MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION

5th Floor, "Metro Plaza", E-5, Arera Colony, Bittan Market, Bhopal - 462016

Petition No. 50/2018

PRESENT:

Dr. Dev Raj Birdi, Chairman
Mukul Dhariwal, Member
Shashi Bushan Pathak, Member

IN THE MATTER OF:

True-up of Transmission Tariff of MPPTCL Jabalpur determined by M P Electricity Regulatory Commission for FY 2017-18 vide Multi Year Tariff order dated 10th June' 2016

M. P. Power Transmission Co. Ltd., Jabalpur - Petitioner

Versus

(i) M. P. Poorv Kshetra Vidyut Vitaran Co. Ltd., Jabalpur

(ii) M. P. Madhya Kshetra Vidyut Vitaran Co. Ltd., Bhopal

(iii) M. P. Paschim Kshetra Vidyut Vitaran Co. Ltd., Indore

(iv) M. P. Audyogik Kendra Vikas Nigam, (SEZ), Indore

(v) West Central Railways, Jabalpur

Respondents

ORDER

(Passed on this day of 4th January' 2020)

1. Madhya Pradesh Electricity Regulatory Commission (hereinafter referred to as "the Commission" or "MPERC") heard the petitioner namely, M. P. Power Transmission Company Ltd., Jabalpur (hereinafter referred to as "MPPTCL" or "Transmission Licensee") and other stakeholders during public hearing held on 26th November' 2019, at Bhopal in the matter of true up of Transmission Tariff for FY 2017-18. The Commission considered the documents available on record.

2. The Multi-Year Transmission Tariff (MYT) order for FY 2016-17 to FY 2018-19 was issued by the Commission on 10nd June' 2016 in accordance with MPERC (Terms & Condition for determination of Transmission Tariff)(Revision-III) Regulations, 2016 (RG-28 (III) of 2016) (hereinafter referred to as "Regulations").

3. On 15th November' 2018, MPPTCL filed the subject petition for true-up of its Transmission Tariff determined by the Commission for FY 2017-18. MPPTCL also submitted the Annual Financial statements and Auditor's Report for FY 2017-18 and Asset Depreciation Register for FY 2017-18. In Para 1.10 of the petition, it is stated that the instant petition for True-up of FY 2017-18 is based on Annual Accounts of the company for FY 2017-18.

4. Motion hearing in the matter was held on 12th December' 2018. Vide daily order dated 12th December' 2018, the petition was admitted and petitioner was directed to serve copies of the petition on all Respondents in the matter. The Respondents were also directed to file their response if any, on the petition by 8th January' 2019.

5. Subsequently, vide Commission's letter No. 1852 dated 22nd December' 2018, the information gaps and the requirement of additional details/ data/ documents were communicated to the petitioner seeking its reply by 15.01.2019 and MPPTCL was asked to submit draft public notice (on the gist of the petition) within a weeks' time. Vide its letter no. 10504 dated 29.12.2018 MPPTCL submitted its draft public notice in Hindi and English.

6. Vide letter No. 04-01/CRA-Cell/F-121/10997 dated 10th January' 2019, MPPTCL confirmed service of copies of the petition to all the respondents in the matter.

7. Vide Commission's letter No. 45 dated 7th January' 2019, MPPTCL was asked to publish the public notice on the gist of subject petition in newspapers in Hindi and English version. The public notice was published on 11th January' 2019 in Hindi and English newspapers.

8. Subsequently, vide letter No. 04-01/CRA/F-121/11982 dated 7th February' 2019, MPPTCL informed that it has received no comments/ suggestions in the matter from any of the stakeholders/ public/ respondents.

9. Public hearing in the matter was held on 12th February' 2019 in court room of the Commission. Vide its letter No. 2035 dated 03.01.2019 MPMKVVCL, Bhopal submitted that it has no objection on the submission made by the petitioner in this petition. The Commission received no other comments/ suggestions in this matter from any respondent/ stakeholder. Only the representatives of MPPTCL appeared in the public hearing.

10. In consideration of the information filed by MPPTCL vide its letter No. 11657 dated 30.01.2019 and the discussions held during public hearing on 12.02.2019, the Commission vide its letter No. 272 dated 13.02.2019 directed MPPTCL to submit its response on these issues cropped up during the public hearing.

11. MPPTCL filed the response on aforesaid issues vide letter No. 13253 dated 12.03.2019. However, some discrepancies were found in the information furnished by MPPTCL in this regard and accordingly MPPTCL was informed to respond. Vide its letter No. 467 dated 29.03.2019, the Commission desired that the petitioner should rectify the discrepancy and to file comprehensive response on the issues. MPPTCL filed its response vide letter No. 942 dated 01.05.2019. On perusal of this response, vide letter No. 732 dated 17.05.2019, a last opportunity was provided to the petitioner to file a comprehensive and clear reply on all the issues pointed out by the Commission.

12. In response, MPPTCL vide its letter No. 2581 dated 14.06.2019 submitted its detailed reply. On perusal of this detailed reply, the Commission vide its letter no. 1057 dated 19.07.2019 directed the petitioner to file the reasons for departure from previous submissions/ reports. MPPTCL vide letter No. 4584 dated 08.08.2019 furnished the desired details. As a number of variations were found in those details as compared to the petition, the Commission directed MPPTCL to file revised updated petition according to the audited balance sheets/ financial statements for FY 2017-18. The MPPTCL filed the revised petition on 28.09.2019. After scrutiny of revised petition a public hearing was again conducted on 26.11.2019. In the public hearing no objections were received.

13. In the revised petition MPPTCL prayed the following:

"Approve the True-up of Annual Fixed Cost for year 2017-18, as mentioned in Para 13.1, and allow True-up amount to be recovered from the Distribution Licensees and other Long Term Open Access customer as per Para 13.2 (B). It is also prayed that as

per Clause 15.2 of tariff Regulation 2016, may kindly permit to recover from the Beneficiaries, within six months from the date of determination of final Tariff under these Regulations along with simple interest at the rate equal to the Bank rate as on 01.04.2017."

14. **Various issues raised in the original petition and revised petition as well as the response of MPPTCL on all such issues are detailed in subsequent part of this order.**

15. Initially vide Commission's letter No. 1852 dated 22.12.2018, MPPTCL was directed to submit its reply on various issues in the subject true-up petition by 15.01.2019. In response MPPTCL vide its letter No. 11111 dated 15.01.2019 sought two weeks' time for submission of its reply and submitted the following:

"Some more time is required in collecting the information from the field units and its compilation at this end. It is, therefore, prayed that a time extension of further two weeks may kindly be granted for submission of reply on the observations raised vide letter under reference."

16. Thereafter, MPPTCL vide its letter No. 11657 dated 30.01.2019 had filed its reply as under:

Issue:

(i) O&M Expenses and Terminal benefit expenses:

In para 6.5 of the petition, the petitioner has claimed Rs.16.60 Crores as per actuals over & above the normative O&M claims.

The O&M expenses are allowed on normative basis and the employee cost includes arrears of salary. The actual employee expenses in audited accounts are less than the normative O&M allowed, therefore, MPPTCL was required to explain the reasons for claiming arrears of Rs. 16.60 Crores over and above the actual expenses and normative expenses to be considered in this matter.

Response by MPPTCL:

The employee expenses considered in the O&M expenses are excluding the pension and other terminal benefits as per Clause No. 27.5 of the "MPERC (Terms and Conditions for determination of Transmission Tariff) (Revision-III) Regulations, 2016 [RG-28(III) of 2016]. The Clause No. 37.1 of the aforesaid Regulations also stipulates that the O&M expenses comprise of Employee Cost, R&M cost and Administrative & General (A&G) cost which exclude pension, terminal benefits, incentive & arrears to be paid to employees and taxes payable to the government and fee payable to MPERC. It has been prescribed that the Transmission Licensee shall claim the taxes payable to the government, fees to be paid to MPERC and any arrears paid to employees separately as actuals.

Conforming to the abovesaid Regulations, Rs. 16.60 Crores have been claimed towards wage revision arrears in the True-up petition for FY 2017-18 which include Rs. 7.06 Crores paid to existing employee of company during January 2018 to March 2018 and Rs. 9.54 Crores paid to pensioners as a onetime arrears towards wage revision.

MPPTCL has claimed abovesaid amount of Rs. 16.60 Crores over and above the O&M expenses of Rs. 447.64 Crores worked out on normative basis as the Transmission Licensee is entitled to retain any saving arising out of difference in normative O&M expenses and actual O&M expenses in accordance with Clause No. 27.7 of aforesaid Tariff Regulations, which stipulates as under :

> *"Any saving achieved by a Transmission Company in any Year shall be allowed to be retained by it. The Transmission Company shall bear the loss if it exceeds the targeted O&M expenses for that Year."*

In view of the above, the Hon'ble Commission may kindly consider to admit the aforesaid claim of Rs. 16.60 Crores as per actual towards arrears on account of wage revision.

Issue:

(ii) It needs to be confirmed on affidavit that the claim towards O&M expenses have been worked out only on the works capitalized or completed and no CWIP has been considered for this purpose.

