MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION

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

Petition No.21/2012

PRESENT:

Rakesh Sahni, Chairman

C. S. Sharma, Member

IN THE MATTER OF:

Determination of Transmission Tariff for FY 2012-13 based on the petition filed by Madhya Pradesh Power Transmission Company Limited, Jabalpur.

MPPTCL (Petitioner) represented, among others, by –

1. Shri S. K. Nagesh, Chief Engineer

2. Shri D. P. Saxena, Consultant

3. Shri Vincent D'souza, Executive Engineer

4. Shri Debashish Chakraborty, Executive Engineer

ORDER

(Passed on this 17th day of April, 2012)

1 The Madhya Pradesh Electricity Regulatory Commission (hereinafter referred to as "the Commission" or "MPERC") listed the petition in the matter of determination of Transmission Tariff for FY 2012-13 for hearing on 21st March, 2012 in the Commission's office at Bhopal, on the basis of the petition filed by M. P. Power Transmission Company Ltd., Jabalpur (hereinafter referred to as "MPPTCL" or "Transmission Licensee"). 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 31.05.2005) and the Final Opening Balance sheets (as on 31.05.2005) notified by the State Government on 12th June, 2008. The reallocation of generating capacity among the three Distribution Companies & SEZ by the State Government vide Order dated 29/03/2012 is also considered in this order.

2 The Commission has notified Fourth Amendment to MPERC (Terms and Condition for determination of Transmission Tariff) (Revision-I) Regulation, 2009 on 17/02/2012 to extend the control period of principal Regulation notified on 08/05/2009 from 31/03/2012 to 31/03/2013 with appropriate amendments in certain Regulations.

3 MPPTCL vide letter No.1209 dated 15/02/2012 filed the subject petition for determination of transmission charges for FY 2012-13. The Commission vide letter No.531 dated 23/02/2012 directed the petitioner to publish the approved public notice in English and Hindi newspapers to invite comments / suggestions from stake holders till 16/03/2012. The Commission vide letter No.532 dated 23/02/2012 asked the respondents also to submit their comments / suggestions to the Commission by 16/03/2012. MPPTCL vide letter No.2016 dated 17/03/2012 informed the Commission that "*Public Notice incorporating the approved gist of the petition was published in English & Hindi News Papers on 25.02.2012 and comments/ suggestions were invited from the interested stake holders / public, till 16.03.2012. MPPTCL has not received any comments / suggestions from any of the stake holder / public / respondent till 17.03.2012"*. All available information and documents have been taken into consideration while finalizing this Order.

4 Meanwhile, the Commission vide letter No.607 dated 28/02/2012 communicated information gaps to the petitioner and asked the petitioner to submit its response to the issues raised by the Commission. MPPTCL vide letter No.1816 dated 09/03/2012 submitted its response to the issues raised by the Commission.

5 The Commission issued Multi-Year Tariff order for FY 2009-10 to FY 2011-12 on 11th January, 2010. The afore-mentioned MYT order was issued on the basis of the following :

(i) The projected additions to the Gross Fixed Assets in each year were based on actual financial achievements of MPPTCL in its 11th Plan (Capex plan).

(ii) The break-up of equity and loan components were considered as per tied-up equity and funding from loan in the Capex plan. Accordingly, the GFA and CWIP were projected for FY 2009-10 to FY 2011-12.

(iii) The average equity for RoE in FY 2009-10 was based on the equity at the beginning of FY 2009-10 as per the Audited Accounts of FY 2008-09.

(iv) The equity additions during FY 2009-10 to FY 2011-12 were also based on the projected tied-up equity considered by the Commission in Para 2.14 of MYT order.

(v) The details of principal not due at the beginning of FY 2009-10 were also considered in accordance with the break-up of total closing balances of Rs.2073.37 crores as on 31st March, 2009 in the Audited Accounts of FY 2008-09 filed by the petitioner.

(vi) The additions in GFA during FY 2009-10 to FY 2011-12 were projected over and above the closing GFA of FY 2008-09 in the Audited Accounts. The depreciation claims of the petitioner were considered accordingly in the MYT order.

6 The subject petition for FY 2012-13 filed by the petitioner in February, 2012 and the following developments have occurred subsequent to MYT order issued on 11th January, 2010:

i) The Audited Accounts of MPPTCL for FY 2009-10 and FY 2010-11 are now available with the Commission.

ii) The Commission has also issued the transmission true-up order for FY 2008-09 based on the Audited Accounts.

7 The Commission has therefore, taken into consideration the above developments while finalizing this order. The additions to GFA, equity and loan in FY 2012-13 are considered in this order after applying prudence check on the projections made by the petitioner.

8 The Commission has scrutinized the subject petition as per MPERC (Terms and Conditions for determination of Transmission Tariff) Regulations, 2009 and its amendments (hereinafter referred to as "the Regulations") and made modifications to the estimates of Aggregate Revenue Requirement based on provisions of the Regulations. The modifications made to the tariff proposed by MPPTCL are as per details attached to this order. The summary of annual fixed cost as filed by the petitioner and as approved by the Commission is given in the following table:

Table-1 : Annual Fixed Cost for FY 2012-13 filed by the petitioner

(Amount Rs. Crores)

S. No.	Particulars	As filed in this petition based on Projections for FY 2012-13
1	O&M Expenses	320.48
2.	Terminal Benefits – Cash Expenses	683.42
3.	Depreciation	240.22
4.i.	Interest on Loan	109.54
4.ii.	Interest on Working Capital	42.83
4.iii.	Interest on Normative Loan	0.36
4.	**Total Interest**	**152.73**
5.	Return on Equity	263.00
6.	Taxes and Fee paid to MPERC	0.89
7.	**TOTAL**	**1660.74**
8.	Less Non-Tariff Income	(-) 11.49
9.	**GRAND TOTAL**	**1649.25**

Table-2 : Annual Fixed Cost for FY 2012-13 approved by the Commission

(Amount Rs. in Crores)

S. No.	Particulars	FY 2012-13
1	O&M Expenses	320.20
2	Terminal Benefits	621.29
3	Depreciation	236.33
4	Interest & Finance Charges	105.54
5	Interest on working capital	46.08
6	Return on Equity	241.06
7	MPERC Fees	0.89
8	**Total (S. No. 1 to 7)**	**1571.39**
9	Less Non Tariff Income	(-) 45.00
10	**Net Annual Fixed Cost**	**1526.39**

9 The Commission, in exercise of the powers vested in it under Section 64 of the Electricity Act, 2003 directs that the transmission tariff determined by this order shall be applicable from 1st April, 2012 and will continue to be operative till 31st March, 2013. 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 its amendment and must also provide information to the Commission in support of having complied with this order.

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

sd/-	sd/-
(C. S. Sharma)	**(Rakesh Sahni)**
Member	**Chairman**

Place: **Bhopal**
Dated: 17th April, 2012

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CHAPTER 1

Background of the order

Introduction

1.1 This order relates to petition No.21 of 2012, filed by the Madhya Pradesh Power Transmission Company Limited (hereinafter referred to as “MPPTCL” or “Transmission Licensee”) for determination of Transmission Tariff for FY 2012-13. MPPTCL has started functioning independently from 1st June 2005. The Commission passed an Order dated 7th February, 2006 for determination of Transmission Tariff for FY 2005-06. Subsequently on 13th March, 2006, the Commission determined Transmission tariff based on MYT principles for FY 2006-07 to FY 2008-09. The Multi Year Transmission Tariff Order for FY 2009-10 to FY 2011-12 was passed by the Commission on 11/01/2010. The True up Orders for the FY 2005-06, FY 2006-07, FY 2007-08 and FY 2008-09 were issued by the Commission on 1st March, 2007, 19th March, 2008, 21st October, 2009 and 26th December, 2011 respectively.

1.2 The Commission issued the Regulations for multi year tariff for the control period from 2009-10 to 2011-12 vide its notification dated 8th May, 2009 namely “Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2009. The Commission vide its notification dated 17/02/2012 issued 4th amendment to these Regulations and extended the control period up to 31st March, 2013.

1.3 The State Government vide order dated 31st May, 2005 notified the provisional “Opening Balance Sheets” of the Companies as on 31.05.2005. The Operation & Management agreement between MPSEB and Companies stood terminated, and Companies started independent functioning w.e.f. 01.06.2005 under a Cash Flow Mechanism. The final Opening Balance Sheet (as on 31.05.2005) has been subsequently notified on 12th June, 2008.

1.4 The Government of Madhya Pradesh notified the final Opening Balance Sheet of MPPTCL and other Companies vide order No.4068-FRS-18-2002-XIII Bhopal dated 12th June, 2008. A broad comparison of provisional and final Balance Sheet as on 01.06.2005 as filed by the petitioner is shown hereunder:

Table : 3

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**

Further, the stipulations made in the order dated 12th June, 2008 are reproduced hereunder:

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

(b). *The Companies and Residual Madhya Pradesh State Electricity Board shall take necessary steps to appropriately intimate the changes, vis-à-vis the Provisional Opening Balance Sheets notified on 31st May 2005, to all concerned statutory authorities and other Stake holders.*

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

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

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

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

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

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

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

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

(k). The past unfunded pension liabilities of pensioners and employees of MPSEB existing as on 31st May 2005 are to be assessed by Actuarial valuation and is therefore retained with Residual MPSEB for the time being. The actual pension/ gratuity payment shall be claimed by MP Power Transmission Co. Ltd., in its ARR till requisite fund equivalent to the past unfunded liabilities is built up in the manner

provided in Rule 10 & 11 notified earlier vide No. 4003-FRS-17-13-2002 dated 13th June 2005.

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

1.5 On notification of the final Opening Balance Sheet (as on 01.06.2005) on 12th June, 2008, the annual accounts of MPPTCL for FY 2007-08 onwards have been prepared and got audited as per final Opening Balance Sheet.

Public Hearing

1.6 The Commission vide letter No.531 dated 23/02/2012 asked the petitioner to publish the approved public notice in news papers to invite comments / suggestions from stake holders till 16/03/2012. The Commission vide letter no. 532 dated 23/02/2012 asked the respondents also to submit their comments / suggestions to the Commission by 16/03/2012.

