

MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION

5th Floor, Metro Plaza, Bittan Market, Bhopal - 462 016



Determination of True-Up of Aggregate Revenue Requirement (ARR) for FY 2022-23 for MPIDC [erstwhile MPAKVN(I)L] for Electricity Distribution Business of Special Economic Zone

Petition No. 67 of 2023

PRESENT:

S.P.S. Parihar, Chairman

Gopal Srivastava, Member (Law)

Prashant Chaturvedi, Member

IN THE MATTER OF:

Determination of True-up of Aggregate Revenue Requirement (ARR) for FY 2022-23 based on the True-up Petition filed by MPIDC (Madhya Pradesh Industrial Development Corporation)

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List of Abbreviations

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

1. ORDER

(Passed on this 6th Day of March, 2024)

- 1.1 This Order is in response to the Petition no. 67 of 2023, filed by Madhya Pradesh Industrial Development Corporation (MPIDC), erstwhile Madhya Pradesh Audyogik Kendra Vikas Nigam (Indore) Ltd., (hereinafter referred as the Petitioner or the Distribution Licensee), a Company incorporated under the Companies Act, 1956 (Now Companies Act, 2013) having its registered office at 1st Floor, Atulya IT Park, Near Crystal IT Park, Khandwa Road, Indore, before Madhya Pradesh Electricity Regulatory Commission (hereinafter referred to as MPERC or the Commission). The Petitioner is a deemed distribution licensee under the fifth Provision to Section 14 of the Electricity Act, 2003. The area of supply of the Petitioner is SEZ Indore (Pithampur) within the State of Madhya Pradesh (MP). This petition has been filed under Section 61 and Section 62 (1) (d) of the Electricity Act, 2003 for True up of ARR of FY 2022-23, under tariff principles laid down in the Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Supply and Wheeling of Electricity and Methods and Principles for Fixation of Charges) Regulations, 2021 as amended from time to time (hereinafter referred to as MYT Regulations).
- 1.2 The Commission had issued the Retail Supply Tariff Order for FY 2022-23 on 02nd May, 2022, in accordance with MPERC (Terms and conditions for determination of tariff for supply and wheeling of Electricity and methods and principles for fixation of charges) Regulations, 2021 and amendments thereof, (herein referred to as MYT Regulations, 2021 and amendments thereof or Tariff Regulations).
- 1.3 The Petitioner filed its true up Petition for FY 2022-23 on 30th November, 2023. Thereafter, the Commission held the motion hearing on 05th December, 2023 and admitted the Petition.
- 1.4 The public notices were approved by the Commission on 09th January, 2024 for publication by the Petitioner in Hindi and English newspapers for inviting comments /objections/ suggestions from various stakeholders. which were published on 11th January, 2024 in the Newspapers Raj Express and Free Press, Indore. Last date for inviting comments / suggestions / objections was 01st February, 2024.

1.5 Based on the analysis of the Petition, the Commission communicated additional data requirements vide letter dated 11th January, 2024. The Petitioner submitted the additional information in reply to data gaps vide letter dated 29th January, 2024.

Disclaimer for Rounding

1.6 In this Order certain numbers as a whole, upto several decimal places have been rounded up or down. Therefore, there may be discrepancies between the totals of the individual numbers shown in the tables upto 2 decimal places and numbers given in the corresponding analysis in the text of this Order.

1.7 Summary of the Aggregate Revenue Requirement and Revenue Gap / Surplus submitted by the Petitioner for True-up of FY 2022-23 is shown below:

Table 1: Summary of ARR and Revenue Gap/(Surplus) claimed in True-Up of FY 2022-23 (Rs. Crore)

Sr. No.	Particulars	FY 2022-23
1	Power Purchase Cost	174.85
2	Intra State Transmission charges	14.06
3	SLDC and Other Charges	0.02
4	Employee expenses	5.17
5	R&M expenses	2.44
6	A&G expenses	2.03
7	MPERC and MPPMCL Fees & others	0.02
8	Depreciation	0.81
9	Interest and Finance Charges	1.65
10	Return on Equity (RoE)	0.78
11	Lease Rent	2.19
12	Income Tax	0.00
13	Gross ARR	204.03
14	Less: Other Income	0.03
15	Revenue Gap / (Surplus) in MPIDC True Up of FY 2018-19	(9.51)
16	Revenue Gap / (Surplus) in MPIDC True Up of FY 2019-20	(9.05)
17	Revenue Gap / (Surplus) in MPIDC True Up of FY 2020-21	1.98
18	Revenue Gap / (Surplus) in MP Transco True Up of FY 2019-20	0.09
19	Net ARR	187.51
20	Revenue from Sale of Power	186.51
21	Revenue Gap / (Surplus) (Sr. No. 19- Sr. No. 20)	1.01

Public Hearing

- 1.8 The Commission held public hearing on the True-up petition for FY 2022-23 through video conferencing on 06th February, 2024.
- 1.9 In order to ensure public participation adequate opportunity was given to all stakeholders by way of public notice to file as well as present their objections/comments/suggestions on the petition. The Commission observed that none of the stakeholder has submitted suggestions/ comments / objections on the Petition and no stakeholder represented during the Public Hearing.
- 1.10 As per the provisions of the Electricity Act, 2003 and relevant regulations notified in this regard, the Commission has finalized this Order.