Response by MPPTCL:

It is to submit that claim towards O&M expenses have been worked out only on the works capitalized or completed and no CWIP has been considered for this purpose. The confirmation of the same on the affidavit is enclosed herewith.

Issue:

(iii) The petitioner has submitted that the Assets inclusive of Consumer Contribution & PSDF Grant worth Rs. 787.96 Crores have been capitalized during the year and assets of value Rs. 11.18 Crores have been withdrawn. Further, the aforesaid figure is inclusive of value Rs.88.45 Crores that have been capitalized on account of consumer contributions and also Rs. 45.86 Crores against grant portion of PSDF Scheme.

In view of the above contention, the petitioner was required to submit the asset wise/work-wise details alongwith all supporting documents with regard to consumer contribution, assets withdrawn and grant portion of PSDF Scheme.

Response by MPPTCL:

The asset wise details with regard to works completed under consumer contribution, assets withdrawn and completed under PSDF grant with concerned estimates are submitted with the *petition as Annexure-V, however in compliance to the directives, the same are enclosed for kind perusal please. Regarding works capitalized under PSDF scheme, it is to submit that total works amounting to Rs. 61.88 Crores have been capitalized related to renovation and protection system of EHV substations of MPPTCL during FY 2017-18 which include **Rs. 45.86 Crores** from PSDF grant and balance amounting to **Rs. 16.02 Crores** from MPPTCL contribution. The details of the aforesaid works are submitted herewith for kind perusal as Annexure-B.*

Issue:

(iv) The petitioner had claimed the revised interest rate of 12% in respect of JICA and ADB 3066 loans in its Petition No. 58 of 2017 for true-up of FY 2016-17 mentioning that the interest rate were revised from 1.5% and 2.14% to 12% in respect of these loans. After examining several information and documents obtained from MPPTCL, the Commission in Para 31-33 of Order dated 4th May' 2018 for true-up of transmission tariff for FY 2016-17 did not consider the claim of MPPTCL for the interest amount on account of change in interest rates in terms of Regulation 4.1(i)(v) of MPERC (Terms and Conditions for determination of Transmission Tariff) Regulations, 2016.

Despite all above, the petitioner has again claimed the interest rate of 12.00% in respect of JICA and ADB 3066 loans in the subject petition to arrive at the higher weighted average interest rate of 8.02% without any additional details/ documents. Therefore, the petitioner was required to explain the reasons for claiming the revised rate of interest against the Commission's observations and decision on this issue in the aforesaid order.

Response by MPPTCL:

It is to submit that MPPTCL has claimed the revised interest rate of 12% in respect of JICA & ADB 3066 in instant Petition in compliance to GoMP Order No. F/5-15/2014/13 dated 31/03/2017. The Hon'ble Commission at Para 33 of the True-up order dated 04.05.2018 has disallowed the claim of MPPTCL amounting to Rs. 101.29 Crores for the prior period in terms of Regulation 4.1(i) (v) of MPERC (Terms and Conditions for determination of Transmission Tariff) Regulations 2016. In line with the above, in this petition the claim for the prior period i.e. FY 2012-13 to FY 2016-17 has not been considered and only 12% rate of interest in respect of JICA & ADB 3066 Loans has been considered for FY 2017-18 only. It is to submit that the claim for prior period shall be lodged in the subsequent years on receipt of any additional details/document from GoMP. It is also submitted for kind consideration of the Hon'ble Commission that the MPPTCL's accounts have been finalized in compliance to the GoMP order and the Statutory Auditors have found the same as legitimate expenses while giving their approval to the same in accordance with IND-AS. In view of the above, it is requested that the claim of MPPTCL worked out in accordance with GoMP order conforming to the audited accounts may kindly be considered by the Commission for FY 2017-18 and the same may kindly be allowed.

Issue:

(v) Refinancing on loan

MPPTCL has mentioned in the subject petition that it has incurred additional financial cost of Rs. 3.11 Crores for pre-payment premium towards swapping of loan resulting reduction of interest rate from 11.75% to 8.38%. Further, the net saving on interest due to swapping of loans is Rs. 10.33 Crores as mentioned in the petition.

In view of the above, the petitioner is required to submit a copy of all relevant documents in support of the swapping of loan and claiming additional financial cost of Rs. 3.11 Crores incurred by MPPTCL. The petitioner is also required to submit the detailed break-up of net saving of Rs. 10.33 Crores to be shared between MPPTCL and beneficiaries.

Response by MPPTCL:

The copy of the working pertaining to saving of Rs. 10.33 Crores and the copy of PFC letter dated 06.10.2017 mentioning the additional finance cost towards the prepayment premium and GST on the same is submitted herewith.

Issue:

(vi) Capital Cost of Assets capitalized during FY 2017-18

Point C(A) of Annexure A of the independent auditors' report in the financial statement for FY 2017-18 has stated as under:

"We observed delay in submission of Annexure-G due to which completed assets are delayed for recognition as assets and thus depreciation is undercharged and excess interest is capitalization for delayed period. During our audit we have found delay in submission of Annexure G of Rs.113.84 Crores."

In view of the above, MPPTCL was required to submit its comments on the above observations and also to inform the impact of the above observations on the true-up claimed in the subject petition.

Response by MPPTCL:

*This is to submit that efforts have been made to minimize the delay in capitalization of assets. On implementation of ERP which is under progress, the delay in capitalization of assets in future will be ruled out. As far as, the True-up claim in the instant petition is concerned which is limited to assets capitalized during FY 2017-18 has **no effect** of the abovesaid observations.*

Issue:

(vii) The petitioner has submitted a list of 364 projects capitalized during 01.04.2017 to 31.03.2018 (Annexure V with the petition). On scrutiny of the aforesaid details, the following information/clarifications was required:

(a) The original scope of work under each project indicating the competent authority from whom the approval was accorded for all works be mentioned.

(b) It should also be submitted whether the projects/ works shown as capitalized in FY 2017-18 are new works or a part of some existing projects or under any R&M scheme. The aforesaid details are required to be furnished in terms of the relevant Regulations 17, 18 and 19 of MPERC (Terms and Conditions for determination of Transmission Tariff) (Revision-III) Regulations, 2016.

(c) The scheduled date of commissioning of each project mentioned in Annexure V be submitted.

(d) If the commissioning of any project has been done beyond its scheduled date, the reason for delay along with any penalty/ liquidated damage if any, imposed on the contractor/ vendor be submitted.

(e) In some of the works, partial amount is shown as capitalized against the estimated amount of works. The reasons for non capitalization of the complete estimated amount be submitted.

(f) It is mentioned in the petition that the works capitalized during FY 2017-18 are as per the Capex Plan approved whereas, no reference is given against each work as provided by MPPTCL with additional submission in its earlier true-up petition. All such references be provided by MPPTCL.

(g) In the Annexure V submitted with the petition, executed amount in several works including the works at S. No. 68, 123, 145, 242, 312 are shown as negative. The reasons for the same be submitted.

(h) For several works, the executed amount exceeds the estimated amount, while for many works, the executed amount is much less than the estimated amount. The reasons for the same be explained by MPPTCL.

(i) In the Annexure V submitted with the petition, the estimated amount is not shown in many of the works under Direct Booking category. The reasons for the same be explained by MPPTCL.

(j) In para 8.3 of the petition, it is submitted that the assets of Rs.11.18 Cr. have been withdrawn/de-capitalized during the year. The details of all such assets alongwith date of commissioning, original cost, the reasons of withdrawal and depreciation charged be submitted.

(k) First proviso of Regulation 17.2 of MPERC (Terms and Conditions for determination of Transmission Tariff) (Revision-II) Regulations, 2016, provides that:

"Provided that prudent check of capital cost may be carried out based on the benchmark norms to be specified by the Central Commission from time to

time."

Therefore, the petitioner was required to demonstrate that the capital cost incurred on each project is at par with the benchmark norms specified by CERC.

Response by MPPTCL:

(a) *The process of administrative approval and technical sanction to the estimates by the competent authority is followed in MPPTCL. It is to submit that all the works capitalized during FY 2017-18 were earlier approved by the competent authority before execution of the works.*

(b) *It is submitted that the works capitalized in FY 2017-18 are new works only.*

(c) *The schedule date of commissioning of works as per plan capitalized in FY 2017-18 are indicated in Col. 10 of Annexure-D enclosed with this reply. It is also submitted that the plans are need based, thus some of the works may have to be rescheduled as per system requirement.*

(d) *The relevant details regarding penalty on account of delay in commissioning of projects beyond its schedule date are submitted in Col. 11 & 12 of Annexure-D.*

(e) *It is humbly submitted that, Capitalization of some part or whole of the works gets delayed due to a few unavoidable reasons such as;*

- *Delay in finalization & issue of orders of compensation related to forest or crops on account of cumbersome process and involvement of multiple authorities of Revenue / Forest Departments.*
- *Delay in issue of NOC from Forest Department and fixation for crop/tree compensation.*
- *Delay due to Court cases, Arbitration cases etc.*
- *Delay in final accounting of the material consumed by the Contractor due to multifarious reasons like return of material to Stores, completion of Stores formalities, wastage, damage etc.*
- *Multiple agencies involved in execution.*
- *Court cases filed by Cultivators/ owners of land/ any other person against the compensation fixed by the Revenue authorities.*

As a result of above circumstances, only a part of the works may get capitalized. It is once again submitted that efforts are made by Transco to capitalize major portions of works timely.