1.7 The petitioner vide letter No.2016 dated 17/03/2012 informed that, "Public Notice incorporating the approved gist of the petition was published in English & Hindi News Papers on 25.02.2012 and comments/ suggestions were invited from the interested stake holders / public, till 16.3.2012. MPPTCL has not received any comments / suggestions from any of the stake holder / public / respondent till 17.03.2012". The public notice was published by the petitioner on 25/02/2012 in following 7 newspapers :

1. Dainik Bhaskar (Hindi)	-	Jabalpur
2. Dainik Patrika (Hindi)	-	Indore
3. Dainik Naiduniya (Hindi)	-	Gwalior
4. Dainik Raj Express (Hindi)	-	Bhopal
5. Dainik Jagran (Hindi)	-	Rewa
6. Dainik Avantika (Hindi)	-	Ujjain
7. Hindustan Times (English)	-	Bhopal

1.8 The public hearing was held on 21st March, 2012 in the court room of the Commission's office at Bhopal. No representative of the respondent / stakeholder appeared in the public hearing.

Chapter 2

Transmission Cost

The petitioner has submitted the following for allocation of transmission capacity:

2.1 Based on the State Government order dated 18.05.2011, the total generating Capacity as on 18.05.2011 is summarized hereunder :

S. No.	Source of Power	Firm (MW)	Infirm (MW)	Total MW
1	Central Sector (WR)	1931.00	170.98	2101.98
2	Central Sector (ER)	0.00	74.00	74.00
3	DVC	200.00	-	200.00
4	Indira Sagar Hydel	1000.00	0.00	1000.00
5	Sardar Sarovar Hydel	826.50	0.00	826.50
6	Omkareshwar Hydel	520.00	0.00	520.00
7	MP Genco – Thermal	2807.50	0.00	2807.50
8	MP Genco – Hydel	927.17	0.00	927.17
	TOTAL	**8212.17**	**244.98**	**8457.15**

<u>Transmission Capacity Addition during 2011-12</u>

2.2 In addition to capacity mentioned above, following capacity expected is allocated to the MP Tradeco :

S. No.	New Generating Station	MW Allocated
1	NTPS Sipat Stage-1	188.67
2	DVC (Chandrapur TPS Extn)	200.00
3	PTC (Tarrent Surat-Gas based)	104.32
4	Korba West-III	60.00
5	Essar Power Case-1	75.00
6	Maheshwar Hydel	400.00
	TOTAL -	**1027.99**

2.3 In additional to above 200 MW power is allocated to drought prone district of Bundelkhand Region, which is the share of East Discom only. Subtracting the auxiliary consumption and Inter-State losses, the transmission capacity for 2012-13 is worked out as 8855.10 MW (Say 8855 MW).

2.4 The petitioner in Para 2.3 of the petition has further submitted the following :

The capacity allocation to Discoms is on the following basis :

(a) Total transmission capacity available for a particular year is apportioned in the percentage ratio as indicated in State Government order dated 18.05.2011. SEZ allocation is treated as additional.
(b) The capacity during the year is taken as that on 1st April i.e. beginning of year.
(c) The fractional allocation worked out has been rounded off.
(d) Allocation of 200 MW for Bundelkhand Region is allocated to East Discom only.
(e) It is mentioned in State Government order dtd. 18.05.2011 that; Discoms shall be having first charge on power allocated to MP Tradeco. This power is therefore allocated to Discoms in the percentage ratio as applicable to other capacity.
(f) State Government order shows certain variation in capacity allocation quarterly. The same has not been considered, as Transmission Capacity allocation is firm for whole year.
(g) Since SEZ has availed additional power under Open Access from NTPC and has been allocated capacity at MP periphery as 12 MW, same has been considered.

2.5 Based on above, the allocated transmission capacity as proposed in the petition considering power for Bundelkhand also is tabulated hereunder:

Table : 4

S. No.	Distribution Licensee	Percentage Allocation	Capacity Allocation for 2012-13 (MW)	Special allocation Bundel-khand	Total Capacity (MW)	Overall percentage %
1	MP Poorva Kshetra Vidyut Vitaran Company Ltd. Jabalpur	30.52%	2698.90	200.00	2898.90	32.01
2	MP Madhya Kshetra Vidyut Vitaran Company Ltd. Bhopal	32.15%	2843.00	NIL	2843.00	31.40
3	MP Paschim Kshetra Vidyut Vitaran Company Ltd. Indore	37.33%	3301.10	NIL	3301.10	36.46
4	**Total Discoms**	**100%**	**-**	NIL	12.00	0.13
5	SEZ Pithampur (Dhar)	-	12.0			
6	**GRAND TOTAL**	**-**	**8855 MW**	**200.00**	**9055.00**	**100.00**

Commission's Analysis

2.6 As per Transmission Tariff Regulations, the Distribution Companies and the SEZ will share the transmission charges in the ratio of capacity allocated to them. The State Government vide Order dated 29th March, 2012 reallocated the generation capacity for FY 2012-13 in the three Distribution companies. As per this Order, total capacity of 8632.01 MW (including specific allocation of 200.01 MW to Bundelkhand region) was allocated to the three Discoms and capacity of 2145 MW regarding new generating stations was assigned to MP Tradeco. MPPTCL has stated that SEZ has availed additional power under Open Access from NTPC and has been allocated capacity at MP periphery as 12.00 MW. The State Government vide its notification No.2660/F-3-24/2009/XIII dated 29th March, 2012 has superceeded its earlier Gazette notification dated 18th May, 2011. Hence, the reallocation of generating capacities amongst the long-term customers as filed in the petition would not be applicable for FY 2012-13. The GoMP's notification dated 29th March, 2012 for FY 2012-13 in the above context shall be applicable.

2.7 The Government of M. P. vide notification dated 29th March, 2012 reallocated the capacity available as on date to the three Distribution Companies. A summary of total installed generating capacity available to the State is as under :

S. No.	MP's Power Share from	Installed Capacity (MW)	MP Share (MW)
1	Central Sector WR	9193.59	2075.85
2	Central Sector ER	1500.00	74.98
3	DVC	500.00	200.00
4	Indira Sagar Project	1000.00	1000.00
5	Sardar Sarovar Project	1450.00	826.50
6	Omkareshwar HEP	520.00	520.00
7	InterState Hydel	591.00	322.17
8	GENCO Thermal	2932.50	2807.51
9	GENCO Hydro	**605.00**	**605.00**
	TOTAL	**18292.09**	**8432.01**

In addition to the capacity mentioned above, following new generating stations are also assigned to MP Tradeco in same GoMP's notification :

New Generation Stations	MW
NTPC Sipat – Stage I	188.00
DVC (Chandrapur TPS Extn.)	200.00
DVC (Durgapur TPS)	100.00
PTC – Torrent Surat (Gas) (private)	100.00
JP Bina Power TPS	350.00
Korba West-III	75.00
BLA Power, Gadarwara	32.00
Satpura TPS Extension	500.00
Singaji TPS Phase 1	600.00
Total	**2145.00**

2.8 The MP's share of 55 MW in Matatila & Rehand and power of 12 MW allocated separately to SEZ are not included in State Government's notification. In view of this development while processing the petition, MPPTCL vide email dated 12th April, 2012 revised the table of transmission capacity allocation among long-term customers as under :

S. No.	Distribution Licensee	Percentage Allocation As per GoMP Notification dtd. 29.3.12	Capacity Allocation for 2012-13 (MW) as per Annx. III	Total Capacity After deducting Aux./ Inter-state Loss (MW)	Overall percentage %
1	MP Poorva Kshetra Vidyut Vitaran Company Ltd.	**29.89%**	3237.68	3045.38	29.85%
2	MP Madhya Kshetra Vidyut Vitaran Company Ltd.	**31.84%**	3448.92	3244.06	31.80%
3	MP Paschim Kshetra Vidyut Vitaran Company Ltd.	**38.27%**	4145.40	3899.19	38.22%
4	New Generating Stations allocated to MP TRADECO (allocated in same % to Discoms above)	**-**	2145.00	**-**	-
	Total Discoms -	**100%**	**10832**	**10188.6**	99.88%
5	SEZ Pithampur (Dhar)	-	12	12	0.12%
	GRAND TOTAL -	**-**	**10844**	**10200.6**	**100.00%**

2.9 The revised allocation based on GoMP's notification dated 29th March, 2012 and as submitted by MPPTCL is being considered in this order.

Capital Cost, Capital Structure and Debt Equity ratio

Petitioner's submission

2.10 The petitioner has broadly submitted the following in respect of achievements in earlier plan :

Transmission Plan of Rs.5200.00 Crores was formulated for period 2007-08 to 2011-12, which was downsized year to year, on account of slippage of Generating Capacity addition. Finally the achievement up to 31.03.2012 is expected as under:

[A] Physical

Table : 5

S. No.	Particulars	Achievement during the Year					TOTAL
		Actual 2007-08	Actual 2008-09	Actual 2009-10	Actual 2010-11	Estimated 2011-12	
A.	**TRANSMISSION LINES (CKT. KMS) -**						
1	400 KV	0	29	0	0	0	29
2	220 KV	465	871	762	1049	342	3489
3	132 KV	253	396	897	797	410	2753
	Total	**718**	**1296**	**1659**	**1846**	**752**	**6271**
B.	**EHV SUB-STATIONS (MVA) -**						
4	400 KV	0	0	0	630	0	**630**
5	220 KV	580	1740	1640	740	320	**5020**
6	132 KV	580	1323	1352	823	686	**4764**
	Total	**1160**	**3063**	**2992**	**2193**	**1006**	**10414**

[B] Financial

Table : 6 **(Rs. in Lacs)**

S. No.	Particulars	Achievement during the Year					TOTAL
		2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Actual	2011-12 Estimated	
A.	**TRANSMISSION LINES -**						
1	400 KV	1052	253	0	104	13500	14909
2	220 KV	18792	19547	17203	9638	7871	73051
3	132 KV	5198	14900	18622	9024	8362	56106
	Total (Lines) -	**25042**	**34700**	**35825**	**18766**	**29733**	**144066**
B.	**EHV SUB-STATIONS**						
4	400 KV	0	2477	2767	2093	7000	**14337**
5	220 KV	11157	20399	20405	6678	5266	**63905**
6	132 KV	10441	30826	18152	11413	13942	**84774**
7	Misc. Works	520	1231	394	700	5561	**8406**
	Total(Sub-Stations)	**22118**	**54933**	**41718**	**20884**	**31769**	**171422**
	Grand Total	**47160**	**89633**	**77543**	**39650**	**61502**	**315488**

Proposed Transmission Plan for 2012-13 to 2016-17

2.11 Accommodating the Evacuation Systems and Downstream System strengthening for generating capacity additions and load growth; the MPPTCL has formulated a need based Transmission Plan for FY 2012-13 to FY 2016-17 and filed it before the Commission for approval.

