 221.59 Crore for year 2007-08 on account of actual expenses incurred on O&M, Interest, Pension liabilities etc. as per the audited accounts for the period 1.4.07 to 31.3.08. MPPTCL has requested to consider O&M expenses higher than O&M Norms for FY2007-08 due to hike in employee cost and Pension expenses on account of Wage revision and merger of 50 % DA/ Dearness relief in Basic Pay/ Pension. MPPTCL has also sought review of true-up Orders issued by the Commission for FY 2005-06 and 2006-07 by an additional amount of Rs. 8.63 Crore and Rs. 7.02 Crore respectively on account of revision of opening balance sheet by the State Government. The revised “Annual Fixed Charges” for FY-2005-06 to FY2007-08 have 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 2005-06			FY 2006-07			FY 2007-08		
		Appr-oved	Propo-sed	Diff.	Appr-oved	Proposed	Diff.	Appr-oved	Proposed	Diff.
1	O&M Expenses	9022	9022	0	13141	13141	0	9821	15560	5738
2	Terminal Benefits	12819	12819	0	19472	19472	0	16748	30553	13805
3	Depreciation + AAD	7784	8845	1061	9825	11571	1746	11031	12637	1606
4	Interest on Loan	8116	8479	363	10066	10172	106	7150	12683	5533
5	Interest on Working Capital	1081	1259	178	1729	1733	4	7045	2533	(4512)
6	Return on Equity	9472	8733	(739)	13255	12101	(1154)	12726	13431	705
7	Taxes & Fees	0	0	0	145	145	0	173	142	(31)
8	Prior period adjustments	0	0	0	0.75	0.75	0	0	0	0
9	Less Non-Tariff Income	(346)	(346)	0	(393)	(393)	0	0	(684)	(684)
	GRAND TOTAL	47948	48811	863	67315	68017	702	64694	86855	22159

- 1.5 The MPPTCL had also proposed modifications to the Long Term Open Access and Short Term Open Access customers for the year 2007-08 as under:

Table 2: Revised Open Access Charges in Rs. Crore as filed by the MPPTCL

S. No.	Customer	Revised Capacity Allocated in MW	Revised Amount	Amount as Per original tariff order	True-Up amount claimed
1	MP Poorv KVVCL	1831	249.89	191.12	58.77
2	MP Madhya KVVCL	2157	294.38	209.93	84.45
3	MP Pashchim KVVCL	2384	322.63	244.79	77.84
4	MPAKVN for SEZ	12	1.64	1.11	0.53
5	Total	6363	868.54	646.95	221.59

Consultation with State Advisory Committee and Public Hearing

- 1.6 The Commission vide its order dated 12th February 2009 accepted the petition after obtaining the complete information on the information gaps noticed by the Commission while scrutinizing 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 14/2/2009

Raj Express	-	Bhopal
Agniban	-	Indore
Nav Bharat	-	Jabalpur

The last date for obtaining the Comments / suggestions / objections was 09/03/2009.

- 1.8 Meetings of State Advisory Committee of the Commission had been convened on 24/1/2009 and 3/6/2009. The members' observations on the petition have been considered while finalising this order.
- 1.9 After the code of conduct for the Lok Sabha elections was over, the Commission held a public hearing on the subject tariff petition of MPPTCL at Bhopal on 05th June 2009 in the Court Room of the Commission's office. In the public hearing representatives of MP Vidyut Mandal Pensioners Association and 3 Distribution Licensees were present and put up their views.

CHAPTER 2 – STATUS OF THE TRANSMISSION COMPANY

2.1 MPPTCL is a company incorporated under the Companies Act, 1956 in year 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 31st May 2005 as per which the MPPTCL was assigned assets and liabilities, on a provisional basis.

As per the notification, the opening balance sheet was provisional for a period of 12 months. It was also mentioned that during the provisional period, the GoMP may change the values stated in the opening balance sheet. The period was subsequently extended.

2.2 MPPTCL commenced independent functioning from 1st June 2005 consequent to the notification of its provisional Balance Sheet by the State Government on 31st 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 provisional 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 in its earlier order dated 19th March 2008 is shown in the following table:

Table-4: Source-wise Deployment of Fund

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

2.5 The Government of MP has notified the Final opening Balance Sheet of the utilities (as on 1.6.05) on 12th June 2008 and the comparison of provisional and final opening Balance Sheet as on 01.06.05 made by the Petitioner is shown hereunder.

Table-5 Changes in Opening Balance Sheet**Amount in Rs.
Crore**

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

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 31.03.2008 as submitted by the petitioner is as under.

Table 6: MPPTCL Transmission System – At a glance

S. No.	Voltage Level	EHV Lines	EHV Sub-Stations	
		Circuit	Number	MVA
1	400 kV	231	4	388
2	220 kV	817	3	102
3	132 kV	11118	16	1188
4	66 kV	6	1	2
TOTA		21667	20	2601

Average Transmission System Capacity

- 3.2 Average transmission system capacity as determined by the Commission vide order dated 13.03.2008 is submitted by the Petitioner as under.

Table 7: 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	6011 MW	7220 MW	8170 MW

- 3.3 State Government vide its Order dated 14.3.2007 revised the allocation of generating capacities and based on the State Government Order, the revised allocation of transmission capacity in MW is shown by the Petitioner, which is given at table 7. the commission accepts the allocation of Transmission capacity as proposed by MPPTCL.

Table 8: Proposed Reallocation of Revised Transmission System Capacity (MW)

S. No.	Distribution Licensee / Long-term Customer	Capacity allocation	
		Percentage	FY-08
1	MP Poorva Kshetra Vidyut Vitaran Company Limited (East Discom)	28.83%	1831
2	MP Madhya Kshetra Vidyut Vitaran Company Limited (Central Discom)	33.96%	2157
3	MP Paschim Kshetra Vidyut Vitaran Company Limited (West Discom)	37.21%	2364
4	Total -	100.00%	6352
5	SEZ		12
6	Grand Total -		6364

Performance of Intra-State Transmission System

3.4 The MPPTCL has filed the details of Transmission losses as follows:

Table 9: Transmission losses

Item	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
	Actual	Actual	Actual	Actual	Actual
Energy received into system (MUs)	27555	29531	31306	32594	35148
Energy sent out of system (MUs)	25870	27871	29669	30963	33710
Energy lost (MUs)	1685	1660	1637	1631	1438
Transmission loss (%)	6.12	5.62	5.23	5.00	4.09
Reduction in loss (%)	-	0.50%	0.39%	0.22%	0.91%
Target fixed by the Commission (%)	-	-	5.22	5.00	4.90

3.5 As per the directives of the Commission, the MPPTCL has also computed and filed the voltage-wise transmission losses for the year 2005-06, 2006-07 and 2007-08 as follows:

Table 10: Voltage wise losses

S. No.	Voltage Level	Percentage Losses in Year		
		2005-06	2006-07	2007-08
1	400 KV	1.40%	1.26%	1.21%
2	220 KV	3.26%	3.41%	2.55%
3	132 KV	1.60%	1.29%	1.15%
Over all System		5.23%	5.00%	4.09%

3.6 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.

