

MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION, BHOPAL

Sub: In the matter of filing of Capex Petition for the period FY 2021-22 to FY 2024-25 for obtaining approval of Commission for various schemes by MPMKVCL (Central Discom) as the Distribution Licensee (P.No. 13/2021).

Order

(Public Hearing: 16th November' 2021 through video conferencing)

Order dated: 06.12.2021

M.P Madhya Kshetra Vidyut Vitran Company Ltd. (Central Discom): Petitioner

Shri. A.K. Jatav, CGM appeared on behalf of the petitioner.

1. The petitioner, has filed the subject petition seeking approval of the Commission on Capital Expenditure Plan of Rs 1632 Crore during FY2021-22 to FY2024-25 for implementation of various projects for system strengthening, loss reduction, creation of new 33/11 kV S/s, Bifurcation of overloaded 33kV feeders, Addition /Augmentation of Power Transformers, installation of Distribution Transformers, conversion of LT line with AB Cable, DTR metering and replacement of service lines etc.
2. The physical works and financial expenditure envisaged under the proposed Capital Investment Plan is summarized below:

<i>Year-wise financial breakup of Schemes</i>										
Name of Scheme	<i>Rs Crore</i>									
	FY 2021-22		FY 2022-23		FY 2023-24		FY 2024-25		Total	
	Phy.	Fin.	Phy.	Fin.	Phy.	Fin.	Phy.	Fin.	Phy.	Fin.
Strengthening of Sub-Transmission & Distribution System		150		138		184		169		641
Feeder Separation		112		130		130		0		372
Procurement of DTRs against Failure (No.)	35,036	70	34,336	72	33,649	72	32,976	73	1,35,997	287
Procurement of Smart Meters (No.)	2,26,385	58	2,91,067	75	3,55,748	91	4,20,430	108	12,93,630	332
TOTAL	2,61,421	389	3,25,403	415	3,89,397	478	4,53,406	349	14,29,627	1632

3. Petitioner has submitted that projects will be funded through GoI/GoMP and other sources like PFC and KFW. However, supporting documents are not submitted by the petitioner for the aforesaid fundings and sanctions. Scheme wise details of proposed investment plan along with type of funding, funding agency and funding proportion submitted by the petitioner is given below:

(Rs. Crore)

Name of Projects	Proposed Investment for the period FY-22 to FY-25	Type of funding
Strengthening of Sub-Transmission & Distribution System	641	GoMP
Feeder Separation	372	GoI Grant and REC Loan
Procurement of DTRs against Failure	287	GoMP
Procurement of Smart Meters	332	GoMP and KFW Loan

4. The Petitioner in its submission has proposed the following distribution loss reduction trajectory over the period FY2021-22 to FY 2024-25:

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Expected as per proposed CAPEX Plan	23%	21%	18%	15%

5. The Petitioner has further submitted the Circle wise details of works to be carried out along with estimated Circle-wise cost, IRR and Payback period. The petitioner has estimated IRR as 30.08% and payback period of 12 years for proposed schemes for company as a whole.
6. The Commission held the motion hearing on 09.03.2021 and vide daily order dated 16.03.2021 admitted the aforesaid petition.
7. Subsequent to admission of subject Petition, the Commission conducted a thorough scrutiny and observed that the petition was deficient on many counts in accordance with the “Guidelines for capital expenditure by licensees” specified by the Commission. The Commission vide letter dated 24.08.2021 directed the petitioner to furnish additional information such as i) DPRs of the Projects/schemes along with load flow analysis report, ii) Details of loan tie-ups with Financial Institutions along with sanctions/approval from Competent Authority iii) energy audit reports iv) metering plan and other requisite details/clarifications.
8. The petitioner has filed reply incorporating desired information vide letter dated 30.09.2021. In subsequent development, the Commission held the review meeting on 22.10.2021 with Managing Director and senior officers of Company wherein it was, inter-alia informed that the Ministry of Power, GoI vide office memorandum dated 20.07.2021 has introduced Revamped Distribution Sector Scheme (RDSS) which is a reformed based & result linked scheme” with the aim to reduce the AT&C losses to pan -India level of 12 -15% and ACS- ARR gap to zero by FY2024-25. The key objective of the scheme is to improve the quality & reliability of power supply to consumers through a financially sustainable &

operationally efficient distribution sector. During the review meeting, the petitioner informed that in pursuance to aforesaid scheme, the Company is revisiting their Capital investment plan in comprehensive manner through merging of existing schemes and incorporating new schemes for approval of the appropriate competent authorities and thereafter, financial tie up with funding agencies for various schemes shall be arranged.

9. Subsequently, the Commission held a public hearing on 16.11.2021, in pursuance of public notice dated 22.10.2021 in subject petition. None of the stakeholders appeared during the hearing nor was any written comments received within the stipulated time.

Commission’s observations and findings:

10. The Commission has taken the cognizance of petitioner’s submission during the review meeting held on 22.10.2021 in regard to revamping and renewing their proposed Capital expenditure plan in pursuit to the Central Govt’s scheme “RDSS” which aims to strengthening and digitalizing the Distribution sector through major fillip of reform-based linkage while achieving desired result of improving performance and corresponding trajectories. The schemes are reported to be under revision at various stages by the petitioner along with requisite financial closure/ tie up with respective funding agencies which are yet to attained finality and approval/sanction of component authorities viz. State /Central Govt. In view of above, the Commission deemed it appropriate to consider the Capex scheme for FY2021-22 for Rs 389 Crore as per following cost break details:

(Rs Crore)

Name of Projects	FY2021-22	
	Cost Claimed in Petition	Cost Approved by Commission
Strengthening of Sub-Transmission & Distribution System	150	150
Feeder Separation	112	112
Procurement of DTRs against Failure	70	70
Procurement of Smart Meters	58	58
Total Capex for FY 2021-22	389	389

11. The Commission further observed that while it is necessary to invest in the Distribution network for bringing in operational efficiencies, it is also important to evaluate the impact of such investment in

terms of its financial returns. The Petitioner should strive at offsetting the burden of investments by additional financial benefits and thereby reduce the impact on Tariff and pass on the benefit to Consumers. The Commission, therefore, directs the Petitioner that outcome of the CAPEX be monitored closely and that the envisaged results through the CAPEX are met in a timely manner.

12. In view of the aforesaid observations, the Commission accords in-principle approval to the proposed Capex plan of **Rs 389 Crore** for FY 2021-22 filed by the petitioner in subject petition on the condition that admissibility of such investment in ARR of True up for FY2021-22 would be subject to prudence check. The servicing of debt, depreciation, return on equity included in the said investment would be permissible in the ARR to such extent only as considered prudent by the Commission and does not adversely affect the interests of the consumers and only after such assets are capitalized and put to use.
13. The Commission further directs the Petitioner to file 5-year Capex plan from FY 2022-23 to FY2026-27 subsequent to approval of action plan/ sanction by appropriate competent authorities in pursuance of Central Govt.'s Revamped Distribution Sector Scheme and in line with Capex Guidelines specified by the Commission. With the above directions, the petition stands disposed of.

(Shashi Bhushan Pathak)

Member

(Mukul Dhariwal)

Member

(S.P.S Parihar)

Chairman