2.12 The total Plan amount is proposed as Rs.7370.22 Crores, with EHV lines addition of 10667 Ckt. Kms and MVA capacity addition of 19,698 MVA. The year-wise Physical and Financial details are tabulated hereunder:

(A) Table-7 Physical Plan FY 2013 to FY 2017

S. No.	Particulars	Year-wise Physical Programme (2012-17)					Total 12th Plan (2012-17)
		2012-13 (Need-Based)	2013-14 (Need-Based)	2014-15 (Need-Based)	2015-16 (Need-Based)	2016-17 (Need-Based)	
A	**EHV LINES (CIRCUIT KMS)**						
1	400KV Lines	790	490	90	1100	370	**2840**
2	220KV Lines	436	412.1	243	468	650	**2209.1**
3	132KV Lines	876.2	1515	1803	566	858	**5618.2**
TOTAL CKT KMS		**2102.2**	**2417.1**	**2136**	**2134**	**1878**	**10667.3**
B	**EHV SUB-STATIONS (MVA)**						
1	400KV Sub-stations	1575	1260	945	2205	0	**5985**
2	220KV Sub-stations	1120	1600	2720	1280	960	**7680**
3	132KV Sub-stations	649	1717	2152	723	792	**6033**
TOTAL MVA		**3344**	**4577**	**5817**	**4208**	**1752**	**19698**
C	**EHV SUB-STATIONS (Nos)**						
1	400KV Sub-stations	4	0	2	4	0	**10**
2	220KV Sub-stations	1	6	4	6	0	**17**
3	132KV Sub-stations	9	22	32	1	3	**67**
TOTAL (Nos)		**14**	**28**	**38**	**11**	**3**	**94**

(B) Table-8 Financial Plan FY 2013 to FY 2017 **(Rs. in Lacs)**

S. No.	Particulars	Year-wise Investment In 12th Plan (2012-17)					Total 12th Plan (2012-17) (Need-Based)
		2012-13	2013-14	2014-15	2015-16	2016-17	
1	400KV Lines	41324	25500	39288	67190	35270	**208572**
2	220KV Lines	12328	5710	10814	17057	19740	**65649**
3	132KV Lines	19762	27415	37096	22794	22011	**129078**
TOTAL (LINES)		**73414**	**58625**	**87198**	**107041**	**77021**	**403299**
4	400KV Sub-stations	23044	4680	31004	46800	7600	**113128**
5	220KV Sub-stations	14919	13272	24511	20185	8760	**81647**
6	132KV Sub-stations	22505	30200	25346	18209	20490	**116750**
7	Misc. Works	2074	5658	5558	4658	4250	**22198**
TOTAL (Sub-Stations)		**62542**	**53810**	**86419**	**89852**	**41100**	**333723**
TOTAL (Transmission)		**135956**	**112435**	**173617**	**196893**	**118121**	**737022**

Transmission Plan for FY 2012-13

2.13 The 5 year Transmission Plan is under process with the Commission and the instant tariff petition is for one year i.e. FY 2012-13 only, the submissions in foregoing Paras are confined to FY 2012-13 only. The summary of works alongwith investment of Rs.1359.56 Crores in FY 2012-13 as proposed is tabulated hereunder :

Table-9

S. No.	Particulars	Amount (Rs. Cr.)	Financial Resources
1	Ongoing work of Birsinghpur-Shahdol Line under PFC (Old)	3.74	From ongoing PFC Scheme (Sanctioned)
2	Works under Second Loan from ADB	59.17	ADB Scheme (Sanctioned)
3	Works under new PFC Scheme	925.56	PFC Sanctioned Scheme
4	Works under JICA loan Scheme	132.00	JICA Sanctioned Scheme
5	Works under PPP mode	81.00	To be arranged by Private Party
6	System strengthening works	15.00	From State Govt. Support and other loan to be Tied-up.
7	Priority nature works	143.09	To be Tied-up and State Govt. support.
TOTAL -		**1359.56**	

2.14 Out of the above plan, the petitioner has stated the following in the instant petition of FY 2012-13 :

> "The Plan proposed for FY 2012-13 is need based, considering that all generating capacity additions and power purchase contracts will be materialized during 2012-13, and financial resources can be fully tapped to execute supporting transmission works. However, looking to the achievements during 11th Plan period against total Plan, the following conservative approach is adopted for formulation of Tariff proposal for FY 2012-13 :
>
> i) The physical achievements on Lines and Sub-stations are taken as 60% of that provided in Plan i.e. :

Table : 10

S. No.	Particulars	Unit	As provided in Plan	As considered for Tariff Petition
1	400KV Lines	Ckt. KMs	790	474
2	220KV Lines	Ckt. KMs	436	262
3	132KV Lines	Ckt. KMs	876.2	526
TOTAL Lines		**CKT KMS**	**2102.2**	**1262**
4	400KV Sub-stations	MVA	1575	945
5	220KV Sub-stations	MVA	1120	672
6	132KV Sub-stations	MVA	649	389
TOTAL MVA		MVA	**3344**	**2006**

ii) As far as financial achievements are concerned at present, the Plan amount against PPP Projects and Untied-up works are excluded as under :

(i)	Total Investment proposed	Rs.1359.56 Crores
(ii)	Less (a) PPP – 81.00 + (b) Untied-up – 143.09 + (c) Untied-up System strengthening – 15.00	Rs.239.09 Crores
	Tied-up Amount	Rs.1120.47 Crores
(iii)	Taking drawal amount as 60%	Rs. 672.28 Crores

The petitioner has further submitted that the amounts invested qualify for Tariff when it is capitalized. The process of capitalization takes time. However, this is a cyclic process that whereas certain works completed in a year are capitalized in next year, on the other hand certain works completed in previous year capitalized during present year. Therefore, capitalization during FY 2012-13 is taken as Rs.672.28 Crores, and bifurcated as:

(i) From Loans – Rs.470.60 Crores
(ii) From Equity – Rs.201.68 Crores

Since the tariff is subjected to True-up exercise subsequently on Audited Accounts of the Company, any shortfall or additional achievement will be taken care at that time".

Provisions in Regulation

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

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

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

2.16 As per Cause 20.1 of the applicable Regulations,

> *"For a Project declared under commercial operation on or after 1.4.2009, if the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan:*
>
> *Provided that where equity actually deployed is less than 30% of the capital cost, the actual equity shall be considered for determination of Tariff."*

2.17 Further as per Clause 20.2 of the applicable Regulations,

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

Commission's Analysis

2.18 The status of growth in GFA as per audited accounts of the Company during FY 2008-09 to FY 2010-11 and the growth in GFA as projected in FY 2011-12 & FY 2012-13 in the petition is as under:

Table : 11 (Rs. Cr.)

YEAR	Gross Fixed Assets			
	At the beginning of Year	Addition During Year	At End of Year	Remarks
FY 2008-09	3575.99	378.14	3954.12	As per audited accounts
FY 2009-10	3954.12	590.48	4544.60	
FY 2010-11	4544.60	501.31	5045.91	
FY 2011-12	5045.91	292.98	5338.89	As projected in petition
FY 2012-13	5338.89	672.28	6011.17	

2.19 It is observed that the addition to GFA in various financial years does not increase in a linear way. The growth in GFA during previous 3 years (till 31/03/2011) as per the audited balance sheet has been Rs.378.14 Crs., Rs.590.48 Crs., Rs.501.31 Crs. Thus the average growth in GFA during these 3 years has been Rs.489.98 Crs. The Commission has therefore, considered this amount as projected growth in GFA during FY 2012-13 and accordingly, above-mentioned table is modified for FY 2012-13 as under:

(Rs. Cr.)

YEAR	Gross Fixed Assets		
	At the beginning of Year	Addition During Year	At End of Year
FY 2012-13	5338.89	489.98	5828.87

2.20 In view of the above, the Commission has considered the projected capitalization of Rs.489.98 Crs. for FY 2012-13 for the purpose of this order. The actual capitalization as per the audited accounts of FY 2012-13 shall be considered appropriately while truing-up exercise of transmission tariff for FY 2012-13.

2.21 As per provisions of the Regulations, the Commission considers the petitioner submission that source of fund corresponding to the asset addition of Rs.489.98 Crs. will be 30% equity (Rs.146.99 Crs.) and 70% loan (Rs.342.99 Crs.).

Table : 12 -Projected addition of GFA (Rs. Crores)

Years	(30:70)		
	Equity	Loan	Total
FY 2012-13	146.99	342.99	**489.98**

Accordingly, these projections are used to work out depreciation, interest, RoE etc. in this tariff order.