Transmission system availability

3.7 The quarterly and annual transmission availability for the year 2005-06, 2006-07 and 2007-08 as filed is shown below:

Table 11: 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-Sept.'05	94.35%	99.45%	99.15%	98.46%
3	Oct.-Dec.'05	99.08%	99.31%	99.33%	99.25%
4	Jan.-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-Sept.'06	99.43%	98.59%	99.09%	98.84%
7	Oct.-Dec.'06	99.58%	98.70%	99.32%	99.02%
8	Jan.-March'07	99.06%	99.44%	99.51%	99.33%
B	Year 2006-07	98.93%	99.05%	99.06%	98.96%
9	April-June'07	98.22%	99.12%	99.28%	98.86%
10	July-Sept.'07	99.59%	99.20%	99.17%	99.24%
11	Oct.-Dec.'07	98.86%	99.41%	99.20%	99.18%
12	Jan.-March'08	98.30%	99.28%	99.45%	98.92%
C	Year 2007-08	98.71%	99.20%	99.17%	99.02%

3.8 The overall system availability compares favourably with the target availability of 97% for FY2007-08 as per MPERC (Terms and Conditions for determination of Transmission Tariff) Regulations, 2005. 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.

3.9 The Petitioner has submitted voltage wise interruptions, which are as follows:

Table-12

S. No.	Particulars	Interruptions in Year 2007-08	
		No.	Total Hrs.-Min.
1	400 KV	9	206 – 48
2	220 KV	35	664 – 23
3	132 KV	75	1281 – 16

3.10 The Petitioner has submitted the details of Transformer failure, which are as follows:

Table-13

S. No.	Period	FY-05		FY-06		FY-07		FY-08	
		No.	%	No.	%	No.	%	No.	%
1	Auto transformers	1	1.05	1	0.95	0	0	0	0
2	Power Transformers	7	2.16	8	1.94	4	1.11	0	0

3.11 The Petitioner has also submitted the details of Electrical Accidents as follows:

Table-14

S. No.	Particulars	FY-05	FY-06	FY-07	FY-08
1	Fatal Accident to Human	2	2	3	1
2	Non-fatal Accident to Human	12	9	11	7
3	Fatal Accident to Animals	0	0	0	0
4	TOTAL -	14	11	14	8

CHAPTER 4 - TRUE-UP OF ANNUAL REVENUE REQUIREMENT FOR FY 2007-08**Impact of Final Opening Balance Sheet on ARR of FY 2005-06 and FY 2006-07**

4.1 In the current Petition, besides true up of ARR for FY 2007-08, the Licensee has also asked for the review of the true up orders passed by the commission for the above years. The petitioner has stated that consequent to changes in Opening Balance Sheet, the ARR of past two financial years shall also undergo changes. The petitioner stated that as a result of the final opening Balance Sheet certain items of the ARR of FY 2005-06 and 2006-07 are affected by the changes in Assets and Liabilities. According to MPPTCL the items of the ARR of the said years affected/ unaffected by the changes in provisional balance sheet are as follows:

(A) ARR ELEMENTS UNAFFECTED -		(B) ARR ELEMENTS AFFECTED -	
1	O&M Expenses	1	Depreciation
2	Terminal Benefits	2	Interest on Loans
3	Prior Period Adjustment	3	Interest on Working capital
4	Non-Tariff Income	4	Return on Equity
5	Taxes / Fees paid		

4.2 MPPTCL claimed the following total amounts towards true up of ARR of past two years

Table-15 Amount in Rs. Crore

(i)	Year 2005-06	8.63
(ii)	Year 2006-07	7.02
TOTAL -		15.65

4.3 The commission observes that the finalization of the opening balance sheet for the utilities by GoMP is a step in the right direction and will help in the effective formulation of long term business plans by the utilities. In so far as the effect of the opening balance sheets on the ARR for the years FY 2005-06 and FY 2006-07 is concerned, the commission observes that Tariff orders and true up orders for the said years have been passed to ensure adequate cost coverage for MPPTCL. However, if MPPTCL has actually made an expenditure different than that allowed in earlier Orders, the impact of such changes need to be accounted. The Commission has thus taken a holistic view and has considered the review of ARR for the years FY 2005-06 and 2006-07 based on changes undertaken in opening balance sheet.

4.4 During FY 2005-06 the Commission allowed transmission charges of Rs. 385.19 crores to the Tr. Licensee for the period of 10 months i.e. from June 2005 to March 2006. Subsequently 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 in its MYT Order dated 13.03.06(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 to MPERC	1.43	1.73	2.02
	Total	598.68	646.95	672.45

- 4.5 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.
- 4.6 Further after the finalization of accounts, the Commission allowed recovery of True up amount of Rs 94.29 Crores for FY 2005-06 and Rs 74.47 Crore for FY 2006-07. The following table summarizes the total true up amount of Rs 74.47 Crs of true up amount which was allowed to be recovered by MPPTCL from the Licencees.

Table-17 **Amount in Rs. Crore**

S. No.	Particulars	True-up Amount for FY 05-06	True-up Amount for FY 06-07
1	O&M Expenses	17.16	38.75
2.i.	Depreciation	15.46	(1.49)
ii.	Advance Against Depreciation	0.00	0.00
2	Total Depreciation	15.46	(1.49)
3.i.	Interest on Loan	35.06	45.72
ii.	Interest on Working Capital	(2.26)	(49.84)
3	Total Interest	32.80	(4.12)
4	Liabilities towards Terminal Benefit	21.84	34.72
5	Return on Equity	10.49	9.77
6	Taxes and Fee paid to MPERC	0.00	0.02
7	Prior Period Adjustment	0.00	0.75
8	TOTAL	97.75	78.40
9	Less Non-Tariff Income	3.46	(3.93)
10	GRAND TOTAL	94.29	74.47

- 4.7 The position of Transmission charges allowed to Transmission Licensee after true up recovery is summarized in the Table below:

Table-18 Amount in Rs. Crore

(i)	Year 2005-06	479.88
(ii)	Year 2006-07	673.15

- 4.8 In the present petition the MPPTCL requested the Commission to true-up the ARR for FY 2007-08, in addition to the true up for 2005-06 and 2006-07 arising out of the finalisation of opening balance sheet. The details of each cost item have been discussed in the subsequent sections.