Allowable Revenue Gap / Surplus of MPIDC

- 1.11 Based on the scrutiny of various cost components under tariff principles laid down in the prevailing Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Supply and Wheeling of Electricity and Methods and Principles for Fixation of Charges) Regulations,2021 and amendments thereof, regarding revenue income and expenditure of Petitioner, the Commission has considered following Revenue Gap / (Surplus) for FY 2022-23 for adjustment through Retail Supply Tariff in future:

Table 2: Revenue Gap/(Surplus) admitted by the Commission for FY 2022-23 (Rs. Crore)

Sr. No.	Particulars	Admitted in Tariff Order	Claimed	Admitted in True Up Order
1	Power Purchase Cost	204.19	174.85	172.31
2	Intra State Transmission charges	10.49	14.06	14.06
3	SLDC Charges	0.02	0.02	0.02
4	O&M Expenses	7.53	9.67	8.87
5	Depreciation	0.40	0.81	0.26
7	Interest and Finance Charges	1.35	1.65	1.18
8	Return on Equity	0.66	0.78	0.55
9	Lease Rent	0.00	2.19	0.00
10	Bad and Doubtful Debt	0.00	0.00	0.00
11	Income Tax	0.00	0.00	0.00
12	Total Expenses	224.63	204.03	197.26
13	Less: Other Income	3.02	0.03	6.17
14	Net Aggregate Revenue Requirement	221.61	204.00	191.08
15	Revenue Gap / (Surplus) in MPIDC True Up of FY 2018-19	(9.51)	(9.51)	(9.51)

Sr. No.	Particulars	Admitted in Tariff Order	Claimed	Admitted in True Up Order
16	Revenue Gap / (Surplus) in MPIDC True Up of FY 2019-20	(9.05)	(9.05)	(9.05)
17	Revenue Gap / (Surplus) in MPIDC True Up of FY 2020-21	1.98	1.98	1.98
18	Revenue Gap / (Surplus) in MP Transco True Up of FY 2019-20	0.09	0.09	0.00
19	Total Aggregate Revenue Requirement	205.12	187.51	174.50
20	Revenue from Sale of Power	205.23	186.51	186.22
21	Revenue Gap/ (Surplus) (Sr. No. 19- Sr. No. 20)	(0.11)	1.01	(11.71)
22	Holding Cost on True-up of FY 2022-23	-	-	(2.46)
23	Net Revenue Gap/ (Surplus) (Sr. No. 21 + Sr. No. 22)	(0.11)	1.01	(14.17)

1.12 Accordingly, the Commission has admitted the net Revenue Surplus of Rs. 14.17 Crore after true up of FY 2022-23 for passing on the revenue surplus amount in retail supply tariff to be determined by the Commission for the subsequent years.

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

Sd/-
Prashant Chaturvedi
Member

Sd/-
Gopal Srivastava
Member (Law)

Sd/-
S. P. S. Parihar
Chairman

Dated: 6th March, 2024

Place: Bhopal.

2. TRUE UP OF AGGREGATE REVENUE REQUIREMENT FOR FY 2022-23

Sales

Petitioner's Submission

- 2.1 The actual category-wise sales (in MU) for FY 2022-23 is 451.51 MU as against the sales of 505.03 MU approved in the Tariff Order for FY 2022-23.

Commission's Analysis

- 2.2 The Commission has verified the actual sales from the R-15 statement and audited account submitted by the Petitioner. Accordingly, the Commission has admitted the sales as reflected in the R-15 statement and audited accounts for FY 2022-23. The claimed sales and admitted sales for FY 2022-23 are as shown below:

Table 3: Category wise sales admitted by the Commission for FY 2022-23 (MU)

Sr. No.	Consumer category	Claimed	Admitted
1	LT consumer categories		
2	LV-2 Non-Domestic	0.07	0.07
3	LV-3 Public Water Works and Street Light	0.02	0.02
4	LV-4 LT Industrial	0.38	0.38
5	Total LT Sale	0.47	0.47
6	HT Consumer Categories		
7	HV-1.1 Industrial	451.04	451.04
8	Total HT Sale	451.04	451.04
9	Total LT+HT Sale	451.51	451.51

Power Purchase

Petitioner's Submission

- 2.3 The Petitioner has claimed actual distribution loss of 1.37% for FY 2022-23.
- 2.4 The Petitioner has met its entire power requirement for FY 2022-23 from MPPMCL, considering the actual distribution losses at 1.37% and Intra-State transmission losses at 3.37%. The energy requirement claimed by the Petitioner for FY 2022-23 is 473.76 MU.

Commission’s Analysis

- 2.5 The Commission has approved the distribution loss of 1.45% for FY 2022-23 as specified in MYT Regulations, 2021.
- 2.6 For computing the energy requirement of FY 2022-23, the Commission has admitted the actual MPPTCL loss of 2.63% for FY 2022-23 as per the Regulatory Compliance Report submitted by MPPTCL.
- 2.7 The energy balance / power purchase requirement on basis of the sales and losses admitted by the Commission for the Petitioner for FY 2022-23 is shown in the following table:

Table 4: Energy Requirement admitted by the Commission for FY 2022-23

Sr. No.	Particulars	Claimed	Admitted
1	Sales (MU)	451.51	451.51
2	Distribution Loss (%)	1.37%	1.45%
3	Distribution Loss (MU)	6.29	6.64
4	Input at MPIDC boundary (MU)	457.79	458.15
5	Intra-State Transmission Loss (%)	3.37%	2.63%
6	Intra-State Transmission Loss (MU)	15.96	12.37
7	Energy Requirement (MU)	473.76	470.52

Power Purchase Cost & Transmission charges

Petitioner’s Submission

- 2.8 The Petitioner has executed a long-term power purchase agreement with MPPMCL for a quantum of 40 MW with effect from 1st April, 2015 on 29th March, 2016. The Petitioner had also signed supplementary agreement with MPPMCL on 31st March, 2017, 1st August, 2018, 28th August, 2020 and 1st July, 2021 for enhancement of contracted capacity to 45 MW, 50 MW, 55 MW and 60 MW respectively. Based on these power purchase arrangements, the Petitioner has met its entire power requirement from MPPMCL for FY 2022-23. The Petitioner has claimed net power purchase expense from MPPMCL during FY 2022-23 of Rs. 163.15 Crore, cost of Renewable Energy Certificates (RECs) of Rs.9.51 Crore, MPPMCL’s power trading margin of Rs. 1.90 Crore and rebate on power sales of Rs. 0.29 Crore.

- 2.9 The Petitioner has submitted that it has not incurred any Inter-State Transmission charges as the entire power requirement has been met from MPPMCL during FY 2022-23.
- 2.10 The Petitioner has incurred Intra-State Transmission charges of Rs. 14.06 Crore and SLDC charges of Rs. 0.02 Crore during FY 2022-23.