Operation & Maintenance Expenses :

Petitioner's submission

The petitioner has broadly submitted as under:

2.22 The parameters are projected in the following table :

Table – 13 Parameters Projection for FY 2012-13

S. No.	Particulars	Unit	Assets as on				
			01.04.11 Actual	31.12.11 Actual	1.4.12 Projected	31.3.13 Projected	Average for FY 12-13 (6+7/2)
1	2	3	4	5	6	7	8
1	400 KV Line	Ckt.KM	2343	2343	2343	2817	2580
2	220 KV Line	Ckt.KM	10856	10871	11196	11458	11327
3	132 KV Line	Ckt.KM	13269	13562	14017	14543	14280
4	400 KV Bays	Nos.	67	70	71	75	73
5	220 KV Bays	Nos.	446	448	473	503	488
6	132 KV Bays	Nos.	1400	1430	1486	1577	1532

Table – 14 O&M as per norms for FY 2012-13

S. No.	Particulars	Unit	Average Asset	Norms	Amount (Rs. Lacs)
1	400 KV Line	Ckt.KM	2580	Rs. 34.60 Lacs per 100 Ckt. KM	892.68
2	220 KV Line	Ckt.KM	11327	Rs. 27.80 Lacs per 100 Ckt. KM	3148.91
3	132 KV Line	Ckt.KM	14280	Rs. 26.10 Lacs per 100 Ckt. KM	3727.08
4	400 KV Bays	Nos.	73	Rs. 15.9 Lacs per Bay	1160.70
5	220 KV Bays	Nos.	488	Rs. 11.90 Lacs per Bay	5807.20
6	132 KV Bays	Nos.	1532	Rs. 11.30 Lacs per Bay	17311.60
					32048.17

= Say Rs.320.48 Crores

Provisions in Regulation

O&M Norms

2.23 As per clause 37.1 of the fourth amendment to MPERC (Terms & Conditions for determination of Transmission Tariff) Regulations, 2009 (Revision-I), the O&M expenses are allowed on normative basis. The O&M Norms as per fourth amendment to the Regulations notified on 17/02/2012 are as under;

Table : 15

S. No.	*Particulars*	*2009-10*	*2010-11*	*2011-12*	*2012-13*
	LINES - Rs. Lacs / 100 Ckt.KM / Annum				
1	*400 KV Line*	*29.1*	*30.8*	*32.6*	*34.5*
2	*220 KV Line*	*23.4*	*24.8*	*26.2*	*27.7*
3	*132 KV Line*	*22.0*	*23.3*	*24.6*	*26.0*
	BAYS -	***Rs. Lacs / Bay / Annum***			
1	*400 KV Bay*	*13.4*	*14.2*	*15.0*	*15.9*
2	*220 KV Bay*	*10.0*	*10.6*	*11.2*	*11.9*
3	*132 KV Bay*	*9.5*	*10.0*	*10.6*	*11.2*

Commission's Analysis

2.24 The parameters regarding line and bays as on 31/03/2008 and 31/03/2009 (as mentioned in para 4.14 on page 20 of the Commission's True-up order for FY 2008-09 dated 26/12/2011) and as on 31/03/2010 and 31/03/2011 (as mentioned in para 6.4 of MPPTCL's petition no. 23/2012 regarding True-up for transmission charges for FY 2010-11) is as under:

S. No.	Particulars	Unit	Assets as on						
			31.03.08 Actual	31.03.09 Actual	31.03.10 Actual	31.03.11 Actual	31.03.12 Projected	31.3.13 Projected	Average for FY 12-13 ((8+9)/2)
1	2	3	4	5	6	7	8	9	10
1	400 KV Line	Ckt. Km	2314	2343	2343	2343	2343	2817	**2580**
2	220 KV Line	Ckt. Km	8174	9046	9087	10856	11196	11458	**11327**
3	132 KV Line	Ckt. Km	11179	11575	12472	13269	14017	14543	**14280**
4	400 KV Bays	Nos.	60	60	61	67	71	75	**73**
5	220 KV Bays	Nos.	311	354	403	446	473	503	**488**
6	132 KV Bays	Nos.	1099	1181	1311	1400	1486	1577	**1532**

From the above table the average growth in assets during previous 3 years and the average assets for FY 2012-13 is worked out as under :

S. No.	Particulars	Unit	Growth in Assets during				Assets considered in this order		
			FY 08 -09 Actual	FY 09 -10 Actual	FY 10 -11 Actual	Average annual addition during 3 years	31.03.12 Projected by MPPTCL	31.3.13 Projected based on past average addition	Average for FY 12-13 ((8+9) /2)
1	2	3	4	5	6	7	8	9	10
1	400 KV Line	Ckt.KM	29	0	0	10	2343	2353	**2348**
2	220 KV Line	Ckt.KM	872	41	1769	894	11196	12090	**11643**
3	132 KV Line	Ckt.KM	396	897	797	697	14017	14714	**14365**
4	400 KV Bays	Nos.	0	1	6	2	71	73	**72**
5	220 KV Bays	Nos.	43	49	43	45	473	518	**496**
6	132 KV Bays	Nos.	82	130	89	100	1486	1586	**1536**

2.25 The Reporter of Compliance of MPPTCL vide letter No.9539 dated 31/12/2011 submitted half yearly report for April to September, 2011 to the Commission. MPPTCL vide letter No.770 dated 31/01/2012 submitted MIS information for quarter ending December, 2011 to the Commission. The information with regard to EHV lines and sub-stations as on 31/12/2011 filed by the petitioner in the present petition is same as what has been reported by the RoC and in MIS reports. Thus the parameters used for projection of O&M parameters for FY 2011-12 are considered by the Commission.

2.26 The O&M expenses as per norms notified on 17/02/2012 in 4th amendment corresponding to the average assets considered in above table for FY 2012-13 are as under:

Table - 16

S. No.	Particulars	Unit	Average Asset considered for FY 2012-13	Norms	Amount (Rs. Lacs)
1	400 KV Line	Ckt.KM	2348	Rs. 34.50 Lacs per 100 Ckt. KM	810.06
2	220 KV Line	Ckt.KM	11643	Rs. 27.70 Lacs per 100 Ckt. KM	3225.11
3	132 KV Line	Ckt.KM	14365	Rs. 26.00 Lacs per 100 Ckt. KM	3734.90
4	400 KV Bays	Nos.	72	Rs. 15.9 Lacs per Bay	1144.80
5	220 KV Bays	Nos.	496	Rs. 11.90 Lacs per Bay	5902.40
6	132 KV Bays	Nos.	1536	Rs. 11.20 Lacs per Bay	17203.20
					32020.47

2.27 Accordingly, the Commission allows O&M expenses of **Rs. 320.20 Crs. for FY 2012-13** in this order.

Terminal Benefits

Petitioner's submission

2.28 The petitioner has broadly submitted as under:

Expected expenses in FY 2012-13 as per actuarial analysis conducted in FY 2009-10

An Actuarial Analysis was got conducted in FY 2009-10 through M/s Pandit & Company and its report has already been submitted before Hon'ble Commission on 5th March, 2010. The Terminal Benefit outgo for FY 2012-13 has been indicated as Rs.460.32 Crores. In addition to above contribution ranging from 20% to 25% of salary is indicated for future service of employees for different Companies.

The above figure does not indicate a pragmatic picture, because of following reasons;

i. The Actuarial Analysis took the effective date as 31.3.2009, whereas the arrangement payment of total Terminal Benefits by Transco is still continuing in 2012-13.
ii. The declaration of D.A. and Pension Revision has been added to the amount.

Expected expenses as per past trend

2.29 The past trend as per Audited Accounts is indicated hereunder :

Table-17

S. No.	Year	Amount (Excluding provisioning) (Rs. Crores)
1	2006-07	196.79
2	2007-08	237.81
3	2008-09	298.19
4	2009-10	389.75
5	2010-11	596.20
6	2011-12 **(upto Dec. 2011 i.e. 9 months)**	465.97 **(621.29) (Projected for 11-12)**
7	2012-13 10% above FY 2011-12	683.42

It is, therefore, submitted that an amount of Rs.683.42 Crores be considered for FY 2012-13, which will be subject to 'True-up'.

Provisioning for existing employees of Transco

2.30 The Petitioner has been claiming the provisioning for future services of employees in Transco, during past years. However, the Commission has not allowed the same, and allowed only the current Pension. The draft Regulations amendments dated 02.01.2012, also do not provide them specifically for FY 2012-13. The petitioner is therefore not claiming the same at this stage. This will be included in True-up Petition based on provisioning in Audited Accounts for FY 2012-13.

Provisions in Regulation

2.31 The Commission vide notification dated 17/02/2012 amended Clause 27.6 in MPERC (Terms & Conditions for determination of Transmission Tariff) Regulations, 2009 as under:

"*27.6(a) The expenses towards Pension and other Terminal Benefits in respect of all personnels of MPSEB / MPEB and its all successor entities who are entitled as per their service conditions for Pension and other Terminal Benefit shall continue to be allowed in the Aggregate Revenue Requirement of MP Power Transmission Co. Ltd., of the respective tariff year during the control period.*

(b) The above expenses at (a) for each financial year shall be a pass through in the Aggregate Revenue Requirement of MP Power Transmission Co. Ltd., and permitted to the extent of the provisions made by the MP Power Transmission Co. Ltd., subject to prudence check by the Commission. This provisioning shall be subject to further review at the time

of true-up of the ARR of respective year, and shall be allowed to the extent of actual payments made."

Commission's Analysis

2.32 The Commission on scrutiny of these expenses had asked for the detailed break-up in respect of actual cash expenses, entries of expenses based on accrual based accounting principles and the amount of provisioning separately for FY 2010-11 (actual), FY 2011-12 (actual for 9 months & projection for 3 months) and FY 2012-13 (projections).

2.33 In response, MPPTCL vide letter No.1816 dated 09/03/2012 submitted the details of Terminal Benefit Expenses for the year 2010 (separately for the cash and provisioning), the details of expenses made in April, 2011 to December, 2011 and assessment for January, 2012 to March, 2012.

2.34 The Commission observed that the details of terminal benefits paid in cash during FY 2010-11 is submitted in annexure-1 of its reply. The grand total of the cash payment of Rs.602.85 Crs. and provision of Rs.39.95 Crs tallies with the figures reported in profit and loss account for FY 2010-11. The following is also observed from the above mentioned response of the petitioner:

In Annexure 2 of its response, MPPTCL has submitted that "*Every year provision is credited by debiting terminal benefits cost provisions and crediting to provision. Therefore only during the year provision amount shall be reflected in P&L A/c*." The provision of Rs.39.95 Crs. for FY 2010-11 has been added to the opening balance of provision, so that the closing balance of the provisions is shown as Rs.244.45 Crs. which tallies with the figures in schedule 10 of the audited balance sheet of FY 2010-11.

In Annexure-3 of its response, MPPTCL has submitted a statement showing payment of terminal benefits in FY 2011-12.

2.35 It is observed that the petitioner has projected terminal benefit expenses of Rs.621.29 for FY 2011-12 based on actual expenses of Rs.465.97 Crs. during the first 9 months of the FY 2011-12 (till December-2011). The petitioner has considered 10% hike of this amount and has claimed terminal benefit expenses of Rs.683.42 Crs. for FY 2012-13. The Commission observed that the actual amount of terminal benefit varies from year to year due to payment of arrears and other non recurring expenses. Moreover, the month-wise terminal benefit expenses submitted by MPPTCL show wide variations and hence, cannot form an appropriate basis to assess the actual expenses during FY 2012-13. The Commission has recently passed tariff order for retail supply on 31st March, 2012 for FY 2012-13 wherein, the Commission has allowed terminal benefit and pension expenses for FY 2012-13 on provisional basis on "pay as you go" principal payable to MP Transco to the extent of **Rs.621.29 Crs**. in Para 3.89 of that order. The same is considered in this order also. The actual expenses for this period shall be considered during the process of true-up of transmission tariff for FY 2012-13.