(f) *The reference of the approved Capex Plan of the relevant works capitalized in FY 2017-18 is submitted in Annexure-D (Col. 9) attached herewith. It is further submitted for kind consideration of the Hon'ble Commission that some of the works were executed due to system requirement and ensuring reliable Power Supply to beneficiaries which could not be foreseen* *while framing the Capex Plan. However, the expenditure under the Capital Works is well within the overall amount of Capital Expenditure approved by the Hon'ble Commission.*

(g) The capitalized amount of works at S. No. 68, 123, 145, 242 & 312 are shown as negative, here it is to submit that the minus value appears due to return of excess / balance material to Stores or return of augmented unit - after completion of work.

(h) It is submitted that excess/savings in an estimate is dependent on various factors e.g. change in scope of work depending upon the requirement which sometimes become inevitable, change in soil strata and ground profile which affects the quantum of civil works in Transmission Lines and Substations and some other expenditures on ROW and other issues which cannot be anticipated at the time of commencement of work.

(i) The estimated amount of works under direct booking category is submitted herewith as Annexure-D.

(j) The details in respect of assets amounting to Rs. 11.18 Crores which have been withdrawn are submitted herewith as Annexure-E.

(k) In the matter of prudent check of capital cost based on benchmark norms specified by CERC from time to time, it is submitted that the Capital cost of the projects completed by MPPTCL are normally within the figures indicated in Investment Plan approved by Hon'ble MPERC. On its part, the Company carries out prudent checks of the Capital cost of projects through its carefully prepared Schedule of Rates which facilitate working out the correct project costs in the initial stage. Further checks are also exercised by way of working out the rate reasonability in every tender invited for execution of the project which subsequently falls under the scrutiny of Audit too. Further, to the extent best known to this Company, Hon'ble CERC has determined benchmark Capital cost for the Sub-stations associated with 400 / 765 KV Transmission System and not for 132 / 220 KV system, which are the major constituents of the Assets capitalized, as indicated in Annexure-V of petition.

Issue:

(viii) Additional RoE

(a) On perusal of the information filed for additional RoE, it is observed that the capitalized amount shown in Annexure VII is much less than the estimated amount. It is also observed that a number of works capitalized in previous years for which additional RoE has been claimed in Table –A are not enclosed in the petition. The petitioner was required to provide complete details for its claim alongwith modified Annexure VII.

(b) A certificate from competent authority of MPPTCL be submitted mentioning that all parts of the concerned unit/ block/ element have been completed within the time line fixed under Regulations.

Response by MPPTCL:

(a) The estimates are sanctioned based on the anticipated requirement of work, however,

sometimes due to site conditions, the scope of actual work reduces. In the instant case, the completed value of work is Rs. 9.417 Crores against the sanctioned amount of Rs. 20.62 Crores. The additional RoE has been claimed @0.5% on equity portion of completed value of work only. The Hon'ble Commission in earlier years have approved the qualifying works for additional RoE which are shown below in ***Table-A*** *along with reference of True-Up orders for the relevant years. It is also submitted that in Annexure-VII of the True-Up petition only those works are mentioned for which additional RoE is being claimed. It is also submitted for kind consideration that inadvertently, the additional RoE amount for FY 2015-16 has been indicated as Rs. 0.070 Crores in the* ***Table-A*** *of Para-10.4 of the True-Up petition which has now been corrected and indicated as approved amount of Rs. 0.030 Crores. The modified* ***Table-A*** *and* ***Table-B*** *is given below for kind perusal please.*

MODIFIED TABLE (A) of Para 10.4 of True-Up Petition FY 2017-18

S No	Addl. RoE approved by Hon'ble MPERC in previous years through True-up order	Amount Rs. in Crores	Reference of Hon'ble MPERC order
1	For Works Capitalized In FY 2009-10	0.005	Para 4.99 of True Up Order dated 06.8.2012
2	For Works Capitalized In FY 2010-11	0.100	Para 4.74 of True Up Order dated 02.2.2013
3	For Works Capitalized In FY 2011-12	0.120	Para 28 of True Up Order dated 11.11.2013
4	For Works Capitalized In FY 2012-13	0.020	Para 30 of True Up Order dated 21.8.2014
5	For Works Capitalized In FY 2013-14	0.120	Para 31 of True Up Order dated 28.4.2015
6	For Works Capitalized In FY 2014-15	0.070	Para 30 of True Up Order dated 18.4.2016
7	For Works Capitalized In FY 2015-16	0.030	Para 33 of True Up Order dated 15.5.2017
8	For Works Capitalized In FY 2016-17	0.070	Para 28 of True Up Order dated 04.5.2018
A	**TOTAL -**	**0.535**	

TABLE-(B) of Para 10.4 of True-Up Petition FY 2017-18

(i)	Value of G-forms of qualifying works	Rs. 9.417 Crores
(ii)	Equity employed with 70:30 ratio	Rs. 2.825 Crores
(iii)	0.5% Additional RoE	Rs. 0.014 Crores
(B) Claim lodged this Year =		Rs. **0.014 Crores**

Total of (A) + (B) *= Rs. 0.535 + Rs. 0.014 Crores = Rs. 0.549 Crores*

Say *Rs.* ***0.55 Crores***

It is requested to kindly consider and allow an amount of Rs. 0.55 Crores towards additional RoE.

(b) As desired, a certificate of competent authority indicating that all parts of the concerned

unit/block/element has been completed within the specified time line fixed under Regulations is placed as Annexure-F

Issue:

(ix) MAT claimed for FY 2013-14 (AY 2014-15)

In Para 10.8 (b) of the subject petition, MPPTCL has submitted that the Income Tax Department has now issued Certificate/ Assessment order for FY 2013-14 (AY 2014-15) taking cognizance of the MAT payment. With the aforesaid submission, MPPTCL has submitted that the MAT expenses of Rs. 9.47 lakhs paid to tax authority for FY 2013-14 is now being claimed and the same may be considered and allowed. In this regard the petitioner was required to inform the following:

(a) Whether MPPTCL has preferred any appeal before the Income-Tax Department against its order determining Rs. (-)3,84,08,910/- as balance payable amount

(b) The basis for computation of MAT paid by MPPTCL. The supporting documents/ reply filed by MPPTCL with Income-Tax Department in this regard be submitted.

(c) A copy of Challan/ invoice for payment of Rs. 9.47 lakhs as MAT to IT Department be filed.

(d) The status of Income-Tax filed by MPPTCL for Assessment Year FY 2014-15 onwards be also informed.

Response by MPPTCL:

The following is submitted for kind consideration of Hon'ble Commission:

(a) An appeal against the assessment order for AY 2014-15 determining Rs. 3,84,08,910/- as balance amount of tax payable, has been filed. The copy of the same is submitted herewith as Annexure-G.

(b) The copy of voucher accounted for in books of accounts of the company and MAT audit report in form 29(B) is submitted herewith. It is also submitted that MAT is calculated on the basis of provision of IT Act and no reply in this regard is required to be furnished with the department.

(c) MAT was adjusted against the TDS of the company by other agency for the Assessment Year, therefore, separate payment of the same was not required. The adjustment voucher is submitted herewith for kind perusal please.

(d) *The appeal filed against the Assessment Order FY 2014-15 is pending before the authority and till date no hearing has been held.*

Issue:

(x) Taxes and Fee

The petitioner has claimed Rs. 4.42 Cr. towards taxes and fee during FY 2017-18. The petitioner is required to file the details of all these entries.

The petitioner has claimed the fee paid to MPERC and CERC both as Regulatory fee during FY 2017-18. The details of fee paid to MPERC only for determination of Transmission tariff/true-up petition for FY 2017-18 be submitted.