Commission's Analysis

- 2.11 The Commission has considered total power purchase cost for FY 2022-23 as per the audited accounts.
- 2.12 The Commission has observed that the Petitioner has claimed trading margin of Rs. 1.90 Crore for FY 2022-23. On analysis of the audited accounts of petition, it is observed that in Note 2.15 of audited account for FY 2022-23, it is clearly mentioned that in the absence of Commission's approval of trading margin, only provisioning is being done and no actual payment of trading margin is being made to MPPMCL. As the Commission has not approved recovery of any trading margin by MPPMCL, expense towards the trading margin has not been allowed to the Petitioner in this Order. Trading margin can be considered in future only after an appropriate petition in that regard is decided by the Commission.
- 2.13 The Commission has also observed that the petitioner has added rebate of Rs. 0.29 Crore on power sales given to consumers during FY 2022-23 to power purchase cost in its claim. On analysis, it was observed that the rebate which the petitioner has provided to its consumers on power sales, pertains to revenue from sale of power. Therefore, the Commission considers it appropriate not to add this amount in power purchase cost, but reduced the same from revenue from sale of power.
- 2.14 The Commission has noted that the petitioner claimed Rs. 9.51 Crore on account of meeting the Renewable Purchase Obligation (RPO) through procurement of Renewable Energy Certificates (RECs) of 97 MU for FY 2022-23 as part of Power Purchase Cost. On analysis, it was observed that the Petitioner's Ex-Bus normative energy requirement for FY 2022-23 was 470.52 MU. Therefore, the Petitioner should have procured RECs of 93.41 MU. However, the Petitioner purchased 3.59 MU of RECs in excess of its requirement. Consequently, the Commission has approved the cost of RECs amounting to 93.41 MU, equivalent to Rs. 9.15 Crore,

and disallowed Rs. 0.35 Crore for the excess purchase of RECs by the Petitioner. Furthermore, the Petitioner is directed to procure RECs only up to their normative ex-bus requirement during the year.

2.15 The Petitioner has claimed Intra-State transmission charges of Rs. 14.06 Crore. The Petitioner has also claimed Rs. 0.09 Crore towards Revenue Gap of MP Transco true-up for FY 2019-20. However, on exercising prudence check the Commission observed that the Petitioner has claimed Rs.0.09 Crore, once under head of Intra State Transmission charges and again under head of Revenue Gap of MP Transco True-up of FY 2019-20. Therefore, the Commission has not considered the Petitioner’s claim of Rs.0.09 Crore against MP Transco True-up separately as it is already included in Intra State Transmission charges of Rs. 14.06 Crore.

2.16 The Commission has considered the actual Intra-State transmission charges of Rs. 14.06 Crore (inclusive of MP Transco True-up amount of Rs. 0.09 Crore) and SLDC charges of Rs. 0.02 Crore paid by the Petitioner as per audited accounts for FY 2022-23.

2.17 Accordingly, the admitted power purchase cost for FY 2022-23, is as shown below:

Table 5: Power Purchase Cost (including Transmission and SLDC Charges) admitted by the Commission for FY 2022-23 (Rs. Crore)

Sr. No.	Particulars	Claimed	Admitted
1	Power Purchase from MPPMCL	163.15	163.15
2	Trading Margin	1.90	0.00
3	Rebate on Power Sale	0.29	0.00
4	RECs Purchased	9.51	9.15
5	Total Power Purchase Cost	174.85	172.31
6	Intra-State Transmission Charges	14.06	14.06
7	SLDC Charges	0.02	0.02
8	Total Power Purchase Cost and Transmission Charges including SLDC Charges	188.93	186.39

Gross Fixed Assets (GFA) and Capitalisation

Petitioner’s Submission

2.18 The opening value of the GFA for FY 2022-23 has been considered as per the closing value of GFA for FY 2021-22.

2.19 The addition to assets has been considered as per the actual capitalisation for FY 2022-23. The actual GFA capitalisation of the Petitioner pertaining to power business for FY 2022-23 is nil.

Commission’s Analysis

2.20 The Commission has considered the closing balance of GFA admitted in True-up Order of FY 2021-22 as the opening balance of GFA for FY 2022-23.

2.21 The Commission has observed that Closing GFA for FY 2021-22 was Rs. 32.87 Crore. The Same has been considered as Opening GFA for FY 2022-23. Petitioner has wrongly claimed Rs. 24.79 Crore as Opening GFA for FY 2022-23. The GFA admitted for FY 2022-23, based on the capitalisation admitted by the Commission, is as below:

Table 6: GFA Admitted by the Commission for FY 2022-23 (Rs. Crore)

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

Funding of Capitalisation

Petitioner’s Submission

2.22 The Petitioner has submitted that total capitalization during the FY 2022-23 is nil.

2.23 The Petitioner also submitted that, for FY 2022-23, the consumer contribution is more than the total capitalisation, thus no additional debt and equity has been considered.

Commission’s Analysis

2.24 Regulation 22 of the MYT Regulations, 2021 and amendments thereof specifies that debt-equity ratio shall be 70:30 for calculation of interest on loan and for return on equity. Further, equity addition is to be limited to 30% of the net GFA and equity in excess of 30% is to be considered as normative loan.

2.25 The Commission observed that during the year the total Capitalisation is nil. Further, the Petitioner has received consumer contribution of Rs. 0.33 Crore in FY 2022-23. Accordingly, the Commission has admitted consumer contribution of Rs.

0.33 Crore received during year and arrived at the net capitalization of nil during the year.

2.26 In True-up of FY 2021-22, the balance consumer contribution was Rs. 0.22 Crore and in True-up of FY 2022-23 the Commission has admitted consumer contribution of Rs. 0.33 Crore. Therefore, the remaining balance consumer contribution till FY 2022-23 is Rs. 0.55 Crore which shall be considered in the subsequent year true ups.