Return on Equity :

Petitioner's submission

The petitioner has broadly submitted as under:

2.36 "***Applicable Regulations*** *– The MPERC (Terms & Conditions for Determination of Transmission Tariff) Regulations, 2009 notified on 8th May, 2009 provide that,*

i The Return on Equity shall be computed in rupee terms on the paid up Equity Capital.
ii The Return on Equity shall be computed on pre-tax basis at the rate of 15.5% to be grossed up for tax.

Equity outstanding in FY 2012-13

2.37 *The Balance Sheet incorporated in Audited Accounts for FY 2010-11, provide for following figures for Equity :*

(i). Equity held on 31.03.2010 – Rs.2110.76 Crores
(ii). Equity held on 31.03.2011 – Rs.2154.44 Crores

This is projected as per Plan Para 4.4(ii) further as under;

(iii). Equity held on 31.03.2012 – Rs.2215.28 Crores
(iv). Equity held on 31.03.2013 – Rs.2416.08 Crores

Qualifying Equity for RoE

2.38 *Eligible Equity for claim of RoE as per Para 20.1 of Tariff Regulations is worked out hereunder :*

Table - 18 *(Rs. in Crores)*

i.	*Gross Block of Assets as on 01.04.2012*	*5319.80*
ii.	*Gross Block of Assets as on 31.03.2013 Net of Consumer Contribution*	*5992.08*
iii.	*Gross Block of Assets as on (Average)*	*5655.94*
iv.	*Maximum Qualifying Equity (30%) with 70:30 Debt:Equity ratio*	*1696.78*

Equity held under CWIP

Table - 19 *(Rs in Crores)*

S. No.	***Date***	***Total CWIP***	***Funded by Loan***	***Funded by Equity***
1	*01.04.2012*	*390.97*	*292.24*	*98.73*
2	*31.03.2013*	*390.09*	*292.24*	*97.85*

Development of Equity amount

2.39 *The equity held at the beginning and the end of year is utilized as hereunder :*

Table - 20 *(Rs in Crores)*

S. No.	***Particulars***	***As on 01.04.2012***	***As on 31.03.2013***
1	*Total Equity held*	*2215.28*	*2416.08*
2	*Equity under CWIP*	*98.73*	*97.85*
3	*Equity temporarily held under current Assets*	*515.09*	*515.09*
4	*Equity Deployed on completed / capitalized Assets*	*1601.46*	*1803.14*

Claim for RoE

Table - 21 *(Rs.in Crores)*

(i)	*Equity at the beginning of the year employed on Capitalized Works*	*1601.46*
(ii)	*Equity at the end of the year employed on Capitalized Works*	*1803.14*
(iii)	*Average Equity employed on Capitalized Works*	*1702.30*
(iv)	*Qualifying Equity*	*1696.78*
(v)	*ROE @ 15.5% on Qualifying Equity **	*263.00*
(vi)	*Normative Loan component (iii - iv)*	*5.52*

** REMARKS – The rate of ROE at present is not grossed up for MAT / Income Tax. In case any tax is paid during 2012-13, the same will be claimed in True-up Petition.*

Incentive for early completion of works

No incentive is being claimed for early completion for works as per proviso of Para 23.2 of the Transmission Tariff Regulations. This will be done through True-up Petition taking into account such works completed in FY 2011-12 and FY 2012-13 too.

Normative loan

As mentioned in 9.6(vi), the average Equity is slightly more than the eligible Equity, by an amount of Rs.5.52 Crores, the same is to be treated as Normative Loan. As such, the same is eligible for interest at the rate 6.49% as indicated in Para 8.4 covering Overall Weighted Average Rate of Interest for year 2012-13.

(i)	*Normative Loan component (iv-iii)*	*Rs. 5.52 Crores*
(ii)	*Weighted Average Rate*	*6.49%*
(iii)	*Eligible interest*	*Rs.0.358 Crores*

(Say) Rs. 0.36 Crores

This is being claimed alongwith Interest & Finance charges. Thus;
(a) RoE claim for 2012-13 – Rs. 263.00 Crores
(b) Interest on normative loan – Rs. 0.36 Crores.

Provisions of Regulation

2.40 The Regulation 23 of MPERC (Terms & Conditions for determination of Transmission Tariff) Regulation, 2009 provides that,

> *"Return on equity shall be computed on pre-tax basis at the base rate of 15.5% to be grossed up as per this Regulation*
>
> *Provided that in case of Projects commissioned on or after 1st April, 2009, an additional return of 0.5% shall be allowed if such projects are completed within the timeline specified in **Appendix-I**.*
>
> *Provided further that the additional return of 0.5% shall not be admissible if the project is not completed within the timeline specified above for reasons whatsoever.*
>
> *Rate of return on equity shall be rounded off to three decimal points and be computed as per the formula given below:*
>
> *Rate of pre-tax return on equity = Base rate / (1-t)*
> *Where t is the applicable tax rate in accordance with clause 23.3 of this Regulation.*
>
> ***Illustration.-***
> *(i) In case of the Transmission Licensee paying Minimum Alternate Tax (MAT) @ 11.33% including surcharge and cess:*
> *Rate of return on equity = 15.50/ (1-0.1133) = 17.481%*
> *(ii) In case of the Transmission Licensee paying normal corporate tax @ 33.99% including surcharge and cess:*
> *Rate of return on equity = 15.50/ (1-0.3399) = 23.481%"*

Commission's Analysis

2.41 As mentioned in Para 2.21 of this order, the projected equity of Rs.146.99 Crs. is considered as source of fund out of the total asset capitalization of Rs.489.98 Crs. considered in this order for FY 2012-13. The petitioner in Para 8.6 of the petition has mentioned that the equity contribution in CWIP is Rs.125.57 Crs. (as on 31/03/2011) out of total CWIP of Rs.418.58 Crs. (as on 31/03/2011) as per Audited Accounts.

2.42 As may be seen in Para 8.6 of the petition, the CWIP has been projected to reduce to Rs.390.97 Crs. as on 31/03/2012 and to Rs.390.09 Crs. as on 31/03/2013. The contribution of equity in CWIP is shown to be reduced from Rs.125.57 Crs. (as on 31/03/2011) to Rs.98.73 Crs. (as on 31/03/2012) and to Rs.97.85 Crs. (as on 31/03/2013). Thus, a reduction of Rs.0.88 Crs. is expected in the equity under CWIP in FY 2012-13.

2.43 The Commission vide letter No.67 dated 28/02/2012 asked the petitioner that *"the Equity as on 31/03/2010 has been considered as Rs.2110.76 Crs. as per the Audited Accounts. This includes Rs.304.38 Crs. of equity infusion for FY 2010-11 and also conversion of interest over due of Rs.330.84 Crs. as share application money pending allotment in the balance sheet for FY 2009-10."* The reasons for claiming these amounts of Rs.304.38 Crs. and Rs.330.84 Crs. (total Rs.635.22 Crs.) as equity held on 31/03/2010, for the purpose of tariff were sought from the petitioner.

2.44 MPPTCL vide letter No.1816 dated 09/03/2012 has broadly submitted that *"the GoMP has converted certain amount of loan in Equity and intimated the corrections for Equity infusion which was earlier taken as payment by the Distribution Companies to Transco. However, the Equity does not qualify for return until and unless an Asset is created out of it. The petitioner has taken this into mind while framing the petition. The total Equity as on 31.3.2012 is Rs.2416.08 Crores whereas the Return on Equity has been claimed only on an amount of Rs.1702.30 Crores. This indicates that mostly the Equity's conversion has not created Assets."*

2.45 It is observed that Transco has been claiming maximum permissible return on equity based on 30% of assets held/projected to be held. It has to be kept in view that assets transferred to Transco through opening balance sheet comprised of a definite loan and equity component. Equity component of these assets cannot be altered to claim higher return. The Commission intends to keep this in view while deciding on true-ups.

2.46 Taking into consideration the petitioner's submission and equity addition of Rs 146.99 Cr for FY 2012-13, the commission has considered the following equity in this order :

Table - 22 (Rs.in Crores)

S. No.	Particulars	As on 01.04.2012	As on 31.03.2013
1	Total Equity held	2215.28	2362.27
2	Equity under CWIP	98.73	97.85
3	Equity not used for creating assets	635.22	635.22
4	Equity Deployed on capitalized Assets	1481.33	1629.20

Calculation of RoE

Table - 23 (Rs.in Crores)

(i)	Equity at the beginning of the year employed on Capitalized Works	1481.33
(ii)	Equity at the end of the year employed on Capitalized Works	1629.20
(iii)	Average Equity employed on Capitalized Works	1555.26
(iv)	Qualifying Equity	1555.26
(v)	ROE @ 15.5% on Qualifying Equity	241.06
(vi)	Normative Loan component (iii - iv)	0.00

2.47 The Commission allows RoE of **Rs.241.06 Crs for FY 2012-13** in this order.

Interest and Finance charges on loan capital :

Petitioner's Submission

2.48 The petitioner has broadly submitted as under:

Loans transferred through opening balance sheet *- The Govt. of M.P. has notified the final Opening Balance Sheet on 12th June, 2008. Loan liabilities of Rs.1313.21 Crores are indicated in the Balance Sheet and a liability of Rs.5.53 Crores is indicated in the footnote as loan from MP Power Generating Company Ltd., making a total of Rs.1318.74 Crores. Details of these are mentioned hereunder :*

Table - 24

As on 31.05.2005 ***(Amount Rs. in Lacs)***

S. No.	Particulars	Opening Balance at the beginning of the year			
		Principal Not Due	Principal Due	Interest overdue	TOTAL
1	Loan from PFC - Unsecured	30990.54	0.00	0.00	30990.54
2	Loan from PFC - Secured	0.00	0.00	0.00	0.00
3	Loan from Canara Bank	0.00	0.00	0.00	0.00
4	Loan from SADA Gwalior	720.00	480.00	302.80	1502.80
5	Bonds & Debentures	29692.14	7655.06	11545.70	48892.90
6	MP Genco	553.00	0.00	0.00	553.00
7	Direct Loans	0.00	0.00	0.00	0.00
8	ADB	20844.32	0.00	0.00	20844.32
9	NABARD	7619.10	1215.02	0.00	8834.32
10	General Loans	2876.59	214.78	0.00	3091.37
11	Market Bonds	15964.95	1200.55	0.00	17165.50
	TOTAL -	**109260.64**	**10765.41**	**11848.50**	**131874.55**

For implementing the works of 11th Plan, there has been substantial growth in outstanding loans since 31.05.2005. The Audited Accounts of FY 2010-11 shows the outstanding loan on 31.03.2011 as Rs.2500.08 Crores.