Response by MPPTCL:

The details of fee paid to MPERC / CERC in 2017-18 are given below for kind consideration, please;

S. No.	PARTICULARS	DD/ RTGS/ NEFT No. & DT.	AMOUNT (in Rs.)	Sent To
1.	Fee paid to MPERC for -Continuation of Tariff for FY 2017-18	N094170011866955 Dated 04.4.2017	73,35,121/-	Commission Secretary, MPERC, Bhopal
2.	Fee to MPERC for allowing billing / recovery of Transmission Charges in respect of control period FY 2016-17 to FY 2018-19 and beyond from Long Term Open Access Customers, on the basis of capacity recorded beyond allocated capacity, subject to True-up, with a view to remove difficulties in judicious allocation of capacity	UBINH17205191059 dated 24.7.2017	1,00,000/-	
3.	Payment of fee for filing of Petition for True-Up of Transmission Tariff for FY 2016-17	UBINH17318549446 dated 14.11.2017	1,00,000/-	
4	Fee paid to CERC for filling of review petition against the CERC's Order dated 03.11.2017 in the Petition No. 87/TT/2017	UBINH17347469457 dated 13.12.2017	3,00,000/-	Commission Secretary, CERC New Delhi
5	Fee paid to CERC for filling of review petition against the CERC's Order dated 19.12.2017 in the Petition No. 88/TT/2017	UBINH18029596672 dated 29.01.2018	3,00,000/-	Commission Secretary, CERC New Delhi
6	Fee paid to MPERC for -Continuation of Tariff for FY 2018-19	UBINH18057027713 dated 26.02.2018	81,88,393/-	Commission Secretary, MPERC, Bhopal
7	Balance fee paid to MPERC for -Continuation of Tariff for FY 2018-19	Cash vide bill receipt No. 15479 dated 28.3.2018	86/-	
		TOTAL - Rs.	**1,63,23,600/-**	

*The above amount is also shown in Note-34 under the heading of "Fees & Other Charges Paid To MPERC" of the Annual Accounts. Apart from the above, under the head "Rates & Taxes", **Rs. 2.78 Crores** have also been paid **separately** mainly on account of property tax of various substations, colonies, offices etc to local bodies. The same is also depicted in Note-34 separately. Thus, in accordance with Clause No. 37.1 of the Tariff Regulations 2016, the aforesaid amount of **Rs. 4.42 Crores** has been claimed, which may kindly be allowed.*

Issue:

(xi) Write-off

Form TUT 10 shows bad debts written off as Rs.391.84 Cr. Details of these debts alongwith the reason for considering these as bad debts and their impact on tariff were sought from the petitioner.

Response by MPPTCL:

The Government of MP has issued the order to write off the dues of Discoms mentioning the fact that owing to accumulated losses, distribution companies are in financial crunch and facing problems to get financial assistance from Banks and financial institutions despite FRP support being provided by the State Government to the Discoms, reduction in AT&C losses and improvement in operational efficiency. In this regard, as directed by Energy Department, GoMP vide order No. 7211/R 3483/2015/ XIII, dated 19th September 2018 an amount of Rs. ***387.81*** *Crores towards receivables as on 31.3.2018 from Discoms has been written off in FY 2017-18. It is also directed in aforesaid order that in* ***True-Up of Discoms such income should not be treated as other income and not reduced from True-Up amount as the Transco has not claimed the same as expenditure in their True-Up****.*

Trade receivables written off includes amounting to Rs. 1.73 Crores for grid support/parallel operation charges of customer M/s Malanpur Captive Power Plant which was disconnected from the Grid on 12.05.2015 and the Parallel Operation Charges billed beyond the date of disconnection were recognized as an expenses in books of accounts from 13.5.2015 to 31.3.2017 on finding the uncertainty in collectability of revenue. Further, Rs. 2.30 Crores has been written off during FY 2017-18 due to loss on obsolescence of stores.

Issue:

(xii) PPP Expenses

The petitioner has stated details of unitary charges in Annexure XVII, which shows that invoice amount was Rs. 37,19,30,738 whereas, the amount paid was Rs. 35,46,57,719. The reason for difference between invoice amount and amount paid was sought. Further, the amount actually paid was to be clarified with the reasons for difference in the amount claimed for true up and that approved in MYT order.

Response by MPPTCL:

Regarding PPP expenses it is to submit that the difference between invoice amount of Rs. 37,19,30,738/- and payment of Rs. 35,46,57,719/- is on account of discount of Rs. 18,59,650/- & TDS of Rs. 1,54,13,369/- deducted from the bills submitted by the service provider.

Issue:

(xiii) Audited Financial Statement for FY 2017-18:

In Para 1.10 of the petition, the petitioner has stated that "the instant petition for true-up for FY 2017-18 is based on Annual Accounts of the company for FY 2017-18." On perusal of the Financial Statements submitted vide petitioner's letter No. CFO/ Transco/1375 dated 26th October' 2018, the following was observed:

(a) The figures of most of the items like CWIP, Bank Balances, Borrowings, other non-current liabilities, liability for supply of material, other financial liabilities, other current liabilities as on 31.03.2017 recorded in the Audited financial statement for FY 2017-18, are not tallying with the figures as on 31.03.2017 recorded in the Audited financial statement for FY 2016-17.

(b) In the Independent Auditor's Report and in its Annexure 'A', the Auditor has mentioned the following issues:

"(i) As per MPERC Regulations, Discoms are collecting supply affording charges @ Rs. 750 per KVA or part thereof from EHT/ HT consumers and to remit Rs. 650 per KVA or part thereof to MPPTCL. The Company does not have complete records regarding Supply affording Charges therefore it's not being recorded as revenue properly by the Management.

(ii) The company had repaid loan to PFC of Rs. 118.63 Crores during the year due to which company had paid prepayment premium of Rs. 2.64 Crores, which is the additional financial cost to the company.

(iii) There is no detail of one to one mapping of Project with the fund received during the year and in prior years. Therefore, it can be concluded that there is no procedure or policy to commissioning of each project.

(iv) The Company has written off an amount of Rs. 387.81 Crore receivable outstanding from Discoms on the basis of decision of GoMP vide their letter No. 7211/R3483/2015/XII dated 19 Sep 2018. We have neither informed about any dispute nor provided representation received, if any, from Discoms. Therefore, there is no reconciliation between the write off bad debts with the unrealized debtors. There is no policy of the Company with regard to the provision of bad debts. Hence, No provision has been made by the Company in the books of accounts. Due to this profit for the year are understated.

(v) The Company has outstanding consumer contribution amounting to Rs. 903.36 Crores, this includes contribution amount for few works which has been completed. The Company does not have sufficient consumer wise or asset-wise information/ details regarding amount refundable.

(vi) Capital work in progress is subject to reconciliation and is pending due to non-availability of details of opening balance as on 01.06.2005."

The response of petitioner on the above observations of the Independent Auditor, as well as the impact of each issue on the true-up claimed for FY 2017-18 was sought.

Response by MPPTCL:

(a) It is to submit that regrouping of various heads of accounts has been done as per

requirement of IND-AS as well as for better presentation of financial statement. As desired by Hon'ble Commission, the reconciliation of differences are enclosed herewith as Annexure-H

(b) (i) *The supply affording charges are collected by the distribution companies (Discoms) which are to be remitted to MPPTCL retaining their own share out of total charges collected from the consumers. The Discoms are being requested regularly to remit the supply affording charges to MPPTCL. The copies of correspondence made with the Discoms are enclosed herewith for kind perusal please. Accordingly, the amount of supply affording charges is suitably accounted for in the books of accounts.*

(ii) *It is to submit that MPPTCL has swapped the existing PFC loan carrying interest rate of 12%-12.25% with Union Bank of India loan @ 8.38% during the FY 2017-18. The total payout against the PFC loans over the entire repayment period was estimated to Rs. 169.14 crore whereas the total payment of the UBI loan would be Rs. 158.81 crore. Thus, there is saving of Rs. 10.33 crore when we compare the total pay-out of PFC Loan swapped with UBI Loan over the entire repayment period. This clearly indicates that Rs. 2.64 crore (Rs. 3.11 Crore inclusive of GST @18%) paid as repayment premium is quite less than the savings generated out of swapping of loans.*

(iii) *The mapping of assets with schedule of funds receipt and commissioning is quite cumbersome since it involves a large No. of works associated with technical intricacies in any project/scheme. However, sincere efforts shall be made to streamline the abovesaid process with the implementation of the ERP.*

(iv) *This is submitted for kind consideration that the amount is written off as per GoMP (Energy Department) order No. 7211/R3483/2015/ XIII, Dated 19.09.2018. It is also submitted that the GoMP regularly monitor the financial and operational performance of the power companies in the State and giving due weightage to their financial requirements/constraints issues appropriate orders.*

(v) *The details regarding refund to consumers are in the process of reconciliation which shall be further streamlined on implementation of ERP.*

(vi) *The details of CWIP prior to 01.06.2005 were not provided by the erstwhile MPSEB however on the directions of the Hon'ble Commission based on the available figures and physical verification of the assets, the asset register was finalized and submitted to Hon'ble Commission in the True-Up petition for FY 2012-13 and the same was accepted by the Hon'ble Commission and depreciation was accordingly allowed by the Hon'ble Commission which continued in subsequent years.*

17. On perusal of the petitioner's aforesaid responses, vide Commission's letter No. 272 dated 13.02.2019, the petitioner MPPTCL, Jabalpur was directed to submit further clarification on some issues. In response, MPPTCL vide its letter No. 13253 dated 12.03.2019 has filed its reply on all such issues as under:

Issue:

(i) **Interest and Finance Charges :** In Para 33 of Commission's last true up order dated 4th May' 2018, it was observed that MPPTCL did not have information about any change in the interest rate between the State Government and Government of India/ leading agencies. It was further observed that the interest charges were worked out as financial commitment, however, the same were not actually paid. With the aforesaid observations, the claim for prior period was not considered as well as the weighted average rate of interest for FY 2016-17 was also got reworked to 3.84%. However, the status of information or reply filed by MPPTCL remain unchanged. Therefore, MPPTCL was directed to submit the revised calculation for weighted average interest rate for FY 2017-18.