2.27 As the net Capitalisation has been considered as nil, debt and equity addition for the year has been considered as nil. The funding of the Capitalisation approved for FY 2022-23 is shown as follows:

Table 7: Admitted funding of Capitalisation for FY 2022-23 (Rs. Crore)

Sr. No.	Particulars	Claimed	Admitted
1	Total Capitalisation	0.00	0.00
2	Consumer Contribution and Grants for FY 2022-23	0.33	0.33
3	Net Capitalisation	0.00	0.00
4	Normative Debt	0.00	0.00
5	Normative Equity	0.00	0.00

Operations and Maintenance Expenses

Petitioner's Submission

2.28 The Operations and Maintenance (O&M) Expenses consist of the following elements as per Regulation 36 of the MYT Regulations, 2021 and amendments thereof:

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

Employee Expenses

2.29 The employees of Petitioner's various departments like planning, commercial, technical, legal, financial & accounts, administration etc. are involved in activity of power business. The actual employee expenses for FY 2022-23 as incurred by the

Petitioner based on the audited accounts are Rs. 5.17 Crore, including DA and terminal benefits.

A&G Expenses

- 2.30 The Petitioner has submitted that actual A&G expenses incurred for FY 2022-23 is Rs. 2.03 Crore, which are lower than the normative A&G expenses specified by the Commission in the MYT Regulations, 2021 and amendments thereof.

R&M Expenses

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

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

interest of the consumers. MPPKVCL is a State owned Distribution Licensee and has expertise in operation and maintenance of power distribution system. [Emphasis Added]”

2.33 With PTC India Ltd. managing R&M activities, various distribution of power related aspects has improved considerably, including:

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

2.34 The Petitioner has also submitted that a part of R&M expenses of Rs. 2.44 Crore incurred for FY 2022-23 is reflected as part of Power Purchase Cost in the audited accounts. However, for the purpose of filing of this Petition, the Petitioner has re-classified the same as a part of the R&M expenses. The Petitioner has requested the Commission to approve actual R&M Expenses of Rs. 2.44 Crore for FY 2022-23.

MPERC Fees

2.35 The Petitioner has submitted that the actual MPERC Fees for FY 2022-23 is Rs. 0.02 Crore.

Commission’s Analysis

2.36 Regulations 36.5 and 36.6 of MYT Regulations, 2021 specifies as follows:-

“36.5 The Distribution Licensee shall submit the actual Employee expenses, Administrative and General expenses and Repairs and Maintenance expenses at the time of true-up.

36.6 The treatment of variation in Employee expenses, Administrative and General expenses and Repairs and Maintenance expenses at the time of true-up shall be as under:

(i) The Commission may allow actual Employee expenses subject to prudence check:

Provided that the expenses incurred towards dearness allowance, NPS expenses, pension, terminal benefits and incentive to be paid to employees shall be allowed at actuals.

(ii) The Commission may allow actual Administrative and General expenses subject to prudence check:

Provided that the taxes payable to the Government and fees to be paid to MPERC shall be allowed at actuals.

(iii) The Commission will allow the actual Repairs and Maintenance expense subject to ceiling normative Repairs and Maintenance expenses.”

2.37 The Commission has carried out detailed scrutiny of the actual Employee Expenses, Administrative and General Expenses in accordance with the MYT Regulations, 2021 and amendments thereof. The Commission observed that the Petitioners have claimed actual employee expenses and A&G expenses as per the audited accounts. The same has been duly considered by the Commission on actual basis.

2.38 Further, in accordance with the MYT Regulations, 2021 and amendments thereof, the Petitioners are eligible to claim dearness allowance (DA), NPS expenses, pension, terminal benefits, incentive, taxes payable to the Government and fees to be paid to the Commission is allowable on actual basis. Accordingly, the Commission has admitted the above said claim on actuals for FY 2022-23 as per the audited accounts.

2.39 The treatment of R&M expenses in the MYT Regulations, 2021 and amendments thereof specifies that the R&M Expenses shall be allowed on actual basis or up to the ceiling normative R&M Expenses. The Petitioner has claimed R&M expenses as per the agreement with PTC India Limited.

2.40 The Commission has analysed the normative R&M Expenses @ 5% on the opening GFA of the financial year for the Petitioner and actual R&M expenses as per the

audited accounts for FY 2022-23. Accordingly, based on the above, R&M expenses as per actual and as per the provision of Regulations for FY 2022-23 are shown in the following table:

Table 8: Comparison of Actual and Normative R&M Expenses for FY 2022-23 (Rs. Crore)

Sr. No.	Particulars	Claimed	Actual	Normative
1	R&M Expenses	2.44	2.44	1.64

2.41 In view of the above, the Commission observed that actual R&M Expenses are higher than Normative Expenses. Therefore, in accordance with the MYT Regulations, 2021 the Commission has admitted the lesser of the actual R&M expenses as per the audited accounts vis-a-vis normative R&M expenses.

2.42 In view of the above, the admitted O&M expenses for FY 2022-23 are as shown in the following table:

Table 9: O&M Expenses admitted by the Commission for FY 2022-23 (Rs. Crore)

Sr. No.	Particulars	Claimed	Actual	Normative	Admitted
1	Employee Expenses	5.17	5.17	-	5.17
2	A&G Expenses (including MPERC Fees)	2.06	2.06	-	2.06
3	R&M Expenses	2.44	2.44	1.64	1.64
4	Total O&M Expenses	9.67	9.67	1.64	8.87

Depreciation

Petitioner's Submission

2.43 The Petitioner has submitted that the rates of depreciation as specified in the MYT Regulations, 2021 and amendments thereof have been considered for the computation of depreciation for FY 2022-23. Addition to assets have been considered as per the actual Capitalisation for FY 2022-23.