Projection of loan portfolio for FY 2011-12 & FY 2012-13

FY 2011-12

The projection has been done taking into consideration loan drawal position upto September 2011, schedules for repayments etc. during year. The loan outstanding is projected as Rs.2634.17 Crores as on 31.03.2012.

FY 2012-13

Transmission Plan of Rs.1359.56 Crores has been submitted by MPPTCL. On a conservative approach, an investment of Rs.672.28 Crores is estimated. Out of this amount *of Rs.672.28 Crores, an amount of Rs.470.60 Crores has been taken from loan (on 70 : 30 ratio), and balance from Equity.*

The projections for FY 2012-13 are done taking Rs.470.60 Crores as loan drawal during year. Considering payment schedules, the loan outstanding on 31.03.2013 is worked out as Rs.3102.22 Crores.

Weighted average rate of interest

The Transmission Tariff Regulations Para 24.5 provide for rate of interest to be considered as follows;
*"**24.5** The rate of interest shall be weighted average rate of interest calculated on the basis of actual loan portfolio at the beginning of each Year applicable to the project;*

Provided that if there is no actual loan from a particular Year but normative loan is still outstanding, the last available weighted average rate of interest shall be considered.

Provided further that if the Transmission system does not have actual loan, then the weighted average rate of interest of the Transmission Licensee as a whole shall be considered.

Since the interest rate of FY 2012-13 are not available at this stage, we have taken the Weighted Average Rates (based on Principal Not Due) for FY 2010-11, the details of which are being submitted with the True-up Petition for FY 2010-11. These are shown in following table;

Table - 25

S. No.	***Loan Scheme***	***Weighted Average Rate of Interest***
1	*PFC Unsecured*	*11.06*
2	*PFC Secured*	*12.13*
3	*Canara Bank*	*10.88*
4	*Bonds & Debentures*	*13.26*
5	*MP Genco*	*9.58*
6	*State Govt. Direct*	*10.50*
7	*ADB 1869*	*10.62*
8	*NABARD*	*10.72*
9	*State Govt. - General*	*13.45*
10	*Market Bonds*	*11.64*
11	*ADB 2323*	*1.69*
12	*ADB 2346*	*1.69*
13	*TSP*	*14.50*
14	*SCSP*	*14.50*
15	*JICA*	*0.50*

These are subject to true-up on actuals at the time of True-up for FY 2012-13.

Overall Weighted Average Rate of Interest for Year 2012-13

2.49 As per Clause 24.5 of the Transmission Tariff Regulations notified on 8th May, 2009

"The rate of interest shall be the weighted average rate of interest calculated on the basis the actual loan portfolio at the beginning of each year applicable to the project."

2.50 Accordingly, the weighted average rate of interest is worked out on the basis of the principal not due projected at the beginning of the year i.e. 01.04.2012, and on the rate of interest against various loans, the working is shown in the following table:

Table - 26 **(Amount Rs. in Lacs)**

S. No.	Particulars	Principal not due as on 01-04-12	Rate of interest (%)	Interest
1	PFC - Unsecured	13164.55	11.06	1455.99
2	PFC - Secured	17063.12	12.13	2069.76
3	Canara Bank	0.00	10.88	0.00
4	Bonds & Debentures	2454.00	13.26	325.40
5	MP Genco	552.69	9.58	52.95
6	State Govt. Direct	465.50	10.50	48.88
7	ADB 1869	30319.91	10.62	3219.97
8	NABARD	488.75	10.72	52.39
9	General Loans	10337.07	13.45	1390.34
10	Market Bonds	7157.13	11.64	833.09
11	GoMP-ADB 2323	43747. 23	1.69	739.33
12	GoMP-ADB 2346	62075.17	1.69	1049.07
13	T.S.P	4400.00	14.50	638.00
14	S.C.S.P.	6750.00	14.50	978.75
15	JICA	0.00	0.50	0.00
16	TOTAL -	198975.12	6.49	12853.92

$$\text{Weighted Rate of Interest} = \frac{12853.92}{198975.12} \times 100 = \mathbf{6.47\%}$$

Eligibility of Interest for Year 2012-13

2.51 Para 24.2 and 24.3 of the Transmission Tariff Regulations notified on 08/05/2009 are reproduced hereunder :

*"**24.2** The normative loan outstanding as on 01-04-2009 shall be worked out by deducting the cumulative repayment as admitted by the commission up to 31-03-2009 from gross normative loan.*

24.3 *The repayment for each year of the tariff period 2009-12 shall be deemed to be equal to the depreciation allowed for that year."*

2.52 In accordance of Para 24.2 of the Regulations, the position of loans upto 31.03.2013 has been worked out considering the actual loan repayments during each year. Whereas for FY 2009-10 to 2012-13, the repayment is deemed as equal to depreciation being claimed in the true-up petitions for FY 2009-10 and FY 2010-11 and projected depreciation for FY 2011-12 & 2012-13.

2.53 As per the Regulations at Para 24.3 mentioned above, the interest claim for FY 2012-13 is worked out hereunder:

Table - 27

i.	Principal not due outstanding on 01-04-2009	Rs.1562.61 Crores
ii.	Loans received during 2009-10	Rs. 414.73 Crores
iii.	Less Depreciation (Repayment) during 2009-10	Rs.168.76 Crores
iv.	Principal not due (Deemed) on 01.04.2010	Rs.1808.58 Crores
v.	Loan received during FY 2010-11	Rs.277.32 Crores
vi.	Less Depreciation (Repayment) during 2010-11	Rs.201.41 Crores
vii.	Principal not due (Deemed) on 31.03.2011 (iv + v – vi)	Rs.1884.49 Crores
viii.	Loan received during FY 2011-12	Rs.203.83 Crores
ix.	Depreciation claim 2011-12	Rs.218.30 Crores
x.	Principal Not Due on 01.04.12 (vii + viii – ix)	Rs.1870.02 Crores
xi.	Loans received during FY 2012-13	Rs.470.60 Crores
xii.	Less Depreciation during FY 2012-13	Rs.240.22 Crores
xiii	Principal Not Due on 01.04.13 (x + xi - xii)	Rs.2100.04 Crores
xiv.	Average Principal Not Due FY 2012-13 (x + xiv)/2	Rs.1985.21 Crores
xv.	Interest eligibility during FY 2012-13 @ 6.47%	Rs.128.44 Crores

Interest during construction

2.54 As per Audited Accounts for FY 2010-11, the CWIP at the end of year i.e. on 31.03.2011 is shown as Rs.418.58 Crores. Since the CWIP and IDC during 2012-13, is not available at this stage as per Audited Accounts, this is projected for FY 2012-13 as per following table, assuming that there is no change in current Assets :

Table - 28 **(Amount Rs. in Crores)**

S. No.	Particulars	Funded from Loans	Funded from Equity	TOTAL
1	CWIP as on 01.04.11	293.01	125.57	418.58
2	Fund receipt during FY 2011-12 (assessed)	203.83	60.84	264.67
3	Assets Capitalization during FY 2011-12	204.60	87.68	292.28
4	CWIP as on 31.03.12	292.24	98.73	390.97

S. No.	Particulars	Funded from Loans	Funded from Equity	TOTAL
5	Fund receipt during FY 2012-13	470.60	200.80	671.40
6	Assets Capitalization during FY 2012-13	470.60	201.68	672.28
7	CWIP as on 31.03.13	292.24	97.85	390.09
8	Average CWIP during FY 2012-13	292.24	98.29	390.53

Taking Weighted Average Rate Interest as worked out in Para 8.4 :

Interest during construction for FY 2012-13 $= 292.24 \times \frac{6.47}{100}$

=Rs.18.90 Crores

(i) Gross interest eligibility - Rs.128.44 Crores

(ii) Interest during construction (-) Rs.18.90 Crores

Net Interest Claim - Rs.**109.54 Crores**

Provisions in Regulation

2.55 Regulation 24 of MPERC (Terms & Conditions for determination of Transmission Tariff) Regulation, 2009 provides that,

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

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

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

Notwithstanding any moratorium period availed by the Transmission Licensee, the repayment of loan shall be considered from the first Year of commercial operation of the Project and shall be equal to the annual depreciation allowed.

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

> *Provided that if there is no actual loan for a particular Year but normative loan is still outstanding, the last available weighted average rate of interest shall be considered.*

Provided further that if the Transmission System, does not have actual loan, then the weighted average rate of interest of the Transmission Licensee as a whole shall be considered.

The interest on loan shall be calculated on the normative average loan of the Year by applying the weighted average rate of interest. The Transmission Licensee shall make every effort to re-finance the loan as long as it results in net savings on interest and in that event the costs associated with such re-financing shall be borne by the Beneficiaries and the net savings shall be shared between the Beneficiaries and the Transmission Licensee, in the ratio of 2:1.

The changes to the terms and conditions of the loans shall be reflected from the date of such re-financing. In case of dispute, any of the parties may make an application in accordance with the MPERC (Conduct of Business) Regulation, 2004, as amended from time to time:

Provided that the Transmission Customers shall not withhold any payment on account of the interest claimed by the Transmission Licensee during the pendency of any dispute arising out of re-financing of loan.:

Commission's Analysis

2.56 The Commission vide letter No.607 dated 28/02/2012 sought following details from the petitioner :

"The principal not due on 01/04/2009 is mentioned as Rs.1562.61 Cr in table under Para 8.5 of the petition, however the same was filed as Rs.1562.97 Cr in previous petitions (as mentioned at page 43 of the true-up Order for FY 2008-09 dated 26/12/2011). The difference of Rs 0.36 Cr in figures be reconciled and the reason for this difference be submitted. The basis for assumptions considered for projecting principal due & paid, interest due & paid in the petition regarding loan related details be submitted. Details for FY 2009-10 be also submitted in this regard".