Response by MPPTCL:

The weighted average rate of interest has been worked out based on the communication received vide letter No. F-5-15/2014/XIII dated 31.03.2017 from the Govt. of MP, Energy Deptt. which stipulated applicable interest @12% in respect of ADB-3066 and JICA Loan. The stipulation regarding revised rate of interest as aforesaid as communicated by the Govt. of MP, Energy Deptt. will be the essential part of the terms and conditions to be defined in the on lending agreement to be executed between the lending agencies and GoI/ GoMP.

As directed by the Hon'ble Commission, the revised calculation for weighted average rate of interest for FY 2017-18 along with detailed working of revised ARR is submitted herewith as Annexure - A.

The petitioner has revised the calculation for weighted average rate of interest for FY 2017-18 from **8.02%** (in table under para 9.4 of the petition) to **3.55%** (in annexure A of present submission) and so the interest on loan has reduced from **Rs. 200.12 Crore** to **Rs. 88.58 Crore**.

Issue:

(ii) **Refinancing on loan:** The petitioner was asked to file all relevant document in support of swapping of loan and claiming additional financial cost of Rs. 3.11 Crore. However, the documents enclosed under Annexure C were not found adequate and clear in support of claim for additional financial cost and net saving due to swapping of loan. Further, the statement showing payment of PFC and UBI loan was not explanatory. Therefore, MPPTCL was required to file all documents including Loan Agreement and detailed table in excel sheet in support of its claim.

Response by MPPTCL:

The PFC vide letter dated 06.10.2017 has conveyed the acceptance, of pre payment request by the MPPTCL. The pre-payment premium to be paid was evaluated to Rs. 2.64 Crore and with the provision of GST @18%, the total payable amount towards pre-payment premium worked out to Rs.

3.11 Crore. The detailed calculation for payment in respect of each loan and the statement showing the comparative payout of PFC and UBI loan is submitted for kind perusal please. The copies of the agreement executed in this regard and loan guarantee given by the Govt. of MP to the UBI are also filed herewith for kind perusal and consideration of the Hon'ble Commission. All these papers are marked as Annexure - B.

Issue:

(iii) **Capital Cost of Assets capitalized during FY 2017-18:** The amount of excess interest capitalized during FY 2017-18 due to delay in submission of Form G for Rs. 113.84 Crore was sought.

Response by MPPTCL:

The amount of excess interest capitalized during FY 2017-18 due to delay in submission of Form - G is Rs.1.36 Crores. The delay in capitalization of assets will be duly taken care of on functioning of ERP, which is under process of implementation. However, it is submitted that the Hon'ble Commission approves the interest worked out on the basis of weighted average rate of interest.

Issue:

(iv) **Assets capitalized during FY 2017-18:**

(a) Column 10, 11, 12 & 13 of Annexure-D of MPPTCL's letter under reference showed penalty and its reasons are also mentioned at some places whereas, the penalty, if any has not been deducted in other places. Further, the reasons were not mentioned in Column 13 (remarks) eg. entries at Sr. No. 7, 8, 10, 11 etc show penalty but entries at Sr. no. 9, 20, 21, 25, 26 etc. do not show penalty. Hence, clear remarks in Column 13 else the reasons for discrepancy were sought.

(b) Designation of the competent authority by whom the approval was accorded was required to be mentioned.

(c) The amounts stated in Column 5, 6 and 11 are mentioned either as Rs. or Rs (lakhs). The amount was to be mentioned in single unit i.e. Rs. (lakhs) with two decimal places only for all figures in Annexure –D so that proper analysis is possible.

(d) MPPTCL stated that "estimated amount of works under direct booking category is submitted as Annexure –D". However, the entries at Sr. No. DB 1 to DB 99 of Annexure-D do not show estimate amount. All amounts in Rs. Lakhs were sought.

(e) With regard to delay in capitalization of some part or whole work, the petitioner has stated a number of unavoidable reasons. The petitioner was required to submit the documents in support of unavoidable reasons for delay in capitalization of work. It was to be clarified whether there was delay in completion of works or capitalization of works.

(f) It is stated by the petitioner that some of the works executed and mentioned in Annexure D filed with reply are not covered in the Capex Plan approved by the Commission. The petitioner was required to explain the following:

(i) The reasons for not capturing each work in five year Capex Plan submitted for approval with the Commission.

(ii) The technical reasons with the voltage profile/ details of loading for which all such works were necessary for execution by MPPTCL.

(iii) Why MPPTCL has not sought approval from the Commission as part of already approved five year Capex Plan.

<u>Response by MPPTCL:</u>

(a) The revised Annexure - D (now shown as Annexure - C) is submitted herewith for kind perusal please. It is to mention that wherever penalties have been imposed due to default in completion of works by the contract agencies, the same have been indicated. In respect of works, wherever the reasons for delay are not attributable to the contractors, no penalty was imposed and therefore, no reason / remarks in this regard were recorded. However, it is confirmed that, the capitalization has been done after deducting the penalty amount.

(b) The administrative approval to the works are accorded by the competent authority as per delegation of powers of MPPTCL. In general, the administrative approval to the works are accorded by the MD/ BoD as the case may be upon proposal moved by the concerned Chief Engineer.

(c) The amounts in Annexure - D (now Annexure - C) have been indicated in rupees in Lakhs upto two decimal places, as desired by the Hon'ble Commission.

(d) The estimate no. and amount have been indicated in revised Annexure-D (now Annexure - C). As directed, the amount has been shown as rupees in Lakhs.

(e) The construction of Transmission Lines is generally delayed due to severe ROW problems, obtaining shut down from Railways, land issues etc. The correspondences in support of the abovesaid reasons leading to delay are submitted herewith as Annexure- D for kind perusal please. It is to submit that wherever delay is found attributable to the contractors, the penalties are imposed on them. So far as delay in capitalization of works is concerned, every efforts are being made to reduce the time in preparation of Form - G which shall be further reduced on implementation of ERP.

(f) (i) Some of the works are required to be executed to mitigate the system constraints which cannot be fore seen while preparing the Capex Plan. However, it is submitted for kind consideration of Hon'ble Commission that due process of obtaining administrative approval to these works is followed before execution.

(ii) The major works which were executed and not envisaged in the Capex Plan include 132 KV S/s at Lateri, Umreth, Kishangarh, and Gohad and DCSS Chhanera-Harsood Line besides Capacitor Banks, installation of additional transformers etc. as per system requirement. The abovesaid works were approved by the BoD on examining the requirement of concerned DISCOMs and technical feasibility. The references of BoD approval for major works are also submitted along with Annexure - C for kind perusal of Hon'ble Commission.

(iii) It is submitted for kind consideration that all the abovesaid works were essential for execution to provide satisfactory services to beneficiaries of transmission system. However, the Hon'ble Commission's observation regarding seeking approval to aforesaid works as part of already approved Capex Plan are humbly noted.

<u>Issue:</u>

(v) **Additional RoE :** MPPTCL has modified tables A & B under Para 10.4 of its petition. The corresponding changes in tables under para 10.6 and para 13 of the petition were also sought.

<u>Response by MPPTCL:</u>

The corresponding changes in tables under Para 10.6 and Para 13 of the petition has been done which is incorporated in Annexure -A.

<u>Issue:</u>

(vi) **Write-off :** A copy of relevant orders and approvals thereof, on basis of which write-off of Rs. 391.84 Crore was done along with its impact on tariff/ true-up of tariff was sought.

<u>Response by MPPTCL:</u>

The Govt. of MP, Energy Deptt. vide order No. 7211/R3483/2015/XIII dated 19.09.2018 has conveyed decision to write off an amount of Rs. 387.81 Crores on account of acute financial crunch of state DISCOMs and despite FRP support, DISCOMs are not in a position to meet out their expenses. The letter of the state Govt. and head wise details of Rs. 387.81 Crores are submitted herewith as Annexure - E. The balance amount of Rs. 1.73 Crores of M/s Malanpur Captive Power Ltd. has been withdrawn due to excess billing and an amount of Rs. 2.30 Crores has been written off during FY 2017-18 due to loss on obsolescence of stores. The supporting documents along with JVs are submitted herewith as Annexure - E.

<u>Issue:</u>

(vii) **PPP Expenses :** The reason for variation in discount every month and reason for not deducting TDS from September' 2017 onwards was sought.

Response by MPPTCL:

The invoice amount for each month is dependent upon system availability i.e. Transmission Line of M/s Kalpataru Satpura Transco Pvt. Ltd. Therefore, due to variation in invoice amount, the variation in discount amount occurs every month. The TDS was not deducted from Sep-2017 onwards in light of the certificate issued by the Income Tax Deptt. Gandhinagar vide No. 1117AQ596H dated 22.09.2017. The copies of aforesaid invoices and income tax certificate are submitted herewith as Annexure - F.