O&M Expenses

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

Table-19: 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	9.48	10.04	10.65
		Per Bay	4.31	4.56	4.84
2	220 kV	Per 100 Ckt Km or part	10.66	11.30	11.98
		Per Bay	4.87	5.17	5.48
3	132 kV	Per 100 Ckt Km or part	10.66	11.30	11.98
		Per Bay	4.60	4.87	5.17

- 4.10 These norms in the regulation were specified prior to the issue of the Commission’s Transmission Tariff Order for FY 2005-06. Subsequently the Commission vide its Order dated 13th March 2006 amended the O&M expense norms and the revised norms are reproduced hereunder:

Table 20: 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	4.6	4.9	5.19
2	220 kV Level			
i	Per 100 Ckt Km or part thereof	11.57	12.27	13.00
ii	Per Bay	5.2	5.5	5.88
3	132 kV Level			
i	Per 100 Ckt Km or part thereof	11.57	12.27	13.00
ii	Per Bay	4.9	5.2	5.54

4.11 In accordance with the revised O&M norms specified by the Commission the eligible expenses for FY 2007-08 as shown in the present petition by the MPPTCL based on the average assets during FY 07 - 08 are as below:

Table 21: Eligible O&M expenses for FY 2007-08 as shown by the Petitioner

S. No.	Particulars	As on 31.3.07	As on 31.3.08	Average Assets in FY-07-08	Norms for FY-08	Amount (Rs. in Lacs)
1	400 KV Line In ckt. km	2314	2314	2314	Rs. 10.90 Lacs/ 100 Ckt. Kms or part Thereof	252.23
2	220 KV Line In ckt. km	7709	8174	7942	Rs. 12.27 Lacs/ 100 Ckt. Kms or part thereof	974.48
3	132 KV Line In ckt. km	10925	11179	11052	Rs. 12.27 Lacs/ 100 Ckt. Kms or part thereof	1356.08
4	400 KV Bays	58	60	59	Rs. 4.90 Lacs/Bay	289.10
5	220 KV Bays	284	311	299	Rs. 5.54 Lacs/Bay	1656.46
6	132 KV Bays	1062	1099	1081	Rs. 5.23 Lacs/Bay	5653.63
					TOTAL	10181.98
					Say Rs. 101.82 Crore	

4.12 The MPPTCL has 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. As per the Petitioner 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 on annual basis, whereas as per the Petitioner the normative O&M expense eligibility in 2007-08 is works out to only Rs. 101.82 Crores as per actual position of its assets i.e. less than approved for year 2005-06. The MPPTCL hence requested to true up the O&M expenses on the basis of audited accounts for the year 2007-08.

4.13 The Commission has gone through the submission of the Licensee. The Commission noted that the Transmission Licensee sought the revision of the Employee Expenses, A&G Expenses and R&M Expenses for FY2007-08 on the basis of the Audited Accounts of the year. The Commission had also noted that Transmission Licensee revised the projections for Asset addition during the control period. In this situation, the Commission decided to true up the O&M expenses for FY2007-08 on the basis of audited Statements of Accounts for uncontrollable factors only. The Commission's analysis on the true-up of the O&M expenses is given in the following paragraphs.

Employee expenses

4.14 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. The comparison as shown in the filing of the Petitioner is tabulated hereunder:

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

S. No.	Particulars	Expenses in Annual Accounts from 01.06.05 to 31.3.06.(10 Months)	Corresponding Annualized expenses for 2005-06	Actual Expenses in 2006-07	Actual Expenses in 2007-08*
1	Salaries (including Addl. PA/DA)	5947.95	7137.54	9426.37	10317.04
2	Allowances & other Benefits	1496.62	1795.95	1345.38	2586.57
3	Contractual Employment/ Deputationist Cost	9.41	11.29	25.14	36.15
4	Contribution to GTIS, SCLIS etc.	NIL	NIL	NIL	245.52
Total Employee Cost -		7453.98	8944.78	10796.89	13185.28
Less Employee cost chargeable to construction works		585.27	702.32	724.71	801.71
Net Employee cost chargeable to Revenue		6868.71	8242.46	10072.18	12383.57

* The net employee expenses are shown after deducting the SLDC expenses.

4.15 The Commission understands that the increase in the employee expenses during FY2007-08 was due to the wage revision and revision in the Dearness Allowances as declared by the State Government. The Commission has made a detailed perusal of the heads of accounts and wishes to disallow incentive of Rs 1117.50 Lakhs, which should be funded out from the incentives earned by MPPTCL. The Commission has considered the employee cost on the basis of actual expenses incurred during the true up of ARRs of 2005-06 and 2006-07 also. Looking to the uncontrollable nature of such expenses, the Commission allows the revised employee expenses of Rs. 11266.07 Lakhs.

Administrative & General expenses

4.16 Although the Commission had specified the norms for determination of the O&M expenses inclusive of employee cost, A&G expenses and R&M expenses, the MPPTCL, in its petition, had requested separate true-up for A&G expenses based on audited accounts. The A&G expenses of the two years as submitted by the Petitioner are as under.

Table 23: Comparison of Administrative & General expenses

ADMINISTRATIVE AND GENERAL EXPENSES			
PARTICULARS	AMOUNT (Rs. in Lacs)		
	Year 1.6.05 to 31.03. 06 (10 months)	Year 2006-07 (12 months)	Year 2007-08* (12 months)
Property Related Expenses	35.78	54.32	335.86
Communication Expenses	93.70	100.17	82.67
Fee & Other Charges Paid to MPERC	170.21 *	101.26	105.86
Professional, Legal & Statutory Charges	228.11	35.06	49.63
Conveyance & Travelling Expenses	413.66	698.44	745.23
Other Expenses	548.73	378.43	225.49
Materials Related Expenses	(49.975)	9.69	129.04
Work Outsourcing Expenses	51.40	130.81	234.42
Miscellaneous Losses and Write-Offs	5.48	1.67	1.81
Total Administration & Gen. Expenses	1497.15	1509.84	1910.04
Less: Admin. & Gen. Expenses Capitalized to WIP	117.56	149.48	213.53
TOTAL -	1379.59	1360.36	1696.51
Less fee paid to MPERC	(170.21)	(100.26)	(105.86)
Net A&G Expenses	1209.38	1260.10	1590.65
* MPERC's fee for the years i.e. FY-06 & FY-07.			

* The net employee expenses are shown after deducting the SLDC expenses.

4.17 The Commission has observed that the A&G expenses have increased considerably during 2007-08 over last financial year. However the heads under which the A&G expenses have increased more are property related and work outsourcing expenses. The Commission has considered the A&G expenses on the basis of actual expenses incurred during the true up of ARR of 2005-06 and 2006-07 also. The Commission accepts A&G expenses of Rs. 1590.65 Lakh for FY 2007-08. The Commission expects the Petitioner to control A&G expenses in future and keep the overall O&M expenses within the norms specified vide MYT Regulations notified on 8th May 2009.