2.44 The Petitioner further submitted that it has reduced the amortization of the assets capitalized from the consumer contribution for FY 2022-23. Accordingly, net depreciation on GFA for FY 2022-23, after reducing amortization on consumer contribution of Rs. 0.39 Crore is Rs. 0.81 Crore as follows:

Table 10: Depreciation claimed by the Petitioner for FY 2022-23 (Rs. Crore)

Sl. No.	Particulars	Actual
1	Depreciation	1.20
2	Less: Consumer contribution amortized	0.39
3	Net Depreciation	0.81

Commission's Analysis

2.45 The Commission has considered the capitalisation for FY 2022-23 in paragraphs 2.18 to 2.27 of this Order. Depreciation has been computed considering the rates of depreciation as per MYT Regulations, 2021 and amendments thereof as specified class of assets. Further, the Commission has not allowed depreciation on assets created through consumer contribution and grants. Accordingly, the computation of depreciation rate considered by the Commission for approval of depreciation for FY 2022-23 is as shown below:

Table 11: Computation of depreciation rate for FY 2022-23

Sr. No.	Particulars	Depreciation Rate (%)	Opening GFA (Rs. Crore)	Net Addition during the year (Rs. Crore)	Closing GFA (Rs. Crore)	Average GFA (Rs. Crore)	Gross Depreciation (Rs. Crore)
1	Furniture & Fixtures	6.33%	0.21	0.00	0.21	0.21	0.01
2	Computers	15.00%	0.03	0.00	0.03	0.03	0.00
3	Buildings	3.34%	4.23	0.00	4.23	4.23	0.14
4	Plant & Machinery	4.30%	28.41	0.00	28.41	28.41	1.22
5	Total		32.87	0.00	32.87	32.87	1.38
6	Weighted Average Depreciation Rate (%)= Gross Depreciation *100/Average GFA						4.20%

2.46 Further, the Commission has observed that claim against depreciation by the Distribution Licensee has not been duly substantiated by the detailed Fixed Asset Register. The Fixed Asset in the format prescribed by the Commission is required so as to ensure that claims made are only against those assets, which have not been fully depreciated and that the depreciation is being charged as per the approach specified in the Regulations. Distribution Licensee in the past also did not submit these details despite repetitive directions of the Commission. Accordingly, in order to reprimand the Petitioner, the Commission in trueing up for FY 2022-23 has disallowed 50% of the depreciation for FY 2022-23.

2.47 Based on the depreciation rate computed above, the net depreciation admitted by the Commission for FY 2022-23 is as follows:

Table 12: Net Depreciation admitted by the Commission for FY 2022-23 (Rs. Crore)

Sr. No.	Particulars	Admitted
1	Net Opening GFA as on 1 st April, 2022 (as per closing net GFA approved in True-up Order of FY 2021-22)	12.60
2	Net addition to GFA of Consumer Contribution and Grants	0.00
3	Net Closing GFA as on 31 st March, 2023	12.60
4	Average Net GFA	12.60
5	Depreciation Rate (%)	4.20%
6	Depreciation	0.53
7	50% Depreciation disallowed on account of Non-Submission of FAR in the format provided by the Commission	0.26
8	Net Depreciation Allowed	0.26

Interest and Finance Charges

Interest on Project Loans

Petitioner's submission

2.48 The Petitioner has submitted that for assessing interest charges on loans for FY 2022-23, the opening balance of loan has been considered to be equal to closing loan balance of the same for the previous year. The loan addition during the year has been considered as nil based on the actual Capitalisation during the year.

2.49 The repayment of the loan during the year has been considered equal to depreciation charged for the financial year as per clause 32.3 of the MYT Regulations, 2021 and amendments thereof. Since the Petitioner does not have actual loans, the weighted average rate of interest of three State Discoms of 7.34%, as admitted by the Commission in its Retail Supply Tariff Order for the FY 2022-23 has been considered, in line with the approach adopted by the Commission in its earlier Tariff Orders in approving the Interest and finance charges.

Commission's Analysis

2.50 The Commission has considered the opening net loan for FY 2022-23 as per the closing net loan for FY 2021-22 as approved in True-up Order for FY 2021-22 which is Rs. 4.92 Crore. However, the petitioner has wrongly claimed Rs. 11.95 Crore as opening loan for FY 2022-23.

2.51 As the net Capitalisation has been considered as nil, loan addition for the year has

been considered as nil. Further, the repayment has been considered equivalent to admitted depreciation for the year.

- 2.52 Interest on loan has been computed considering interest rate of 7.91%, as admitted by the Commission in true up of State DISCOMs of FY 2022-23, dated 5th March, 2024. The interest on loans as admitted by the Commission for FY 2022-23 is shown below:

Table 13: Interest and finance charges admitted by the Commission for FY 2022-23 (Rs. Crore)

Sr. No.	Particulars	Claimed	Admitted
1	Net Opening Loan as on 1 st April, 2022	11.95	4.92
2	Addition to net loan during the year	0.00	0.00
3	Repayment during the year	0.81	0.26
4	Total net loan as on 31 st March, 2023	11.14	4.65
5	Average Net Loan	11.55	4.78
6	Interest Rate (%)	7.34%	7.91%
7	Interest on Loans	0.85	0.38

Interest on Security Deposit

Petitioner's Submission

- 2.53 The Petitioner has submitted that the actual interest paid on consumer security deposit for FY 2022-23 is Rs. 0.81 Crore as per the annual accounts.

Commission's Analysis

- 2.54 The Commission for True-up of ARR for FY 2022-23, has admitted the actual interest on consumer security deposit of Rs. 0.81 Crore as per the audited accounts.

Interest on Working Capital

Petitioner's Submission

- 2.55 The Petitioner has submitted that the Interest on working capital has been calculated on the basis of normative parameters as provided in the Clause 23.1 of the MYT Regulations, 2021 and amendments thereof.
- 2.56 The rate of interest considered is the State Bank Advance Rate (SBAR) as on 1st April, 2022 i.e., 12.30% as provided in Regulation 38 of the MYT Regulations, 2021 and amendments thereof.

Commission's Analysis

2.57 Regulation 23 of the MYT Regulations, 2021, specifies the methodology for the computation of working capital requirement for the Distribution Licensees as follows:

“23. Working capital.-

23.1. Working capital for supply activity of the Licensee shall consist of:

(i) Receivables of two months of average billing reduced by power purchase cost of one month, consumer security deposit, and any amount paid by the prepaid consumers,

(ii) O&M expenses for one month, and

(iii) Inventory (meters, metering equipment, testing equipment are particularly relevant in case of supply activity) for 2 months based on annual requirement considered at 1% of the Gross Fixed Assets for previous year.

23.2. Working capital for wheeling activity of the Licensee shall consist of:

(i) O and M expenses for one month, and

(ii) Inventory (excluding meters, etc., which are considered part of supply activity) for 2 months based on annual requirement considered at 1% of the gross fixed assets for previous year.