2.57 MPPTCL vide its letter No.1816 dated 09/03/2012 responded as under :

"While framing accounts for Year 2008-09, the cognizance of the meager amount on foreign exchange variation was not taken which was then came to knowledge and taken in the accounts of year 2009-10. The difference of Rs. 0.36 Crores is as hereunder;

i.	*Exchange variation in ADB 2323*	*Rs.0.4204 Crores*
ii.	*Exchange variation in ADB 2346*	*(-) Rs.0.0577 Crores*
	Net Effect -	***Rs.0.3627 Crores***

Say Rs. 0.36 Crores

The Principal Payment Schedules and Interest Schedules have been taken as per the Payment Schedules provided by the Accounts Cell. The repayment for year 2011-12 and

2012-13 against the Govt. Loan have been shown as NIL in many cases as the trend in previous years indicate that the cash shortage in the Cash Flow Mechanism resulted in non-discharge of loan liability against State Govt. Loan

2.58 Due to correction in figures, the interest eligibility for FY 2012-13 is calculated as Rs.109.55 Crs.

2.59 It is observed that the petitioner has taken weighted average rate based on principal not due for FY 2010-11. The detailed submission under Para 8.3 of the present petition tallies with the weighted average rate of interest submitted under Para 9.3 of the true-up petition for FY 2010-11 filed by the petitioner.

2.60 The overall weighted average rate of interest for FY 2010-11 submitted in the true-up petition for FY 2010-11 (P-23/2012) is 6.74% for FY 2010-11. Due to change in "Principal Not Due" the overall weighted average rate of interest for FY 2012-13 based on "Principal Not Due" as on 01/04/2012 is filed as 6.47%. As per the Regulation, the payment for each year has been deemed to be equal to the depreciation allowed for that year. The Commission considers weighted average rate of interest of 6.47% as filed by the petitioner and the calculation for interest and finance charges for FY 2012-13 is as under:

(Amount in Rs. Crores)

i.	Principal Not Due on 01.04.12 (as filed by MPPTCL)	1870.02
ii.	Loans received during FY 2012-13 (Para 2.21 of Order)	342.99
iii.	Less Depreciation during FY 2012-13	236.33
iv.	Principal Not Due on 01.04.13 (i + ii - iii)	1976.68
v.	Average Principal Not Due FY 2012-13 (i + iv)/2	1923.35
vi.	Interest eligibility during FY 2012-13 @ 6.47%	124.44

The Commission considers the projections of CWIP and the calculation of interest during the construction of Rs.18.90 Crs. as filed by the petitioner and allows interest expenditure of Rs.124.44 – 18.90 = **Rs.105.54 Crs. for FY 2012-13**.

Interest on working capital :

Petitioner's submission

2.61 *"The interest on working capital is worked out in following table, based on Para 28.1 & 38.1 of the Transmission Tariff Regulations dated 8th May, 2009 on normative basis :*

Table - 29

S. No.	***Particulars***	***Amounts (Rs. Crs.)***
1	*O&M Expenses for one month (Rs.320.48 Crores ÷ 12)*	*26.71*
2	*Maintenance spares 50% of O&M Expenses (Rs.320.48 Crores x 0.15)*	*48.07*
3	*Receivables equivalent to 2 month transmission charges (Rs.1649.25 Crores ÷ 6)*	*274.88*
4	*Total Working Capital (1+2+3)*	*349.65*
5	*Interest on Working Capital @ SBI PLR rate expected on 01.04.2012 i.e. 12.25%*	*42.83*

Rs.42.83 Crores

Provisions in Regulation

2.62 Clause 38.1 of MPERC (Terms & Conditions for determination of Transmission Tariff) Regulation, 2009 provides that,

"For each Year of the Tariff Period working capital shall cover the following,

(1) Maintenance spares @ 15% of the O&M expenses specified in Regulation 37.1;
(2) Receivables equivalent to two months of transmission charges calculated on Target Availability Level; and
(3) Operation and Maintenance expenses for one month."

2.63 Clause 28.1 of the second amendment to MPERC (Terms & Conditions for determination of Transmission Tariff) Regulation, 2009 notified vide gazette notification dated 03/12/2010 provides that,

"Rate of interest on working capital to be computed as provided subsequently in these Regulations shall be on normative basis and shall be equal to the State Bank Base Rate as on 1st of April of that year plus 4.00%. The interest on working capital shall be payable on normative basis notwithstanding that the Licensee has not taken working capital loan from any outside agency or has exceeded the working capital loan compared to the working capital required on the normative basis."

Commission's Analysis

2.64 The interest on working capital is worked out as per Clause 38.1 and 28.1 of Tariff Regulations, 2009 and its amendments notified by the Commission. The SBI's base rate as on 1st April, 2012 was 10%. Therefore, the interest on working capital is allowed at interest rate of 14%. The details are as under:

Table : 30 (Amount Rs. in Crores)

S. No.	Particular	FY 2012-13
1	O&M charges for one month	26.68
2	Maint. Spares @15% of O&M	48.03
3	Receivables 2 Months	254.40
4	Working capital	329.11
5	Interest on working capital (@ 14%)	46.08

2.65 Interest on working capital of **Rs.46.08 crores is allowed for FY 2012-13** in this order.

Depreciation :

Petitioner's submission

2.66 The petitioner has broadly submitted the following :

Opening Balance Sheet

The Government of Madhya Pradesh has notified the final Opening Balance Sheet on 12th June, 2008 in the position of 31.05.2005. The fixed assets transferred are shown as hereunder :

(i) Opening Gross Block Rs.2932.75 Crores
(ii) Accumulated Depreciation Rs.1205.95 Crores
(iii) Net Fixed Assets Rs.1726.81 Crores

The petitioner has claimed the true-ups for the year's upto 2009-10, on the basis of final opening Balance Sheet. The development upto 31.03.2011 in respect of Opening Gross Block, Accumulated Depreciation is shown in the following table;

Table - 31 *(Amount Rs. in Crores)*

S. No.	Date as on	Gross Fixed Assets	Accumulated depreciation	Net Fixed Assets
1	31-05-2005	2932.75	1205.95	1726.81
2	31-03-2006	3092.46	1276.85	1815.61
3	31-03-2007	3341.54	1365.91	1975.63
4	31-03-2008	3575.98	1462.71	2113.27
5	31-03-2009	3954.12	1559.44	2394.68
6	31.03.2010	4544.60	1728.20	2816.40
7	31.03.2011	5045.91	1929.61	3116.31

Change in Regulations on Depreciation

2.67 Transmission Tariff Regulation up to period 31.03.2009 provided for claiming depreciation on Straight Line Method. In line with the mention in National Tariff Policy to avoid the need of AAD for repayment of loans, Hon'ble CERC rationalized the depreciation rates and formula. Hon'ble MPERC also rationalized the depreciation formula in the tariff regulations notified on 08.05.2009. Whereas the other provisions in this regard remain the same, the important changes are in respect of rates and formula for charging depreciation mentioned in Para 25(i) (e) & (f) of the Regulations which are reproduced hereunder :

25.1 (e) *"Depreciation shall be calculated annually based on 'straight line method' and at the rates specified in Appendix-II to these Regulations for the assets of the Transmission System.*

Provided that, the remaining depreciation value as on 31st March of the Year closing after a period of 12 Years from Date of Commercial Operation shall be spread over the balance useful life of the assets.

Provided further that the Consumer contribution or capital subsidy/ grant etc. for asset creation shall be treated as per the Accounting Rules notified and in force from time to time".

25.1(f) *"In case of the existing Projects, the balance depreciable value as on 1.4.2009 shall be worked out by deducting the cumulative depreciation including Advance Against Depreciation as admitted by the Commission upto 31.3.2009 from the gross depreciation value of the assets. The rate of depreciation shall be continued to be charges at the rate specified in Appendix-II till cumulative depreciation reaches 70%. Thereafter, the remaining depreciable value shall be spread over the remaining life of the asset such that the maximum depreciation does not exceed 90%".*

Appendix-II of the Regulations provides for depreciation rates for different category of Assets.

Asset data base for working out Depreciation

2.68 The petitioner has maintained an Asset Database for working out depreciation for a particular year. The salient features of the database are :

(i) The database is as per Final Opening Balance Sheet figures notified on 12th June 2008 in the position of 31.05.05.
(ii) The works Capitalized during subsequent years have been entered in the data base till 31.03.2011.
(iii) The Depreciation rates after 31.05.05 have been taken as per Hon'ble MPERC's Regulations applicable time to time.
(iv) Depreciation working formula is as per Straight Line Method of Depreciation.

(v) The Depreciation ceases to further adding as soon as the Depreciation reaches 90% of Opening Gross Block. 10% is taken as scrap value.

Updation in the Depreciation Model Software

2.69 The provisional Asset data base has been modified in light of above mentioned provisions in the following respect :

(i) In case of assets created on or after 01.04.2009, the depreciation rates as per Appendix-II of the Regulation will continue upto 31st March of the year closing after a period of 12 years. Thereafter rate automatically changes equal to remaining depreciation out of 90% limit divided by the balance life of assets.

(ii) In case of assets commissioned prior to 01.04.2009, the depreciation w.e.f. 01.04.2009 will be booked at the rates mentioned in Appendix-II of regulations till the depreciation reaches 70% of the book value. Thereafter the rate of depreciation automatically change as equal to 20% residual value (90% - 70%) divided by remaining life of assets.

(iii) All assets are depreciated to maximum 90% of book value. Thereafter no depreciation is charged.

(iv) The Opening Balance Sheet notified on 12th June 2008, transferred no Asset value out of Gross Block of ` 2932.75 Crores funded through contribution from consumers. In Asset capitalized from FY 2005-06 to FY 2009-10 too, no works have been capitalized as funded through consumer's contribution. Therefore, no Depreciation has been charged by the MPPTCL against contributory works, till FY 2009-10.

Assets addition in FY 2011-12 & FY 2012-13

2.70 The details of Assets additions on actuals are given in Para 7.1 for position upto 31.03.2011. Since the capitalization of Assets during FY 2011-12 will be finalized after March 2012, these are taken as allowed in MYT order dated 11.01.2010 for FY 2011-12.

For Asset addition during FY 2012-13 an Asset addition of Rs.672.28 Crores is considered based on Plan provision, taking factors for slippage in Plan, as mentioned in Para 4.4 of this Petition.