Repairs & Maintenance expenses

4.18 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. The petitioner had requested to consider the R&M expenses separately for approval of the Commission and given the following details of R&M expenses for the current year and previous years as in the following table:

Table 24: Repair and Maintenance expenses

Rs. In Lakh

REPAIRS AND MAINTENANCE			
PARTICULARS	AMOUNT		
	Year 2005-06 (10 months)	Year 2006-07 (12 months)	Year 2007-08 (12 months)
Repairs and Maintenance of Buildings	206.02	174.03	81.43
Repairs & Maintenance of Plant Machinery	955.78	1836.09	1424.98
Repairs & Maintenance of Vehicle	41.31	81.33	76.83
Repairs & Maintenance of Furniture and Fittings including Fan	2.73	3.22	3.15
Rep. & Maint. Computers and Accessories	5.20	14.99	7.95
Repairs & Maintenance of Assets not belonging to the Company	0.07	00.00	0.00
Other R & M Cost (Entry Tax)	11.20	22.19	18.24
Total Repairs & Maintenance Expenses	1222.30	2131.86	1612.58
Less: Rep. & Maint. Charges Capitalized To WIP	65.88	41.50	28.26
TOTAL -	1156.42	2090.36	1584.32

4.19 The MPPTCL maintained an asset value of Rs. 3341 Crores as on 01.04.2007, and the R&M expenses of Rs. 15.84 Crores in 2007-08 are about 0.47% of asset value. The R&M expenses during 2007-08 are also less than those incurred during 2006-07. The Commission has considered the R&M expenses on the basis of actual expenses incurred during the true up of ARR of 2005-06 and 2006-07 also. The Commission therefore takes a considerate view of these expenses and allows the amount of Rs 15.84 Crore.

Total O&M expenses

4.20 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)

i.	Employee Expenses	Rs. 112.66 Crores
ii.	A&G Expenses	Rs. 15.91 Crores
iii.	R&M Expenses	Rs. 15.84 Crores
iv.	O&M Expenses Allowed	Rs. 144.41 Crores
v.	O&M approved under order dtd. 13.3.06	Rs. 98.21 Crores
vi.	True-up Amount for 07-08	Rs. 46.20 Crores

Terminal benefits expenses

4.21 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.

4.22 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 in MYT order

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

4.23 The actual finalized expenses on account of terminal benefits for 2007-08 as filed by MPPTCL, in the true up petition are as under:

Table 27: Terminal benefits as per the Accounts

(i).	Pension (A/c 75-870)	Rs. 252.19 Crores
(ii)	Gratuity (A/c 75-840)	Rs. 53.10 Crores
(iii)	Annuity (A/c 75-884)	Rs. 00.24 Crores
TOTAL -		Rs. 305.53 Crores

4.24 Further the petitioner has claimed in its petition that to comply with Accounts Standards 15 by the Company, provisions of Rs. 66.99 Crores have been made as per Actuarial valuation of 2003, for the existing working employees of the Company for FY 2005-06, FY 2006-07 and FY 2007-08. The above mentioned table is therefore detailed as hereunder by the Petitioner;

Table-28 **Amount in Rs. Crore**

(i).	Total Pension, Gratuity & Annuity	305.53
(ii)	Provisioning for years FY-06, FY-07 and FY-08 as per AS-15	66.99
Current Terminal Benefits for FY-08 -		238.54

4.25 The Commission had already stated in earlier Orders that the actual liabilities incurred towards the terminal benefits shall only be allowed by the Commission. Hence, the Commission does not approve the provisioning of Rs 66.99 Crore. The Commission allows true up amount on account of terminal benefits in 2007-08 is Rs. 71.06 Crore

Table-29 **Amount in Rs. Crore**

S. No.	Particulars	Provision in ARR for FY-08 as per order dtd. 13.3.06	Actual Expenses allowed for FY-08	True-up Allowed
1	Terminal Benefit Liabilities	167.48	238.54	71.06

Depreciation

4.26 The working of Depreciation in the True-up petitions for year 2005-06 and 2006-07 was based on Opening Gross Block and Net Fixed Assets of Rs. 2407 Crores and Rs.1331 Crores respectively (as on 31.5.05) as per provisional opening balance sheet. Since these figures in the final Opening Balance Sheet have now been firmed up as Rs. 2932.75 Crores and Rs. 1726.81 Crores respectively, the Depreciation amount for the period 1.6.05 to 31.3.06 and 1.4.06 to 31.3.07 is reworked by MP Transco. The final Opening Balance- Sheet details as received by MP Transco from MPSEB also mentioned about the code-wise value of 'Opening Gross Block' and the 'Accumulated Depreciation'. The Petitioner has reworked the depreciation in the Petition on following basis;

- i. Assets of Rs. 489.80 Crores Capitalized on 1.6.05 in the 'True-up' petitions have not been Capitalized again since these are included in the Opening Gross Block of Rs. 2932.75 Crores appeared in final Opening Balance Sheet.
- ii. Assets of Rs. 159.72 Crores & Rs 249.09 crore are capitalized during period FY 2005-2006 and FY 2006-07
- iii. Depreciation rates have been taken as per MPERC's Regulation dtd. 16.12.05.
- iv. Rate of Depreciation of land held under lease and cost for clearing site has been taken on average based on lease period. The same percentage was adopted in accounts of year 2005-06, and 2006-07.
- v. The Net Fixed Assets value has been mentioned as minimum 10% of Opening Gross Block.

4.27 The petitioner revised the details of depreciation on 27th June, 2009 and resubmitted the same to the Commission. Based on above, the computation of Depreciation for year 2005-06 and 2006-07 done by the Petitioner, the Commission has computed the depreciation during each financial year, which is given in the following table;

Table-30		Amount in Rs. Crore			
S.No	Particular	As on 1.6.200 5	As on 31.3.2006	As on 31.3.200 7	As on 31.3.200 8
1	GFA	2932.75	3092.46	3341.55	3575.99
2	Accumulated Depreciation	1088.06	1173.14	1262.2	1359
3	Depreciation During the Year		85.08 for 12 months/ 70.90 for 10 months	89.06	96.8
4	Depreciation Allowed in earlier orders		77.84	98.25	110.31
5	True Up amount based on Petitioner's submission		(6.94)	(9.19)	(13.51)

4.28 The accumulated depreciation as on 01.06.2005 as per final opening balance sheet was Rs 1206 Crs., whereas the petitioner in its supplementary submission on 27.06.09 has informed the accumulated depreciation as Rs. 1088 Crs. as on 31.03.05, Rs.1173 crores as on 31.03.06, Rs.1262 crores as on 31.03.07 & Rs.1359 crores as on 31.03.08. The Petitioner has also submitted that the reconciliation is still going on in the matter of depreciation. At present the Commission considers the depreciation figures submitted by the petitioner. However, the Transco is directed to reconcile the depreciation figures and file the same prior to next true up filing. The Commission therefore allows the true up surplus of Rs 6.94 crores for FY 2005-06, Rs.9.19 crores for FY 2006-07 and Rs.13.51 crores for FY 2007.08.