23.3. The norms described above shall be applicable for each year of the Control Period.”

2.58 Further, Regulation 38 of the MYT Regulations, 2021 specifies as follows for the computation of interest on working capital:

“38. Interest charges on working capital.-

Working capital shall be computed as provided in these Regulations and Rate of interest on working capital shall be equal to the Base Rate as on 1 April of the relevant Year plus 350 basis points. The interest on working capital shall be payable on normative basis notwithstanding that the Licensee has not taken working capital loan from any outside agency or has borrowed in excess of the working capital loan computed on normative basis.”

2.59 The Commission observed that the Petitioner has incorrectly considered rate of interest on working capital as State Bank Advance Rate (SBAR) as on 1st April, 2022 i.e., 12.30% for FY 2022-23 whereas the Commission has considered rate of

interest on working capital as Base Rate as on 1st April 2022 plus 350 basis point, i.e., 10.50% for computing the interest on working capital for FY 2022-23.

2.60 Accordingly, based on the above, interest on working capital admitted for FY 2022-23 is as shown in the table below:

Table 14: Interest on Working Capital admitted by the Commission for FY 2022-23 (Rs. Crore)

Sr. No.	Particulars	Claimed	Admitted
For Wheeling Activity			
A)	1/6th of annual requirement of inventory for previous year	0.25	0.04
B) i)	Total of O&M expenses		8.87
B) ii)	1/12th of total O&M Expenses	0.81	0.74
C)	Receivables		
C) i)	Annual Revenue from wheeling charges		0.00
C) ii)	Receivables equivalent to 2 months average billing of wheeling charges	0.00	0.00
D)	Total Working capital	1.05	0.78
E)	Rate of Interest	12.30%	10.50%
F)	Interest on Working capital	0.13	0.08
For Retail Sale activity			
A)	1/6th of annual requirement of inventory for previous year	0.00	0.01
B)	Receivables		
B) i)	Annual Revenue from Tariff and charges		191.08
B) ii)	Receivables equivalent to 2 months average billing	31.08	31.85
C)	Power Purchase expenses		172.31
C) i)	1/12th of power purchase expenses	14.57	14.36
D)	Consumer Security Deposit	19.63	19.63
E)	Total Working capital (A+B ii) - C i) - D)	(3.11)	(2.14)
F)	Rate of Interest	12.30%	10.50%
G)	Interest on Working capital	(0.38)	(0.22)
Summary			
1	For wheeling activity	0.13	0.08
2	For Retail Sale activity	(0.38)	(0.22)
Total Interest on working Capital		(0.25)	(0.14)
Total Interest on working Capital admitted		0.00	0.00

2.61 Total Interest and Finance Charges admitted by the Commission for FY 2022-23 is shown as follows:

Table 15: Interest & Finance Charges admitted for FY 2022-23 (Rs. Crore)

Sr. No.	Particulars	Claimed	Admitted
1	Interest on Project Loans	0.85	0.38
2	Interest on Security Deposit	0.81	0.81
3	Interest on Working Capital	0.00	0.00
4	Total Interest and Finance Charges	1.65	1.18

Lease Rent

Petitioner's Submission

- 2.62 The Petitioner has submitted that it is the SEZ developer who is responsible for providing various services to the business units who setup their factories in the SEZ premises. As a deemed licensee, the Petitioner also supplies power to the occupants of the SEZ. For this purpose, MPIDC (SEZ Developer) has provided land to power business of the Petitioner for setting up its infrastructure necessary for providing power to the industrial units. Against this land which has been allocated to the power business, the Petitioner is charging lease rent for the area allocated to the power business which is a separate business unit within the company and is a distribution licensee recognised by the Commission.
- 2.63 As per Clause 35 of the MYT Regulations, 2021 and amendments thereof:
- “35. Lease/ Hire Purchase charges.-
Lease charges for assets taken on lease by Distribution Licensee shall be considered as per lease agreement provided the charges are considered reasonable by the Commission.”*
- 2.64 The Petitioner further submitted that the lease rent is a legitimate expense and should be permitted to be recovered as an expense through the ARR. The lease rent is being charged by MPIDC as it is an opportunity cost lost for the SEZ business as they could have leased out this land to some other industry and received lease rent against it.
- 2.65 Further, as a distribution licensee, in normal course of action, the Petitioner would have purchased this land for establishment of its power distribution infrastructure. The cost incurred for purchase of land gets capitalized and the Commission allows depreciation, interest on loan and return on equity chargeable on account of this cost as part of ARR. Accordingly, this expenditure, in the form of either lease rent or depreciation, interest on loan and return on equity chargeable on the capital cost incurred by the Petitioner, is inevitable.
- 2.66 The Petitioner has sought lease rent in its review petition 86 of 2012 and the Commission in its Order dated 21st December, 2012 has disallowed lease rent due

to the reason that no payment is being made by the Petitioner on account of lease rent . The relevant extract of the Order is reproduced here below for reference.

“ii. Land Premium and Lease rent charges:

.....

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

- 2.67 The Petitioner has submitted that as it has now made all past payments towards lease rent, the Commission is requested to approve lease rent on actual basis as incurred by the Petitioner.
- 2.68 There have been instances in other states wherein the Commission has allowed this expenditure pertaining to lease rental as a pass through in the tariff over and above the other expenses.
- 2.69 A precedence in this matter can be seen in case of approval of the Truing-up of FY 2013-14 and FY 2014-15, Provisional Truing-up of FY 2015-16, and Projection of ARR for the 3rd Control Period FY 2016-17 to FY 2019-20 for the transmission licensee MEGPTCL in Maharashtra by the MERC in Case no. 50 of 2016. In the said case, the land for Akola-II Sub-station was initially to be purchased and handed over by MSETCL to MEGPTCL, however, later on based on management decision, the land was later leased out to MEGPTCL. Accordingly, while the total capital cost of land in the overall capital cost was reduced, the corresponding increase in the lease rental for the same was factored as additional Operation and Maintenance (O&M) expenses in the ARR for the Control Period. Considering the facts of the case, the Hon’ble Commission had admitted the least rent for Akola II Sub-station over and above the normative O&M expenses of MEGPTCL prescribed in the MYT Regulations.
- 2.70 The Petitioner has requested the Commission to allow lease rent of Rs. 2.19 Crore charged to MPIDC to the power business as a legitimate expenditure as part of the ARR for FY 2022-23.