Depreciation for FY 2012-13

2.71 *Whereas the Depreciation upto 31.03.2011 is worked out on actuals from the Depreciation Model / Asset data-base, the projections have been done category-wise for FY 2011-12 and FY 2012-13 in Format TUT-8. The position is summarized hereunder;*

Table – 32 *(Amount Rs. in Crores)*

YEAR	Gross Fixed Assets			Provision For Depreciation			Net Fixed Assets	
	At the beginning of Year	Addition During Year	At End of Year	At the beginning of Year	Addition During Year	At End of Year	At the beginning of Year	At the End of Year
2010-11	4544.60	501.31	5045.91	1728.20	201.41	1929.61	2816.40	3116.30
2011-12	5045.91	292.98	5338.89	1929.61	218.23	2147.84	3116.30	3191.05
2012-13	5338.89	672.28	6011.17	2147.84	240.22	2388.06	3191.05	3623.11

Reconciliation of Asset Register

2.72 *Since the reconciliation work of Assets created prior to 31.05.2005 is still to be done, the status of Asset Register is still provisional.*

Provisions in Regulation

2.73 The provisions under Clause 25.1 of MPERC (Terms & Conditions for determination of Transmission Tariff) Regulation, 2009 provides that,

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

a) *The value base for the purpose of depreciation shall be the capital cost of the assets as admitted by the Commission*
b) *The approved/accepted cost shall include foreign currency funding converted to equivalent rupee at the exchange rate prevalent on the date of foreign currency actually availed.*
c) *The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset.*
d) *Land other than land held under lease shall not be a depreciable asset and its cost shall be excluded from the capital cost while computing depreciable value of the asset.*
e) *Depreciation shall be calculated annually based on 'straight line method' and at rates specified in Appendix-II to these Regulations for the assets of the Transmission System:*

Provided that, the remaining depreciable value as on 31st March of the Year closing after a period of 12 Years from Date of Commercial Operation shall be spread over the balance useful life of the assets.

Provided further that the Consumer contribution or capital subsidy/ grant etc for asset creation shall be treated as per the Accounting Rules notified and in force from time to time.

f) *In case of the existing Projects, the balance depreciable value as on 1.4.2009 shall be worked out by deducting the cumulative depreciation including Advance Against Depreciation as admitted by the Commission upto 31.3.2009 from the gross depreciable value of the assets. The rate of Depreciation shall be continued to be charged at the rate specified in Appendix-II till cumulative depreciation reaches 70 %. Thereafter, the remaining depreciable value shall be spread over the remaining life of the asset such that the maximum depreciation does not exceed 90 %.*

g) *Depreciation shall be chargeable from the first Year of commercial operation. In case of commercial operation of the asset for part of the Year, depreciation shall be charged on pro rata basis."*

Commission's Analysis

2.74 In MYT order for FY 2009-10 to FY 2011-12, the Commission had approved depreciation of Rs.164.30 Crs., Rs.193.36 Crs. and Rs.209.12 Crs for FY 2009-10, 2010-11 and 2011-12 respectively.

2.75 In the present petition, the petitioner has projected GFA addition of Rs.672.28 Crs. for FY 2012-13, But the Commission has considered GFA addition of Rs.489.98 Crs. as mentioned in Para 2.18 of this order. It is observed that the petitioner had claimed depreciation of Rs.240.22 Crs. for FY 2012-13 based on opening GFA of Rs.5338.89 Crs., closing GFA of Rs.6011.17 Crs and average GFA of 5675.03 Crs. If GFA addition during FY 2012-13 is considered as Rs.489.98 Crs, the closing GFA for the year will be Rs.5828.87 Crs. and the average GFA for the year will be Rs.5583.89 Crs. Considering the provision for depreciation in the ratio of the average GFA for FY 2012-13 filed by the petitioner, the provision for depreciation for FY 2012-13 comes to Rs.240.22 * 5583.89/5675.03 = Rs.236.33 Crs.

2.76 In view of the above mentioned facts, the Commission approves depreciation of **Rs.236.33 Crs. for FY 2012-13** in this order. The petitioner is directed to file final asset depreciation register at the time of true-up of transmission tariff for FY 2012-13.

OTHERS :

MPERC Fees

Petitioner's submission

2.77 The energy to be handled during FY 2012-13 is projected as under :

Table - 33

(i)	Energy handled in 2010-11 (Actual)	37680 MU
(ii)	Energy handled in 2011-12 (Assessed)	38538 MU
(iii)	Energy handled in 2012-13 (Projected)	44283 MU

MPERC Fees @ 200 per MU – Rs.8856600/-
= Rs.0.89 Crores

Commission's Analysis

2.78 The Commission considers the petitioner's submission & allows this provision of Rs.0.89 Crores as proposed by the petitioner for the purpose of this tariff order.

Non-Tariff Income

Petitioner's submission

2.79 The following amount is expected in FY 2012-13 :

Table - 34 (Amount Rs. in Lacs)

i.	Interest Income	450.00
ii.	Application fees for Open Access	35.00
iii.	Hire charges for filter machine etc	50.00
iv.	Consultant services charges received	216.00
v.	Sale of Tender forms	60.00
vi.	Applications under RTI charges	0.05
vii.	Recovery of transport facilities	5.00
viii.	Ground rent	0.25
ix.	Rent of Staff quarters / Water charges/ Guest House	25.00
x.	Recovery of telephone charges	8.00
xi.	Other MISC receipts	300.00
	TOTAL	**1149.30**

Say Rs.11.49 Crores

Commission's Analysis

2.80 MPPTCL has projected an amount of Rs.11.49 Crs. for projected non-tariff income for FY 2012-13. The audited account of FY 2010-11 shows other income of Rs.17.25 Crs. as on 31/03/2011 in Schedule 13.

2.81 It is observed from schedule 6 of the audited balance sheet of FY 2010-11 that the fixed deposits have increased from Rs. 104.30 Crs. as on 31/03/2010 to Rs. 304.36 Crs. as on 31/03/2011. Hence, the interest income shown as Rs.8.61 Cr as on 31/03/2010 and as Rs. 16.48 Crs. as on 31/03/2011 in schedule 13 of the audited balance sheet of FY 2010-11 is expected to increase to approximately Rs. 30.00 Crs. in FY 2012-13.

2.82 Schedule 13 of the Audited Balance sheet for FY 2010-11 also shows that miscellaneous receipts have increased from Rs 8.03 Cr as on 31/03/2010 to Rs 13.45 Cr as on 31/03/2011. Thus the miscellaneous receipts is also expected to be Rs 15.00 Cr during FY 2012-13.

2.83 In view of these, the Commission has considered total other income of **Rs.45.00 Crs. in FY 2012-13** in this order. However, the actual other income during FY 2012-13 will be considered appropriately during the True-up process for FY 2012-13.

Annual Fixed Cost

Petitioner's submission

2.84 The annual Fixed cost filed by the petitioner for the control period is given as below :

Table : 35 (Amount Rs. Crores)

S. No.	**Particulars**	**As filed in this petition based on Projections**
1	**2**	**3**
1	O&M Expenses	320.48
2.	**Terminal Benefits**	
2.	**Terminal Benefits – Cash Expenses**	**683.42**
3.	Depreciation	240.22
4.i.	Interest on Loan	109.54
4.ii.	Interest on Working Capital	42.83
4.iii.	Interest on Normative Loan	0.36
4.	**Total Interest**	**152.73**
5.	Return on Equity	263.00
6.	Taxes and Fee paid to MPERC	0.89
7.	**TOTAL**	**1660.74**
8.	Less Non-Tariff Income	(-) 11.49
9.	**GRAND TOTAL**	**1649.25**

Commission's Analysis

2.85 Based on the above analysis made by the Commission and the amount computed for various heads, the annual fixed cost for FY 2012-13 is approved as under :

Table : 36 - Annual Fixed Cost

(Amount Rs. in Crores)

S. No.	Particulars	FY 2012-13
1	O&M Expenses	320.20
2	Terminal Benefits	621.29
3	Depreciation	236.33
4	Interest & Finance Charges	105.54
5	Interest on working capital	46.08
6	Return on Equity	241.06
7	MPERC Fees	0.89
8	**Total S. No. 1 to 7**	**1571.39**
9	Less Non Tariff Income	(-) 45.00
10	**Net Annual Fixed Cost**	**1526.39**

Transmission Charges for Long-Term Customers

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

Table : 37 – Transmission charges for long term beneficiary

S. No.	Particulars	FY 2012-13
1	Annual Fixed Cost (Rs. Cr.)	1526.39
2	Transmission System Capacity (MW)	10200.60
3	Transmission Charges per MW per Annum (Rs. Lacs)	14.96
4	Transmission Charges Rs/ MW/ Day	4100

Rate for Short Term Open Access

2.87 MPPTCL had initially filed units expected to be transmitted in the year as 44283 MUs. In Retail Supply Tariff Order issued by the Commission on 31st March, 2012, the Commission has considered that 44590 MUs will be required by Discoms. Excluding direct injection of 262 MUs at 33 KV, MPPTCL is expected to transmit 44328 MUs during FY 2012-13.

2.88 The Intra-State Open Access Regulations provide for ST rates in Rs./MW/Day is based on the allocated capacity. The rates are worked out in the following table :

Table - 38

S. No.	Particulars	FY 2012-13 (as filed by MPPTCL)	FY 2012-13 (as approved by MPERC)
1	Transmission charges in Rs./MW/Day	4990	4100
2	ST Rate (25%) Rs./MW/Day	1248	1025
a.	ST Rate upto 6 hours in one block	312	256
b.	ST Rate more than 6 hours upto 12 hours in one block	624	512
c.	More than 12 hours upto 24 hours	1248	1025
3	Units expected to be transmitted in the year (MU)	44283	44328
4	Total Annual Fixed Cost (in Crores)	1649.25	1526.39
5	Short Term Open Access Rate in Rs./MWH (S. No. 4÷3)x0.25	93.09	86.08

Charges to be paid by non-conventional power producers

2.89 The petitioner has neither filed any detail nor sought transmission charges to be paid by non-conventional power producers in the subject petition. These charges shall be determined by the Commission as and when the situation arises, in light of relevant Regulations notified by the Commission and the data filed by the petitioner in this regard.

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