Advance against Depreciation

4.29 As per clause no 2.21 of MYT Regulation, which is reproduced below, advance against depreciation (AAD) is allowed against new projects only.

2.21 Advance against depreciation (AAD) shall be permitted for any new project in addition to allowable depreciation, in the manner given hereunder.

4.30 The Petitioner could not establish linkage of AAD with the new projects, i.e. the projects commissioned after 1.4.2006. The Commission therefore has not considered any claim for Advance against depreciation.

Interest & finance charges

Interest on Loan

Details of loan as filed by petitioner

4.31 The Final Opening Balance Sheet as on 1.6.05 as notified by the State Government is as under;

Table-31**Amount in Rs. Crore**

LIABILITIES (Rs. Crores)			ASSETS (Rs. Crores)		
i.	Loans	1313.22	i.	Net Fixed Assets	1726.81
ii.	Equity	730.43	ii.	CWIP	198.46
iii.	Current Liabilities	159.25	iii.	Current Assets	277.63
TOTAL -		2202.90	TOTAL -		2202.90

4.32 The details of loans as filed by the Petitioner including MPPTCL loan as on 31.5.2005 are as under

Table-32**Amount in Rs. Crore**

S. No.	Source	Principal Due	Not Due	Principal Due	Interest Due	TOTAL
1	State Government Loan	188.42	14.15	NIL	202.53	
2	Loan from ADB	208.44	NIL	NIL	208.44	
3	Loan from NABARD	76.19	12.15	NIL	88.34	
4	PFC Loan	309.91	NIL	NIL	309.91	
5	SADA Loan	7.20	4.80	3.03	15.03	
6	Public Bonds/ Debentures	255.16	118.43	115.34	488.93	
7	MPPGCL	5.53	-	-	5.53	
TOTAL -		1050.85	149.53	118.37	1318.75	

4.33 The Final Opening Balance Sheet mentions the payment due to capital liabilities as Rs. 267.90 Crores i.e. Rs. 149.53 Crores (principal due)+ Rs. 118.37 Crores (interest due). The applicant made projections on the basis of above details as notified in the Final Opening Balance Sheet. Later on the MPSEB intimated MPPTCL that under Public Bonds & Debentures amount of Principal Not Due i.e. Rs. 255.16 Crores and Rs. 118.43 Crores are to be interchanged. The applicant has not incorporated this change in view that it changes figure of Rs. 267.90 Crores already appeared in the Final Opening Balance Sheet. The Accounts Wing of MPPTCL however incorporated this change in balance sheet and audited accounts for 2007-08. This resulted in difference between figures of Petition and Accounts. The Commission has decided to go by audited accounts and on making changes as per audited accounts, the above table stands modified as follows:-

Table-33**Amount in Rs. Crore**

Source	Principal Not Due	Principal Due	Interest Due	TOTAL
State Government Loan	188.42	14.15	0	202.57
Loan from ADB	208.44	0	0	208.44
Loan from NABARD	76.19	12.15	0	88.34
PFC Loan	309.91	0	0	309.91
SADA Loan	7.2	4.8	3.03	15.03
Public Bonds/ Debentures	118.43	255.16	115.34	488.93
MPPGCL	5.53	-	-	5.53
TOTAL -	914.12	286.26	118.37	1318.75

4.34 It was contended by the Transmission Company that since the overdue liabilities have come through opening balance sheet, these are also funding some of their assets. The company requested that interest on these overdue liabilities should also be allowed. While there is some merit in the contention taken by the Company, these overdue liabilities pertain to bonds and debentures issued by the erstwhile MPSEB, these liabilities therefore cannot rank pari passu with the liabilities not due. It is understood that these liabilities are yet to be discharged. The commission directs the Company that as and when these liabilities are discharged, the company may bring up details thereof including cost, if any incurred on these liabilities during the period under consideration. Till such time no cost pertaining to these liabilities can be admitted.

Weighted Interest Rate –

4.35 The Weighted Interest Rate is worked out by the Commission based on the above table and the same is shown in the following table

Table-34**Amount in Rs. Crore**

Source	Outstanding Principal Not Due	Interest Rate (%)	Interest
ADB	208.44	10.50%	21.89
NABARD	76.19	11.25%	8.57
State Govt. - General	28.77	12.69%	3.65
State Govt.- Market Bond	159.65	12.34%	19.70
PFC	309.9	10.75%	33.31
SADA	7.2	10.00%	0.72
Bonds/ Debentures	118.43	13.27%	15.72
MPPGCL	5.53	9.45%	0.52
TOTAL	914.11	-	104.08

4.36 The weighted average interest rate is worked out by the Commission as under;

104.08	X	100	= 11.39%
914.11			

Computation of Interest –

4.37 The Commission has computed the interest as follows:

Table-35		Amount in Rs. Crore
(a)	Outstanding Principal as on 01.06.05 (i.e. Principal not due)	914.11
(b)	Loan received during the year (1.6.05 to 31.3.06)	118.72
(c)	Schedule Repayment of Loan	97.59
(d)	Loan outstanding on 31.3.06 (a + b - c)	935.24
(e)	Average Loan (a+d / 2)	924.68
(f)	Interest @ 11.39% for 10 months	87.74

Interest Chargeable to Construction During 2005-06 -

4.38 The Petitioner worked out the Interest chargeable to construction by applying weighted average interest rate to the average CWIP. The Commission has however scrutinized the Audited annual accounts and has considered the Interest chargeable to construction shown in the accounts.