Issue:

(viii) **Audited Financial statement for FY 2017-18 :** Para b(i) of MPPTCL's letter under reference states that "copies of correspondence made with the Discoms are enclosed herewith", however, no copy is found enclosed with the letter. Therefore, MPPTCL was required to provide the copies and ensure to avoid missing of any supporting document which is mentioned in the reply.

Response by MPPTCL:

The copies of correspondence made with the DISCOMs regarding supply affording charges are submitted herewith as Annexure - G.

18. On perusal of the aforesaid responses by MPPTCL, vide Commission's letter no. 467 dated 29.03.2019, the petitioner was further directed to submit its reply by 16.04.2019 on the issues raised by the Commission and not replied by MPPTCL in the subject true-up petition,. In response, MPPTCL vide its letter No. 519 dated 16.04.2019 has submitted that:

> *"Officers/ Employee of MPPTCL are engaged in 2019 General election. Therefore, some more time is required for preparation and submission of the replies to the observations. It is, therefore, prayed that Hon'ble Commission may kindly consider and grant extension of further two weeks' time for submission of replies to observations raised vide letter under reference."*

19. MPPTCL vide its letter No. 942 dated 01.05.2019 filed its reply as under:

Issue:

(a) Refinancing on loan:

With regard to total saving of Rs. 10.33 Crores mentioned in Para 13.1 of the petition, MPPTCL has submitted a summary statement in Annexure B of its letter showing total savings of **Rs. 12.48 Crores**. The discrepancy in figures was to be clarified. Further, the interest and timely repayment rebate for PFC loan is shown separately in Annexure B, but a segregation of interest and timely repayment rebate in respect of UBI Loan was not shown separately. Therefore, the break up of interest and timely repayment rebate in respect of UBI loans was sought.

Response by MPPTCL:

It is to submit that due to oversight, saving in respect of refinancing of loan was not estimated accurately. Upon rectification of same, it comes out to be Rs. 12.48 Crores in place of Rs.10.33 Crores. As desired by Hon'ble Commission, the break-up of interest and timely repayment rebate in respect of UBI loan is submitted herewith as ***Annexure-A****.*

Issue:

(b) Capital Cost of Assets capitalized during FY 2017-18:

With regard to delayed capitalization of assets on account of late submission of Form-G, the petitioner was required to submit the impact of excess interest capitalized on the net addition claimed in Para 8.3 of the petition.

Response by MPPTCL:

The excess interest of Rs. 1.36 Crores due to delay in submission of Form-G has been capitalized by debiting the Fixed Assets and crediting the Finance cost in the Financial statement of FY 2017-18. The excess interest will be claimed in the form of depreciation over useful life of asset. If the excess interest of Rs. 1.36 Crores was not capitalized, the same would have been claimed in one year as finance cost through weighted average rate of interest.

Issue:

(c) Assets capitalized during FY 2017-18:

The petitioner has stated that some works including 132 kV sub-station at Lateri, Umreth, Kishangarh, and Gohad and DCSS Chhanera-Harsood Line besides Capacitor Banks, installation of additional transformers etc. as per system requirement which were not envisaged in Capex Plan but executed on examining the requirement of concerned DISCOMs and technical feasibility. It is further stated by MPPTCL that the aforesaid works were essential to provide satisfactory services to beneficiaries of transmission system. Some of such works mentioned in Annexure-C of the above cited letter are reproduced below:

Name of works	Estimate	Executed Amount
Sr. No. 60, 132 kV S/s Latheri	Rs. 10.93 Crore	Rs. 3.59 Crore
Sr. No. 61, 132 kV S/s Kishangarh	Rs. 9.38 Crore	Rs. 1.33 Crore
Sr. No. 137, 132 kV S/s Barwaha	Rs. 29.95 Crore	Rs. 0.47 Crore
Sr. No. 214, ABT Meters	Rs. 7.92 Crore	Rs. 0.03 Crore
Sr. No. 237, RTU's	Rs. 6.38 Crore	Rs. 0.11 Crore
Sr. No. 252, SCADA System	Rs. 71.37 Crore	Rs. 0.11 Crore
Sr. No. 291, 132 kV S/s Gohad	Rs. 14.81 Crore	Rs. 1.28 Crore

In view of the above, the petitioner was asked to submit the following:

(a) A classified list of all such works which were not part of Capex plan approved by the Commission.

(b) Detailed technical reasons for execution of all such works be mentioned separately.

(c) The reasons for wide variation in estimate amount and executed amount of all such works.

(d) How partial capitalization of some works has been made.

(e) Why the petitioner has not sought any approval for all such works which were beyond the Capex plan filed by petitioner and approved by the Commission.

(f) Total amount be mentioned at end of column in Annexure-C so that total addition of assets during FY 2017-18 mentioned in Para 8.3 of the petition may be tallied.

Response by MPPTCL:

The Hon'ble Commission has desired to submit, a classified list of all such works which were not part of capex plan, detail technical reasons for execution, reasons for variation in estimated amount, partial capitalization of some works etc. The desired details are submitted here as under:

*A classified list of all such works which were not part of Capex plan is enclosed as **Annexure-B**. Further, it is to submit that MPPTCL, after obtaining approval of Hon'ble Commission for the Capital Investment Plan for the 12th Plan Period (2012-13 to 2016-17), has executed the approved works and created transmission assets for use by the beneficiaries. However, certain works, other than those approved by the Hon'ble Commission under the Capital Investment Plan, were essentially required to be executed by MPPTCL. The works indicated in **Annexure-B** can be broadly segregated into **four categories**. This broad classification, along with appropriate justification for each category, is as follows:*

(I) Major works Involving Sub-stations & Lines

These works involving system strengthening, improving operational flexibility, reliability and connectivity, such as new sub-stations and lines, small LILO arrangements, line diversions etc. are as per the requirement of distribution companies as well as other licensees:

*In a large interconnected power supply system like MPPTCL's network, capacity addition and system strengthening required is identified on the basis of load flow simulations of anticipated scenarios. This is a continuous process requiring regular updating of network configuration data and load forecast. At any particular stage, the system requirements cannot be treated as finally resolved and fully frozen. Various parameters and characteristics of the network and loads evolve continuously and these **variations may not be accurately captured at the microscopic level**, in every case. Therefore, there are certain instances, wherein, certain residual adjustments are required to be made in the strategies envisaged for capacity addition and system strengthening. Moreover, the requirements of distribution companies for new 132/33 KV sub-stations are primarily determined by the constraints in their large sub-transmission (33 KV) networks - which are, again,* *themselves quite susceptible to the typical uncertainties, mentioned in case of transmission network. Therefore, in conclusion, certain system constraints and requirements, which are not manifested in the simulation studies of anticipated scenarios at a given time, crop up at a later stage needing a few residual adjustments in the capital investment strategy. However, such modifications in the capital investment plan are the technically feasible, least cost solutions, always directed towards ensuring requisite reliability and quality of services to the users and ultimate beneficiaries. Further, the expenditure under the capital investment plan is well within the overall amount of capital expenditure approved by the Hon'ble Commission for determining the ARR of MPPTCL.*

(i) <u>132 KV sub-station at Lateri (Distt. Vidisha) –</u> Before construction of 132 KV S/s Lateri, the power supply to this area was being catered by 132 KV S/s Sironj (Distt. Vidisha), nearly 30 Kms. away. The aggregate connected load of this area, fed through 33 KV Murwas feeder was about 32 MVA and the computed voltage regulation on this feeder exceeded 35%. Therefore, to eliminate the sever constraints in the sub-transmission network around Lateri, construction of a new 132 KV S/s at Lateri, i.e. at the load centre, was found to be the only technically feasible long term solution.

Present level of utilization of 132 KV S/s Lateri – Transformation capacity – 40 MVA; maximum load recorded during 2018-19 34.5 MVA (86% loading).

(ii) <u>132 KV sub-station at Kishangarh(Distt.Dewas) with associated line –</u> Before construction of Kishangarh sub-station, this area was being fed through 33 KV Punjapura feeder from 132 KV S/s Chapda. The total connected load on this feeder was 31.3 MVA and the computed voltage regulation was about 30 %. Kishangarh area is surrounded by dense forest and with only one 33 KV feeder catered by a single EHV source. Therefore, for adequate improvement in voltage profile, reliability of supply and relieving overloading in the sub-transmission network as well as 132 KV S/s Chapda, construction of 132 KV S/s at Kishangarh was the only technically feasible alternative, for a long-term solution.

Present level of utilization of 132 KV S/s Kishangarh- Transformation capacity – 40 MVA; Maximum load recorded during 2018-19 – 18.96 MVA (47.4 % loading),

(iii) <u>132 KV S/s at Umreth (Distt. Chhindwara)–</u> Umreth area was being fed from 132 KV sub-station Chhindwara and 132 KV S/s Khapaswami through 33 KV Barkuhi and 33 KV Barkuhi-I & II feeders, respectively. The aggregate connected loads on these feeders were in excess of 30 MVA and computed voltage regulation was in the range 25% to 35 %. Therefore, to provide a long-term solution to overcome these constraints in the sub-transmission network, construction of 132 KV S/s at Umreth was indispensable. The construction of a new 132/33 KV source also afforded load sharing and relief to the two existing 132/33 KV sources feeding the area.