Commission's Analysis

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

Return on Equity

Petitioner's Submission

- 2.75 Petitioners have computed Return on Equity as per Regulations 31 of the Tariff Regulations, 2021 which specifies that Return on Equity is allowable in two parts, i.e., base return on equity of 14% and additional return on equity of 2% subjected to achievement of target / performance, which is to be allowed at the time of True-up after prudence check.
- 2.76 Petitioners have claimed base return on equity of 14% and additional return on equity of 1.25% considering the fulfillment of criteria under Regulation 31.4 (a) and 31.4(c) of MYT Regulations, 2021.

2.77 The opening equity for FY 2022-23 is considered to be equal to closing value of the same for the FY 2021-22. Since, the Petitioner did not have any tax liability for FY 2022-23, no tax on income has been claimed by the Petitioner.

Commission’s Analysis

2.78 The closing equity of FY 2021-22 as admitted by the Commission in True-up Order of FY 2021-22 has been considered as opening value of equity for FY 2022-23. However, the petitioner has wrongly claimed Rs. 5.12 Crore as Opening equity for FY 2022-23.

2.79 As the net Capitalisation has been considered as nil, equity addition for the year has been considered as nil.

2.80 Further, the rate of return on equity has been considered as per the Regulation 31 of MYT Regulations, 2021. The relevant extract of the Regulation has been reproduced below:

“31. Return on Equity.-

31.1. Return on equity shall be computed in rupee terms, on the paid-up equity capital determined in accordance with Regulation 22.

31.2. Return on Equity shall be allowed in two parts, i.e., Base Return on Equity and Additional Return on Equity linked to actual performance.

31.3. Base Return on Equity shall be allowed at the rate of 14%.

31.4. The Additional Return on Equity shall be allowed at the time of true-up subject to the following:

(a) If the status of metering of rural consumers under the domestic categories is achieved at the levels specified below, the Additional Return on Equity of 0.75% shall be allowed:

Year	Metering completed as % of total connections		
	East	West	Central
<i>FY 2022-23</i>	<i>92%</i>	<i>100%</i>	<i>84%</i>
<i>FY 2023-24</i>	<i>94%</i>	<i>100%</i>	<i>88%</i>
<i>FY 2024-25</i>	<i>96%</i>	<i>100%</i>	<i>92%</i>
<i>FY 2025-26</i>	<i>98%</i>	<i>100%</i>	<i>96%</i>
<i>FY 2026-27</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>

(b) If the total value of capital investment works capitalized in a year is more than 95% of the total approved capitalisation towards approved works for that year, the Additional Return on Equity of 0.75% shall be allowed;

(c) If the actual Repairs and Maintenance expenses in a year is more than 95% of the approved Repairs and Maintenance expenses for that year, the Additional Return on Equity of 0.50% shall be allowed.

31.5. Any expenses on payment of Income Tax paid shall be allowed extra on actual basis on the licensed business of the Distribution Licensee.

.....”

2.81 Petitioner’s claim of additional return on equity under Regulation 31.4 (a) of MYT Regulations, 2021 is rejected by the Commission, as this provision corresponds to status of metering for Rural Domestic consumers only.

2.82 The Commission observed that Petitioner has achieved performance based linked additional return on equity under Regulation 31.4 (c) of MYT Regulations, 2021. The Petitioner incurred R&M expenses of Rs. 2.44 Crore (149 %) against approved expenses of Rs. 1.64 Crore. Therefore, Petitioner is entitled to additional return of equity of 0.50%.

2.83 In view of the above, rate of return on equity at 14.50% has been considered for computation of return on equity for FY 2022-23.

2.84 Accordingly, based on the above, Return on Equity admitted for FY 2022-23 is as shown in the table below:

Table 16: Return on Equity admitted by the Commission for FY 2022-23 (Rs. Crore)

Sr. No.	Particulars	Claimed	Admitted
1	Equity associated with GFA as on the beginning of the year	5.12	3.78
2	30% of addition to net GFA considered as funded through equity	0.00	0.00
3	Total equity associated with GFA at the end of the year	5.12	3.78
4	Average equity associated with GFA at the end of the year	5.12	3.78
5	Rate of Return on equity (%)	15.25%	14.50%
6	Return on Equity	0.78	0.55

Income Tax

Petitioner's Submission

2.85 The Petitioner has not claimed any Income tax for FY 2022-23.

Commission's Analysis

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

Other Income

Petitioner's Submission

2.87 The Petitioner has submitted an amount of Rs. 0.026 Crore towards Other Income for FY 2022-23.

Commission's Analysis

2.88 The Commission has observed that the Petitioner has not considered the rebate of Rs. 2.80 Crore received on power purchase and Rs. 3.35 Crore of prior period income in other income. This amount appears as other income in Profit and Loss Statement ending 31st March 2023. Although in schedule 8 this amount is given as prior period income, however in the Profit and Loss Statement entry (G) Prior Period Items (Income) is shown as Nil. In reply to query of the Commission, Petitioner has replied that amount of Rs. 3.35 Crore is towards adjustment of supplementary power invoices for FY 2019-20. As this amount was already claimed and approved by the Commission in corresponding year, it is prudent to recognize it as other income in this true up. The Commission has considered total amount of Rs 6.17 Crore as part of other income in line with the approach adopted in previous True-up Orders. Accordingly, the other income admitted by the Commission as per audited accounts for FY 2022-22 is shown in the table below:

Table 17: Other Income admitted by the Commission for FY 2022-23 (Rs. Crore)

Sr. No.	Particulars	Claimed	As per Accounts	Admitted
1	Other Income	0.026	6.17	6.17

Revenue from Sale of Power

Petitioner’s Submission

2.89 The Petitioner has submitted that the revenue from sale of power for FY 2021-22 is Rs. 186.51 Crore.

Commission’s Analysis

2.90 The Commission has observed that the actual revenue from sale of power as per audited account is Rs. 186.51 Crore and same has been claimed by the Petitioner. However, on analysis of the audited account it is observed that the Rebate on power sales of Rs. 0.29 Crore booked under Schedule 9 (Power Purchase and Direct Expenses to Power Purchase) of the Profit and Loss Statement has not been included in Revenue from Sales of Power under Schedule 7 of Profit and Loss statement and separately claimed by the Petitioners in Power Purchase Cost. As the rebate provided by the Petitioner to its consumers is based on the various rebate allowed by the Commission in Petitioner Tariff Order to increase revenue of the Petitioner, the impact of these rebates also needs to be considered under Revenue from sale of power and not as an expense.