4.39 Interest on loan as computed by the Commission for 10 Months (01.06.05 to 31.3.06) is as follows :-

Table-37		Amount in Rs. Crore
(i)	Total interest for 10 months	87.74
(ii)	Interest chargeable to construction works for 10 months *	(22.69)
(iii)	Net Interest eligibility for 2005-06	65.05
(iv)	Interest already allowed in earlier Orders	81.16
(v)	True up amount for 2005-06	(16.11)

*As per audited accounts for FY 2005-06

Interest on Working Capital Year 2005-06 -

4.40 Interest on Working Capital is computed by the Commission on normative basis

Table-38		Amount in Rs. Crore
(i)	O&M expenses for 1 month (Rs. 90.22 Crores ÷ 10)	9.02
(ii)	Spares @ 1% of Opening Gross Block (Rs. 2932.75 Crores x 1 ÷ 100)	29.33
(iii)	Two months receivables (Rs. 462.66 Crores x 2 ÷ 10)	92.53
Total Working Capital requirement for 2005-06		130.88
(iv)	Interest on Working Capital at 11.25% (SBI PLR +1%)	14.72

TRUE-UP OF TRANSMISSION TARIFF FOR FY 2007-08

(v)	Eligibility for Interest on Working Capital for 10 months in 2005-06	12.27
(vi)	Interest on Working Capital for the period from 01.06.05 to 31.3.06 already allowed in earlier order	10.81
(viii)	True up amount for 2005-06	1.46

Weighted Interest Rate (2006-07)

4.41 The Weighted Interest Rate is worked out by the Commission for 2006-07 is given in the following table.

Table-39**Amount in Rs. Crore**

S. No	Particulars	Principal not overdue as on 01.04.06	Principal not overdue as on 01.04.07	Average Loan	Rate of Interest	Total Interest
1	Loan From PFC Unsecured	340.44	434.81	387.62	11.24	43.57
2	Loan From PFC Secured	0.00	19.40	9.70	11.96	1.16
3	Loan from Canara Bank	0.00	10.00	5.00	11.25	0.56
4	Loan From SADA Gwalior	4.80	2.40	3.60	10	0.36
5	Bonds & Debentures	81.07	43.71	62.39	13.27	8.28
6	MPGENCO	5.53	5.53	5.53	9.44	0.52
7	Direct Loans	16.29	13.96	15.13	10.5	1.59
8	ADB	241.73	357.46	299.60	10.5	31.46
9	NABARD	68.68	55.41	62.05	11.25	6.98
10	General Loans	28.30	27.83	28.06	12.69	3.56
11	Market Bonds	148.41	134.86	141.63	12.34	17.48
Total		935.23	1105.37	1020.30	11.32%	115.52

Computation of Interest for Year 2006-07

4.42 The interest eligibility for year 2006-07 is computed by the Commission in the similar way in the following Table.

Table-40**Amount in Rs. Crore**

(a)	Principal outstanding on 01.04.06	935.24
(b)	Loan received during the year 2006-07	291.49
(c)	Schedule Repayment of Loan	121.34
(d)	Loan outstanding on 31.3.07 (a + b - c)	1105.39
(e)	Average loan during year 2006-07 (a + d ÷ 2)	1020.32
(f)	Interest at Weighted Average rate of 11.32% for full year 2006-07	115.52

Interest Chargeable to Construction Works during 2006-07

4.43 The Petitioner worked out the Interest chargeable to construction by applying weighted average interest rate to the average CWIP. The Commission has however scrutinized the Audited annual accounts and has considered the Interest chargeable to construction shown in the accounts.

4.44 The Commission therefore allows the Interest on loan for 2006-07 as follows –

Table-42 **Amount in Rs. Crore**

(i)	Interest on Loans	115.52
(ii)	Less Interest chargeable to construction works *	(33.493)
Interest allowed for 2006-07		81.59
Interest already allowed in earlier Orders		100.66
True up amount for 2006-07		(19.07)

*As per audited accounts for FY 2006-07.

Interest on Working Capital Year 2006-07 -

4.45 Interest on Working Capital is worked out by the Commission on normative basis

Table-43 **Amount in Rs. Crore**

(i)	O&M expenses for 1 month (Rs. 131.41 Crores ÷ 12)	10.95
(ii)	Spares @ 1% of Opening Gross Block as on 01.04.06 (Rs. 3091.83 Crores x 0.01)	30.92
(iii)	Two months receivables (Rs. 630.03 Crores x 2 ÷ 12)	105.00
Total Working Capital requirement -		146.87
(iv)	Eligibility for Interest on Working Capital during 2006-07 at 11.25% (SBI PLR +1%)	16.52
(v)	Interest on Working Capital during 2006-07 already allowed in earlier Orders	17.29
True up amount for 2006-07		(0.77)

Weighted Interest Rate (2007-08)–

4.46 The Weighted Interest Rate as worked out by the Commission is as follows:

Table-44 **Amount in Rs. Crore**

S. No	Particulars	Principal not overdue as on 01.04.07	Principal not overdue as on 01.04.08	Average Loan	Rate of Interest	Total Interest
1	Loan From PFC Unsecured	434.81	425.46	430.14	11.24	48.35
2	Loan From PFC Secured	19.40	56.40	37.90	11.96	4.53
3	Loan from Canara Bank	10.00	24.25	17.13	11.25	1.93
4	Loan From SADA	2.40	0.00	1.20	10	0.12

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	Gwalior					
5	Bonds & Debentures	43.71	6.35	25.03	13.27	3.32
6	MPGENCO	5.53	5.53	5.53	9.44	0.52
7	Direct Loans	13.96	11.64	12.80	10.5	1.34
8	ADB	357.46	355.25	356.35	10.5	37.42
9	NABARD	55.41	42.15	48.78	11.25	5.49
10	General Loans	27.83	27.36	27.59	12.69	3.50
11	Market Bonds	134.86	120.03	127.44	12.34	15.73
	State Govt. – ADB-2323	0.00	44.37	22.18	5.27	1.17
	State Govt. – ADB-2346	0.00	29.86	14.93	4.67	0.70
Total -		1105.37	1148.64	1127.01	11.01%	124.11

Computation of Interest for Year 2007-08 –

4.47 The interest eligibility as computed by the Commission for 2007-08 is shown below:

Table-45 **Amount in Rs. Crore**

(a)	Principal outstanding on 01.04.07	1105.39
(b)	Loan received during the year 2007-08	171.04
(c)	Schedule Repayment of Loan	127.76
(d)	Loan outstanding on 31.3.08 (a + b - c)	1148.67
(e)	Average loan during year 2007-08 (a + d ÷ 2)	1127.03
(f)	Interest at Weighted Average rate of 11.01% for full year 2007-08	124.12

Interest Chargeable to Construction Works as worked out by the Commission during 07-08

4.48 The Petitioner in its petition adopted a different approach with respect to Interest chargeable to construction during the year 2007-08 than adopted for FY 2005-06 and 2006-07 in the same petition. While the Interest chargeable to construction during the FY 2005-06 and 2006-07 was worked out by applying weighted average interest rate i.e. 11.63 % to the average CWIP, for FY 2007-08 the petitioner has taken the figure appearing in the annual accounts. This interest was only 4.54 % of average CWIP for 2007-08. The commission sought the details from the petitioner and the petitioner vide letter no. 8674 dated 18.09.2009 made the back calculations available supporting his claim of Rs. 16.26 Crore as Interest chargeable to construction during the year 2007-08. The Commission accepts the Interest chargeable to construction during the year 2007-08 accordingly.