Present level of utilization of 132 KV S/s Umreth- Transformation capacity – 40 MVA; Maximum load recorded during 2018-19 – 33.3 MVA (83 % loading),

(iv) <u>132/33 KV S/s at Gohad (Distt. Bhind) and associated line –</u>Gohad area in Bhind district was

being fed from 220 KV S/s, Mehgaon (Distt. Bhind), situated at a distance of 20 Kms. Gohad area had a heavy loading of about 25 MVA, for which sub-transmission network was inadequate. Considering the network scenario and load growth potential in the area, construction of 132 KV S/s at Gohad was found to be the only technically feasible long-term solution.

Present level of utilization of 132KV S/s Gohad- Transformation capacity – 63 MVA; Maximum load recorded during 2018-19 – 34.44 MVA (55 % loading),

Analysis of Financial viability of 132 KV S/s works: -Computation in tabular form, based on normative Discounted Cash Flow (DCF) method and Net Present Value (NPV), showing long-term financial viability of the aforementioned major works is appended to the ***Annexures C(I) to C(IV)****. The analysis takes into account all the normative costs and benefits/returns and works out positive NPV at the end of 35 years' horizon.*

The remaining works include a 132 KV link between 220 KV S/s Chhanera (Distt. Khandwa) and 132 KV S/s Khirkiya (Distt. Harda) as a measure of system strengthening and enhancing redundancy. Other works involving inappreciable capital investments include small LILO arrangements for connectivity and operational flexibility, small diversion of lines to meet statutory constraints and clearance requirements.

(II) Capacity addition and other sub-station works

Works involving capacity addition, replacement of failed transformers, new bays for connectivity, miscellaneous works at sub-stations for operational requirements like communication, renovation & remodelling, CTs & PTs and other equipment/safety devices:

The work of transformation capacity addition at 220 KV S/s Dalodawas required for relieving overloading and ensuring redundancy / spare capacity to handle flow of power through the interconnected grid in the vicinity of Daloda (Distt. Mandsaur). Other works were incidental to operational & safety requirements and individually involve small capital investments only.

(III) Reactive compensation through shunt capacitor banks at 132 KV sub-stations

The pattern and quantum of reactive flows and voltage profile of the transmission network is materially dependent upon the dispersal of loads in the downstream distribution networks apart from the configuration and location of interface points/ connectivity between the upstream transmission & downstream distribution network. The future scenarios of reactive power flows, dependent upon these factors, are anticipated with reasonable accuracy. However, there are certain instances at microscopic level, wherein, the projections may not entirely reflect the realistic requirements. Therefore, to mitigate the system constraints in such cases, reactive power compensation using 33 KV shunt capacitor banks, has been provided at 132 KV sub-stations to maintain proper quality and reliability of supply. The active and reactive power flows at various 132 KV S/s had been analysed in detail for working out the capacitive compensation. The details are shown in the document containing *approval of the MPPTCL's Board of Directors, which was submitted along with the reply to Hon'ble Commission's earlier observations. The copy of the same is again enclosed as* ***Annexure-D****, for kind perusal please.*

(IV) Various Civil / miscellaneous works

The various works under this category mainly include civil works like office buildings, testing laboratories, yard fencing, boundary walls, sheds etc. They do not have substantial capital commitments, but, are quite essential for proper & secured functioning of transmission assets and for ensuring satisfactory delivery of services to the ultimate beneficiaries of transmission system.

Regarding variation in estimated amount it is to submit that excess/savings in an estimate is dependent on various factors e.g. change in scope of work depending upon the requirement which sometimes become inevitable, change in soil strata and ground profile which affects the quantum of civil works in Transmission Lines and Substations and some other expenditures on ROW and other issues which cannot be anticipated at the time of commencement of work.

It is humbly submitted that, ***partial Capitalization of some works****, even when assets become fully functional has to be resorted to due to the following inevitable reasons: -*

- *Delay in finalization & issue of orders of compensation related to forest or crops on account of cumbersome process and involvement of multiple authorities of Revenue/ Forest Departments.*
- *Delay in issue of NOC from Forest Department and fixation for crop/tree compensation.*
- *Delay due to Court cases, Arbitration cases related to contractor/ suppliers.*
- *Delay in final accounting of the material consumed by the Contractor due to multifarious reasons like return of material to Stores, completion of Stores formalities, wastage, damage etc.*
- *Multiple independent agencies involved in execution and cost booking.*
- *Court cases filed by Cultivators/ owners of land/ any other person against the compensation fixed by the Revenue authorities.*
- *Delay in payment of bill of contractors due to non-compliance of various statutory requirement.*

As a result of above circumstances, only a part of the works may get capitalized. It is once again submitted that efforts are made by Transco to capitalize major portions of works timely. It is pertinent to mention here that MPPTCL is in the process of implementing ERP, which shall enable integration of various transactional activities, functions cost accounting and reconciliation of accounts through an online data base in a network environment in due course. However, some constraints external to the work flow of MPPTCL may still remain, like court cases, compensation cases, bill payment issues etc.

*Regarding total addition of assets during FY 2017-18 the category wise amount in column of **Annexure-C** (modified as **Annexure-E**) is enclosed herewith and summary of the same is also tabulated herein below;*

Summary	***Amount in Rs. Crores***
Capitalized through G-Form	*625.38*
Direct Booking (including Rs. 45.86 Crores of PSDF Grant)	*74.12*
Consumer Contribution works Capitalized	*88.45*
Total addition	*787.96*
Consumer contribution works capitalized (-)	*-88.45*
Assets Withdrawn (-)	*-11.18*
Grant portion of PSDF Scheme (-)	*-45.86*
Net Total	*642.47*

Issue:

(d) Write-off:

The petitioner was asked to inform the impact of Rs. 391.84 Crores write-of on the tariff/ true-up of tariff claimed in subject petition. The same was not informed in the letter cited under reference. Therefore, the impact of aforesaid write-of amount on the true-up amount claimed in the subject petition was sought.

Response by MPPTCL:

The write-off amount of Rs. 391.84 Crores has not been considered as an expenditure in its True Up, therefore, the same does not constitute an element of annual Revenue Requirement. As such, the same shall have no impact on the True-Up amount claimed in the subject Petition.

20. On perusal of the aforementioned responses, vide Commission's letter No. 732 dated 17.05.2019, the petitioner was directed to submit its detailed reply by 31.05.2019 on the issues not replied in the subject true-up petition. MPPTCL, Jabalpur vide its letter No. 2122 dated 31.05.2019 submitted as under:

"It is submitted that some more time is required in collection of information from various offices and its compilation at this end. It is, therefore, prayed that the Hon'ble Commission may kindly consider and grant extension of further two weeks' time for submission of replies to the observations raised vide letter under reference."

21. Thereafter, MPPTCL vide its letter No. 2581 dated 14.06.2019 has submitted the additional information as under:

Issue:

(a) With regard to refinancing of loan, MPPTCL has stated that "the break-up of interest and timely repayment rebate in respect of UBI loan is submitted herewith as Annexure A." However, in Column No. 7 of Annexure 'A', the breakup of interest and rebate is still found clubbed. There is no change in Annexure A submitted with the instant submission and that submitted earlier by MPPTCL. The **breakup of interest and rebate for UBI loan has not been furnished** as desired vide Commission's letter under reference.

Response by MPPTCL:

The statement showing the break-up of interest and timely repayment rebate in respect of UBI loan is submitted herewith as Annexure – A.

Issue:

(b) With regard to the assets capitalized during FY 2017-18, the reasons for wide variation in the estimated amount and executed amount for identified seven (7) items were sought. Further, the reason for not obtaining Commission's approval for such works which were beyond the approved Capex Plan, was also sought. However, the response submitted by MPPTCL is vague and inadequate eg. for 132 kV S/s Barwaha, estimate amount was Rs. 29.95 Cr but executed amount is only Rs. 0.47 Cr. Besides, the technical reasons informed by MPPTCL for execution of large works beyond the approved Capex plan appear persisting even during the time of preparing last Capax plan. Therefore, the reasons cited are not justifying the deviation to the approved plan and necessity to carry out such works.