2.91 In view of the above, the Commission has reduced rebate of power sales of Rs. 0.29 Crore from actual Revenue from sale of power as per audited account of FY 2022-23. The admitted revenue of Rs. 186.22 Crore, is shown in the following table:

Table 18: Revenue from Sales as admitted by the Commission for FY 2022-23 (Rs. Crore)

Sr. No.	Particulars	Claimed	Admitted
1	Revenue from the Sale of Power	186.51	186.22

Revenue Gap/Surplus for True-up of ARR for FY 2022-23

2.92 Based on the above, the ARR admitted by the Commission in true up of FY 2022-23 is shown in the following table:

Table 19: ARR admitted by the Commission for FY 2022-23 (Rs. Crore)

Sr. No.	Particulars	Admitted in Tariff Order	Claimed	Admitted in True Up Order
1	Power Purchase Cost	204.19	174.85	172.31
2	Intra State Transmission charges	10.49	14.06	14.06
3	SLDC Charges	0.02	0.02	0.02

Sr. No.	Particulars	Admitted in Tariff Order	Claimed	Admitted in True Up Order
4	O&M Expenses	7.53	9.67	8.87
5	Depreciation	0.40	0.81	0.26
7	Interest and Finance Charges	1.35	1.65	1.18
8	Return on Equity	0.66	0.78	0.55
9	Lease Rent	0.00	2.19	0.00
10	Bad and Doubtful Debt	0.00	0.00	0.00
11	Income Tax	0.00	0.00	0.00
12	Total Expenses	224.63	204.03	197.26
13	Less: Other Income	3.02	0.03	6.17
14	Net Aggregate Revenue Requirement	221.61	204.00	191.08
15	Revenue Gap / (Surplus) in MPIDC True Up of FY 2018-19	(9.51)	(9.51)	(9.51)
16	Revenue Gap / (Surplus) in MPIDC True Up of FY 2019-20	(9.05)	(9.05)	(9.05)
17	Revenue Gap / (Surplus) in MPIDC True Up of FY 2020-21	1.98	1.98	1.98
18	Revenue Gap / (Surplus) in MP Transco True Up of FY 2019-20	0.09	0.09	0.00
19	Total Aggregate Revenue Requirement	205.12	187.51	174.50
20	Revenue from Sale of Power	205.23	186.51	186.22
21	Revenue Gap/ (Surplus) (Sr. No. 19- Sr. No. 20)	(0.11)	1.01	(11.71)

Holding Cost on True-up of FY 2022-23

Commission's Analysis

2.93 Regulation 8.3 of the MYT Regulations, 2021, specifies provisions for holding cost.

The relevant extract of the Regulations is reproduced below:-

“8.3.If the revenue already recovered is more than the revenue requirement determined after true up, the Distribution Licensees shall refund to the consumers the excess amount so recovered along with the holding cost in the manner as may be decided by the Commission in the True-up order. Similarly, in case the revenue already recovered is less than the revenue requirement determined after true up, the Distribution Licensees shall be allowed to recover from the consumers, the under recovered amount along with the carrying cost in the manner as may be decided by the Commission, subject to provision of these Regulations. The decision of the Commission on the mechanism of recovery of balance amount due to under recovery shall be final:

Provided that the Carrying/Holding Cost may be allowed by the Commission on admitted revenue gap / surplus at the time of truing up at Base Rate plus 350

basis points, subject to timely filing of the Petition as per the provision of these Regulations”

2.94 Accordingly, the Commission as per Regulation 8.3 of the MYT Regulations, 2021 has worked out the holding cost on the True-up surplus of Rs.11.71 Crore considering rate of interest on holding cost at Base Rate as on 1st April 2022 plus 350 basis point, i.e., 10.50%. The computation of holding cost is shown in table below:

Table 20: Holding Cost admitted by the Commission for FY 2022-23 (Rs. Crore)

Particulars	FY 2022-23	FY 2023-24	FY 2024-25
Opening Balance	-	(11.71)	(11.71)
Addition	(11.71)	-	
Recovery	-	-	(11.71)
Closing Balance	(11.71)	(11.71)	-
Average Balance	(5.86)	(11.71)	(5.86)
Holding Cost (%)	10.50%	10.50%	10.50%
Holding Cost	(0.62)	(1.23)	(0.62)
Total Holding Cost			(2.46)

2.95 The holding cost admitted by the Commission on the True-up surplus is Rs. 2.46 Crore for FY 2022-23.

2.96 Accordingly, the Commission has admitted the net Revenue Surplus of Rs. 14.17 Crore including holding cost after true up of FY 2022-23 for passing on the revenue surplus amount in retail supply tariff to be determined by the Commission for the subsequent years.

3. PUBLIC SUGGESTIONS AND COMMENTS ON LICENSEE'S PETITION

- 3.1 After admission of the True-up Petition for FY 2022-23 filed by the Petitioner, the Public Notice dated 09th January, 2024 approved by the Commission comprising gist of the True-up proposal was published by Petitioner in the prominent English and Hindi newspapers (The Free Press, Indore in English and Raj Express, Indore in Hindi Language), requesting the Stakeholders to file their objections/ comments / suggestions, latest by 01st February, 2024.
- 3.2 In response to the Public Notice, none of stakeholder has filed comments on true up Petition. Subsequently, the Commission held public hearing through video conference mode on 06th February, 2024 in which none of stakeholder presented his objection/ comment /suggestion on the Petition.