Interest allowed by the Commission for 2007-08 –

4.49 The interest allowed by the Commission for 2007-08 is shown below:

Table-47		Amount in Rs. Crore
(i)	Interest on Loans	124.12
(ii)	Less Interest chargeable to construction works	(16.26)
Eligibility for interest on loan for 2007-08		107.86

Interest already allowed in earlier Orders	71.50
True up amount for 2007-08	36.36

Interest on Working Capital

4.50 Interest on working capital is reworked by the Commission, as with change in items of ARR there is a relative change in requirement of working capital and interest thereon.

Interest on working capital has been computed by adopting the following norms prescribed by the MPERC regulation on terms and condition for termination of tariff.

- (1) Operation and maintenance expenses for one month;
- (2) Maintenance spares @ 1% of the historical cost of plant and machinery; and
- (3) Receivables equivalent to two months of transmission charges calculated on target availability level.

Table-48

Amount in Rs. Crore

Sr. No	Interest on working capital	2007-08
(i).	O&M Expenses for 1 month (O&M Expenses ÷ 12)	12.03
(ii)	Spares @ 1% of Opening Gross Block	33.42
(iii)	Two month's receivables (Net ARR) (Net ARR x 2 ÷ 12)	123.05
	Total Working Capital -	168.50
(iv)	Interest on Working Capital (@ SBI's PLR + 1%)	13.25%
	Eligibility for interest on working capital for 2007-08	22.33
	Interest on working capital already allowed in earlier Orders	70.45
	True up amount for 2007-08	(48.12)

Return on Equity (RoE)

4.51 The working of return on equity in the True-up petitions for year 2005-06 and 2006-07 was based on provisional balance sheet. Since the figure of equity in the final Opening Balance Sheet have now been firmed up as Rs.730 Crore, the Petitioner has incorporated the impact of final balance sheet in FY2007-08 audited balance sheet and re-worked the equity including reserve and surplus employed in fixed asset and return on equity for FY 2005-06 and FY 2006-07. As per the submission made vide letter No. 04-01/CRA Cell/6106 dated 2.7.2009 the details are as under:

Table-49

Amount in Rs. Crore

S. No.	Particulars	2005-06 (10 months)	2006-07
1(i)	Equity at beginning of year	730.43	901.83
(ii)	Equity under CWIP at beginning of year	10.43	124.77

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(iii)	Equity Employed on completed works at beginning of year	720	777.06
2(i)	Equity at the end of year	901.83	1076.8
(ii)	Equity under CWIP at the end of year	124.77	161.84
(iii)	Equity Employed on completed works at the end of year	777.06	914.96
3	Average Equity during the year employed on Capital Works	748.53	846.01
4	R.O.E. @ 14%	87.33	118.44
5	Allowed in True up orders	94.72	132.55
6	True up Amount	(7.39)	(14.11)

4.52 On the basis of the submission of the Petitioner the Commission approves recovery of Rs7.39 crore for FY 2005-06 and recovery of 14.11 crore for FY 2006-07 from the Transmission Licensee as true up amount.

RoE for FY 2007-08

4.53 As submitted by Petitioner the equity was of Rs. 1149.13 crore as on 31/3/08. The Commission shall allow Return on equity on the basis of equity employed in completed project. The details of Total equity invested as submitted by the Petitioner vide letter No. 04-01/CRA Cell/ 6106 dated 2.7.2009 are shown below:

Table-50 **Amount in Rs. Crore**

S. No.	Year	Equity beginning at of year	Equity received during the year	Equity at the end of year
1	2005-06	730.43	171.40	901.83
2	2006-07	901.83	174.97	1076.80
3	2007-08	1076.80	72.33	1149.13

4.54 The break-up of loan and equity being employed in CWIP from June 05 to March 08 is as submitted by petitioner vide letter No. 04-01/CRA Cell/ 6106 dated 2.7.2009 is given below.

Table-51 **Amount in Rs. Crore**

S. No.	Particulars	Total	Loan	Equity
1	CWIP as on 1.6.05	198.46	188.03	10.43
2	CWIP as on 31.3.06	329.50	204.73	124.77
3	CWIP as on 31.3.07	542.59	380.75	161.84
4	CWIP as on 31.3.08	480.22	334.79	145.43

4.55 The Transmission Licensee in its petition indicated that the total equity held by it as on 31/03/2007 was Rs. 1076.80 Crore and as on 31/03/2008 was Rs. 1149.13 Crore. It has also indicated in the petition that as on 31/03/2007 the equity employed in CWIP was 161.84 Crore and as on 31/03/08 was Rs. 145.43 Crore Hence, the average equity employed in the completed assets as on 31/03/2008 was 959.33 Crore (1045.38 – 53.70). The details of calculations as filed by the petitioner are given below:

Table 52: Equity of MPPTCL as filed (Rs. Crore)

S. No.	Particulars	Total Equity	Equity under CWIP	Equity employed on Capital Works
1	As on 1.4.07	1076.80	161.84	914.96
2	As on 31.3.08	1149.13	145.43	1003.70
3	Average during year 2007-08	1112.97	153.64	959.33

- 4.56 Commission accepts the same and allows return on equity (RoE) at 14 % amounting to Rs 134.31 crore on average equity of Rs 959.33 crore for FY2007-08. The True up amount shall be as follows:

Table-53 **Amount in Rs. Crore**

S. No.	Particulars	Total Equity
1	RoE allowed for 2007-08 in this Order	134.31
2	RoE allowed for 2007-08 in earlier Order	127.26
3	True up amount	7.05

Taxes and fee

- 4.57 The MPPTCL has not claimed any amount for true up for 2005-06 and 2006-07 on account of Taxes and fee as there is no impact of change in opening balance sheet on this head. However as against Taxes and fee of Rs. 1.73 Crore approved for 2007-08 in the MYT order of the Commission the Petitioner audited accounts show an expense of Rs. 1.42 Crore only. The Commission therefore allows a recovery from Transmission Licensee under this head as follows:

Table 54: Taxes and fee

S. No.	Particular	Amount
1	Taxes and fee allowed for 2007-08 in this Order	Rs. 1.42 Crores
2	Taxes and fee allowed for 2007-08 in earlier Order	Rs. 1.73 Crores
3	True up amount	Rs. 0.31 Crores

Prior period adjustment

- 4.58 The MPPTCL has not claimed any amount for true up on account of Prior period adjustment 2005-06 and 2006-07 as there is no impact of change in opening balance sheet on this head. Further no claim under this head is made for 2007-08 also as a true up amount.

Other income

4.59 Apart from the transmission charges, the MPPTCL has billed the following charges during 2007-08, which are not to be subtracted from ARR:

Charges not to be covered under Non-Tariff Income

- (a) Reactive Energy Charges (Rs. 0.132 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. 18.36 Crores): These are performance linked incentives and are not to be subtracted from ARR.
- (c) Delayed Payment Surcharge (Rs. 38.78 Crores): 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. 6.85 Crores): 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

4.60 The Petitioner has submitted the following items as Non-Tariff Income and the Commission allows the same to be subtracted from the ARR of 2007-08.

