

**MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION
BHOPAL**

Sub: Application for grant of Intra-State Trading License in category-E under MPERC (Eligibility Criteria for Grant of Trading License, the Duties and the terms and conditions of trading licensee) Regulations, 2004 read with second amendment to Regulations {AG-18(ii) of 2005}.

Petition No. 36 of 2023

DAILY ORDER

**(Hearing through video conferencing)
(Date of Hearing: 4th January' 2024)
(Date of Daily Order: 10th January' 2024)**

Managing Director

Madhya Pradesh Power Generating Co. Ltd.,
Shakti Bhawan, PO Vidyut Nagar,
Rampur, Jabalpur, 482008

- **Petitioner**

Vs

Principal Secretary,

Government of MP, Energy Department,
Vallabh Bhawan, Bhopal

- **Respondent(s)**

Managing Director,

Madhya Pradesh Power Management Co. Ltd.
Shakti Bhawan, PO Vidyut Nagar,
Rampur, Jabalpur 482008

Shri Salil Choudhary, SE appeared on behalf of the petitioner.

The petitioner has filed the subject petition under Section 14 of Electricity Act, 2003 & MPERC (Eligibility Criteria for Grant of Trading License, the Duties and the terms and Conditions of trading Licensee) Regulations, 2004 read with second amendment of regulations {AG-18(ii) of 2005}.

2. Commission noted that in response to letter dated 21.08.2023 from Commission regarding defects in petition, petitioner furnished the required documents and also made following submissions regarding formula of DSCR and its working in its letter dated 29.08.2023.

3. At the hearing held on 4th Jan 2024, petitioner orally submitted justification for computation of DSCR on which he was directed to make written submission, if any, on the issue of DSCR within 3 days of the order. Commission noted that respondents have not made any objections to the petition. The case was reserved for order on the issue of DSCR and further proceedings.

4. In compliance of daily order dated 04.01.2024, petitioner vide letter dated 05.01.2024 has made following submissions regarding DSCR: -

Sub: Petition under section 86 of the Electricity Act, 2003 read with Madhya Pradesh Electricity Regulatory Commission (Conduct of Business) (Revision-I) Regulations, 2016.

- i. That as per the accounting policy, for computation of Debt Service Coverage Ratio (DSCR) in Annual Statement of Account for FY 2021-22 of MPPGCL, actuary provision for Pension & Terminal Benefits Expenses towards retiring employees of MPPGCL has been considered as Expenditure, being a future/expected liability for the company. It is to mention that as per prevailing accounting practices, the provision (non-cash item) needs to be created for all the future expected liabilities in the Books of Accounts as per various provisions of Company Act. Accordingly, provision for Pension and Terminal Benefit was created and reflected in the Audited Financial Statements of MPPGCL for past Financial Years. Based on above the DSCR works out to 1.07.
 - ii. However, the Pension & Terminal Benefits Expenses of retiring employees is not being allowed to MPPGCL in Tariff. The Pension & Terminal Benefits Expenses of retiring employees of all successor entities of erstwhile MPSEB including MPPGCL is being serviced & claimed by M P Power Transmission Company Limited (MPPTCL) in the Tariff of past years & till date on “pay as you go” principle and same is allowed by Hon’ble MPERC.
 - iii. As per accounting principles for the purpose of calculation of DSCR, the aforesaid non-cash provision towards Pension and Terminal Benefit expenses should be added back to the profit of the company to reflect the factual financial position of the Company. Accordingly, the DSCR works out as 1.26, thus qualifying the eligibility criteria of 1.25 for grant of Intra- State Trading License as per MPERC (Eligibility Criteria for Grant of Trading License, the Duties and the Terms and Conditions of Trading Licensee) Regulations, 2004.
 - iv. It is also submitted that the petitioner (MPPGCL) is a wholly owned Government of Madhya Pradesh Undertaking which in the past five years has never defaulted in servicing of its debts / Loans (except GoMP Loans being the owner) as on 31st March, even though there is huge outstanding of receivables from MPPMCL (the holding company of its beneficiaries, the Discoms). This shows that the Petitioner has the capacity to repay its Debts without any default. Further it is to submit that the Petitioner has Written-off total amount of Rs. 2838.80 Crores due from the beneficiary (MPPMCL) in the past five years to support the beneficiary / Discoms. This reflects that petitioner has a good financial position for servicing debts /Loans in future.
5. Commission has considered the submission made by petitioner on the issue of DSCR and taken note of the grounds put forth by the petitioner on DSCR. The issue will be finally decided by the Commission after receipt of comments from stakeholders, if any, and public hearing in the matter.

Sub: Petition under section 86 of the Electricity Act, 2003 read with Madhya Pradesh Electricity Regulatory Commission (Conduct of Business) (Revision-I) Regulations, 2016.

6. Commission noted that the relevant provisions of Electricity Act 2003 applicable for grant of Trading License stipulates as under: -

Section 15. (Procedure for grant of licence): ---

(1) Every application under section 14 shall be made in such form and in such manner as may be specified by the Appropriate Commission and shall be accompanied by such fee as may be prescribed.

(2) Any person who has made an application for grant of licence shall, within seven days after making such application, publish a notice of his application with such particulars and in such manner as may be specified and a licence shall not be granted –

(i) until the objections, if any, received by the Appropriate Commission in response to publication of the application have been considered by it:

Provided that no objection shall be so considered unless it is received before the expiration of thirty days from the date of the publication of the notice as aforesaid;

(3)

(4)

(5) Before granting a licence under section 14, the Appropriate Commission shall -

(a) publish a notice in two such daily newspapers, as that Commission may consider necessary, stating the name and address of the person to whom it proposes to issue the licence;

(b)

7. In light of the above provisions, petitioner is directed to submit details of publication of notice under Section 15(2) of the Electricity Act, 2003 within 2 weeks' time, inviting objections, if any.

8. Case shall be listed subsequently for public hearing after fulfillment of statutory requirements under section 15(2) and 15(5) of the Electricity Act, 2003.

(Prashant Chaturvedi)
Member

(Gopal Srivastava)
Member (Law)

(S.P.S. Parihar)
Chairman