Table 55: Non-Tariff Income Amount in Rs. Crore

1	Income from interest	2.55
2	Application processing fees	0.02
3	Miscellaneous receipts	4.27
TOTAL		6.84

True-up amount for FY 2007-08

4.61 Based on the analysis made in preceding paragraphs, the Commission finally determines the true-up amount for 2005-06 and 2006-07 to the extent of changes made in the opening balance sheet and the same is tabulated hereunder:

Table 56: True-up amount in Rs. Crore for FY 2005-06 and 2006-07 arising out of changes made in the opening balance sheet of MPPTCL

S. No.	Particulars	2005-06 (01.06.05 to 31.3.06)			2006-07			Additional True up amount for 2005-06 & 2006-07
		As per 'True-up' order dated 01.03.07	Allowed in this Order	Difference	As per 'True-up' order dated 19.03.08	Allowed in this Order	Difference	
1	O&M Expenses	90.22	90.22	0.00	131.41	131.41	0.00	0.00
2	Terminal Benefits	128.19	128.19	0.00	194.72	194.72	0.00	0.00
3	(i) Depreciation	77.84	70.90	(6.94)	98.25	89.06	(9.19)	(16.13)
	(ii) AAD	AAD is admissible only for new projects, hence not considered						
4	(i) Interest on Loans	81.16	65.05	(16.11)	100.66	81.59	(19.07)	(35.18)
	(ii) Interest on Working Capital	10.81	12.27	1.46	17.29	16.52	(0.77)	0.69
5	Return on Equity	94.72	87.33	(7.39)	132.55	118.44	(14.11)	(21.50)
True up amount allowed in this order towards FY 2005-06 and 2006-07 on account of finalization of opening Balance Sheet								(72.12)

4.62 Similarly based on the analysis made in preceding paragraphs, the Commission finally determines the true-up amount for 2007-08 and adds the true up amount for 2005-06 and 2006-07 to determine the total true up amount upto 2007-08, which shall be adjusted in the bills of Long term open access customers of MPPTCL. The details of true up are tabulated hereunder:

Table 57: True up amount for 2007-08 including impact of final opening balance sheet on ARR of 2005-06 and 2006-07 in Rs. Crore

S. No.	Particulars	2007-08			True up amount for 2005-06 & 2006-07	True up amount including amount for 2005-06 & 2006-07
		As per MYT order	As per this Order	True-up for 2007-08 only		
1	O&M Expenses	98.21	144.41	46.20	0.00	46.20
2	Terminal Benefits	167.48	238.54	71.06	0.00	71.06
3	Depreciation					
(i)		110.31	96.80	(13.51)	(16.13)	(29.64)
(ii)	AAD	0.00	0.00	0.00	0.00	0.00
4 (i)	Interest on Loans	71.50	107.86	36.36	(35.18)	1.18
(ii)	Interest on Working Capital	70.45	22.33	(48.12)	0.69	(47.43)
4	Return on Equity	127.26	134.31	7.05	(21.50)	(14.45)
5	Taxes & Fees	1.73	1.42	(0.31)	0.00	(0.31)
6	Prior period adjustment	0.00	0.00	0.00	0.00	0.00
7	Total 1 to 6	646.94	745.67	98.73	(72.12)	26.61
8	Less Non-Tariff Income	0.00	(6.84)	(6.84)	0.00	(6.84)
9	Net ARR (8-9)	646.94	738.83	91.89	(72.12)	19.77

4.63 The True up amount for FY 2007-08 alongwith true up for 2005-06 and 2006-07 arising out of change in opening balance sheet amounting to Rs.19.77 Crore is to be recovered by the Transmission Licensee in 12 equal installments during FY 2010-11 along with the Transmission Charges as determined by the Commission for FY 2010-11.

CHAPTER 5 - OBJECTIONS AND COMMENTS ON MPPTCL'S PETITION

5.1 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 14th February 2009, no comments were received till due date of 9th March 2009. However on 13th April 2009 the following stakeholder submitted its comments/objections:-

1. M.P. Vidyut Mandal Pensioners Association

5.2 A public hearing was arranged on 05th June 2009 in the Court Room in the Office of the Commission at Metro Plaza, Bittan Market, Bhopal. Before the hearing comments/objections of M.P. Vidyut Mandal Pensioners Association had been forwarded to MPPTCL. During the hearing the representative of M.P. Vidyut Mandal Pensioners Association and all the 3 Discoms were present and the following discussions were held:

M.P. Vidyut Mandal Pensioners Association, Jabalpur

Observations

Shri V. K. Agrawal appeared on behalf of the Pensioners association and informed that the Pension fund is already established. Rules for fund are framed in April 2006. The trust deed is available. As per the Government notification dated 19.9.2007 the employee transfer date is notified as 1.6.2005. The Pensioners Association pleaded that the amount towards future liabilities of existing employees should be allowed to be transferred to the pension fund by the Commission, for which provision is made by the Transmission licensee.

MPPTCL's Response

MPPTCL agreed with the views of the Pensioners association and requested to allow the provisioning of Rs. 66.99 Crore in its true up petition.

Commission's View

The Commission observed that the actual payment of terminal liabilities was already allowed by it. Further the Commission has given direction with regard to expenses on terminal benefits in its MYT Regulations for the control period from 2009 to 2012. The Commission expects the State Government and the Power sector companies of Madhya Pradesh to take necessary action as specified in the regulation. However the commission declined the request of the stakeholder to consider the provisioning of terminal benefits for past period of 2007-08, unless an actual expenditure was incurred by the transmission licensee.

Distribution licensees

Observations

Shri A. R. Verma, Addl. SE, MP Madhya Kshetra Vidyut Company Limited on behalf of all the 3 Discoms submitted that O&M expenses should be considered as least of actuals or O&M norms as per Regulations. O&M expenses beyond O&M norms should not be allowed. For other expenses, actual expenditures should be considered in place of provisioning, if any.

MPPTCL's Response

The Company submitted that 75 % of the O&M expenses are employee cost, which is un-controllable and therefore actual expenses on O&M may be allowed. So far as provisioning is concerned, other than terminal benefits only actual expenses are claimed by the Petitioner and not the provisioning.

Commission's View

The Commission understands that the employee cost is uncontrollable and to the extent of employee cost, it has taken a considerate view. The same treatment can however not be given to the other components of O&M expenses such as A&G expenses. Regarding the provisioning of terminal benefit, the commission has made its views clear and has even specified so in the MYT Regulations for the period 2009 to 2012.