Response by MPPTCL:

The work wise details in respect of7 Nos. identified works are submitted herein below;

(i) 132KV S/s Lateri – This is to submit that the capitalized amount of Rs. 3.59 Crore during FY 2017-18 is the amount of ***2nd Provisional Annexure-G. The total amount capitalized so far is Rs. 6.38 Crore.*** *It may kindly be seen that against the sanctioned estimated amount of Rs. 10.93 Crore, an amount of Rs. 6.38 Crore has been capitalized and some balance civil works are still under execution since the contract awarded to M/s Isolux for construction of 132KV S/s Lateri has been terminated and balance civil works are being executed at the risk and cost of the original contractor. Thus, no wide variation in executed value and estimated value of the work is anticipated. After completion of works and release of payment of final bill, the final Annexure-G shall be prepared. Thus, it may kindly be seen that capitalization has been done on completion of various activities and preparation of final Annexure-G will be expedited on completion of works in all respect.*

The construction of 132KV substation Lateri was ***necessitated to overcome the severe constraints in the sub-transmission network around Lateri****. This is established from the fact that maximum load recorded during FY 2018-19 is 34.5MVA (86% loading).*

(ii) 132KV S/s Kishangarh – This is to submit that the capitalized amount for the FY 2017-18 is Rs. 1.33 Crores in ***2nd and final Annexure-G****. The total capitalized amount against the sanctioned estimate amounting to Rs. 9.38 Crore is Rs. 8.62 Crore. It may kindly be seen that the capitalization has been done upon completion of various activities and* ***no wide variation*** *in executed value and estimated value has occurred in respect of this work.*

Prior to construction of 132KV S/s Kishangarh, the area was being fed from 132KV S/s Chapda through a single 33KV Punjapura feeder. In order to enhance the supply of quality power, improve the reliability of supply and ***relieving overloading*** *in the sub-transmission network as well as 132KV S/s Chapda, the construction of 132KV S/s Kishangarh was the only technically feasible long term solution. The maximum load recorded during FY 2018-19 on this substation is 18.96MVA (47.4% loading).*

(iii) *132KV Barwaha – Kishangarh Line –This is to submit that the capitalized amount of Rs. 0.47 Crore is the amount capitalized during FY 2017-18 in* ***2nd and final Annexure-G. The total amount capitalized is Rs. 30.16 Crore against the sanctioned estimated amount of Rs. 29.95 Crore****. As such,* ***no wide variation*** *has occurred in executed value and estimated value of the work. It is to submit that at the time of charging of line, some bills were not processed and subsequently upon their clearance, final Annexure-G could be prepared.*

In order to provide connectivity to 132KV S/s Kishangarh, the construction of Barwaha – Kishangarh line was necessitated.

(iv) *ABT Meters – The amount shown of Rs. 0.03 Crore pertains to the work executed by the Testing Division Morena during FY 2017-18. It is to submit that the nature of works are very small, scattered over a No. of substations in the whole State, the same were executed during different spell of time, resulting in delay in capitalization. The works amounting to Rs. 2.22 Crore have so far been capitalized till FY 2017-18 against the sanctioned estimated amount of Rs. 7.92 Crore. It is humbly submitted that efforts are being made to expedite completion of works in all respect and their capitalization at the earliest.*

(v) *RTUs –The amount shown of Rs. 0.11 Crore pertains to the work executed by the Testing Division I, Jabalpur during FY 2017-18. It is to submit that the nature of works are very small, scattered over a No. of substations in the whole State, the same were executed during different spell of time, resulting in delay in capitalization. The works amounting to Rs. 2.79 Crore have so far been capitalized till FY 2017-18 against the sanctioned estimated amount of Rs. 6.38 Crore. It is humbly submitted that efforts are being made to expedite completion of works in all respect and their capitalization at the earliest.*

(vi) *SCADA system – The amount shown of Rs. 0.11 Crore pertains to the work executed by the Testing Division II, Gwalior during FY 2017-18. It is submitted that quantum of works at location (i.e. sub-station) is rather small and large number of such locations are scattered state wise. Therefore, the execution and completion of works of SCADA was accomplished in spells and clusters, depending upon various location and site specific factors, leading to a long drawn process of capitalization in parts (or piecemeal). The works amounting to Rs.53.09Crore have so far been capitalized till FY 2017-18 against the sanctioned estimated amount of Rs. 71.37 Crore. It is humbly submitted that efforts are being made to expedite completion of works in all respect and their capitalization at the earliest.*

(vii) *132KV S/s Gohad – This is to submit that an amount of Rs. 1.28 Crore has been capitalized* *during FY 2017-18. The total amount capitalized is Rs. 12.09 Crore against the sanctioned estimate of Rs. 14.81 Crore and works have been completed in all respect. It may kindly be seen that the Annexure-G were prepared on completion on various activities and* ***no wide variation*** *has occurred in executed value and estimated value of work.*

Prior to construction of 132KV S/s Gohad, the area was being fed from 220KV S/s Mehgaon, situated at a distance of 20 Kms. Gohad area had a very heavy loading of about 25MVA, for which sub-transmission network was inadequate. Considering the system constraints and potential future load growth in the area, the construction of 132KV S/s Gohad was envisaged. The maximum load recorded during FY 2018-19 is 34.44MVA (55% loading).

<u>Issue:</u>

(c) In Annexure-B submitted by MPPTCL it is observed that the works with executed amount of Rs. 55.80 Crore have been capitalized during FY 2017-18, which were **not covered in** the Capex Plan approved by the Commission. The estimated amount of such works (not sum up in Annexure-B by the petitioner) exceeds Rs. 100 Crores. The manner and reasons for undertaking such un-approved works were asked to be properly clarified.

<u>Response by MPPTCL:</u>

In respect of execution of works not included in the approved Capex Plan, the MPPTCL had submitted the justification for all the works executed including specific explanation in respect of some of the major capital works vide this office letter No. 04-01/CRA/F-121/942 dated 01.05.2019. In this regard, the following prayer is being made for kind consideration of the Hon'ble Commission;

The aforesaid works are broadly segregated into 4 categories. The category wise justification for execution of these works not included in the approved Capex Plan is submitted herein below;

Category – A:- Major works involving creation of new substations and associated lines, new lines for system strengthening, improving operational flexibility, reliability and connectivity, ***as per the requirement of distribution companies*** *as well as other licensees (list of works is appended as Statement–I):-*

On the whole, five-year plan for execution of works is conceptualized taking into account, the system requirement, envisaged on the basis of load forecast and load flow simulations, as well as the constraints in the downstream sub-transmission networks of the distribution companies. Specifically, ***the proposals of DISCOMs for creation of new EHV substations*** *are analysed by MPPTCL and techno-economically sound proposals are accepted for execution of works. However, in some instances, at a later stage,* ***unforeseen requirement*** *develops in some segments which is quite typical in an extensive inter-connected supply system, inevitably warranting some modifications in the implementation plan. However, the overall economic impact of these adjustments is quite moderate which does not alter materially the basic objective, quantum and character of the approved Capex Plan.*

*In view of the above, such **unforeseen modifications** may kindly be treated and admitted as an essential component of the True-up proposal after prudence checks. The Hon'ble Commission may kindly consider the aforesaid prayer of the MPPTCL.*

*Category–B:- Works involving transformation capacity addition, **replacement of failed transformers**, new bays for connectivity, miscellaneous works at substations for operational requirements like communication, renovation and remodelling, installation of CTs & PTs and other equipment/ safety devices (list of works is appended as Statement–II):-*

The works under this category have significantly less financial implications than those under Category–A. In some cases, especially in a meshed supply system, unforeseen substation capacity addition works are required depending upon the load growth in a pocket. New bays at substations may be required at a later stage to provide connectivity which could not be foreseen in formulation of the Capex Plan.

Similarly, some minor renovation and remodelling works, additional equipments etc. may not be envisaged in the Capex Plan.

*Category–C:- **Reactive Compensation through shunt capacitor banks** at EHV substations (list of works is appended as Statement-III):-*

The pattern and quantum of reactive flows and voltage profile of the Transmission network is materially dependent upon the dispersal of loads in the downstream distribution networks apart from the configuration and location of interface points/ connectivity between the upstream transmission and downstream distribution networks. The future scenario of reactive power flow, dependent upon these factors are anticipated with reasonable accuracy. However, in some cases, the projections may not entirely reflect the realistic requirement. Therefore, to rule out any system constraint in such cases, reactive power compensation using 33KV Shunt Capacitor Banks have been provided at 132KV substations to maintain proper quality and reliability of power supply. The overall capital investment involved in these unforeseen works is fairly insignificant.

Category – D:- Various Civil & Miscellaneous works (list of works is appended as Statement-IV):-

*The various works under this category mainly include civil works like office buildings, testing laboratories, boundary walls, sheds etc. These works are quite essential and important for proper and secured functioning of the Transmission assets. The execution of these works **did not involve substantial capital investment**.*

22. MPPTCL requested the Commission to consider the abovesaid submissions and the following prayer be granted:

(i) *In view of the submissions in respect of 7 Nos. identified works which were not*

included in the approved Capex Plan but were taken up on their requirement backed with adequate justification and being the part of the existing transmission system delivering quality and reliable services to the beneficiaries, the capital expenditure recorded on their execution during FY 2017-18 may kindly be considered and approved as part of True up exercise.

(ii) In view of the submissions made at Category A to D which include 7 Nos. identified works covered in prayer (i) above in respect of works which were not included in the approved Capex Plan but had to be taken up due to exigent system requirements after ascertaining technical feasibility and financial viability for ensuring consistent and sustainable quality and reliability of services to the beneficiaries, the capital expenditure recorded on their execution during FY 2017-18 may kindly be considered and approved as part of True up exercise.

(iii) The MPPTCL craves leave of this Hon'ble Commission to issue further directions which are considered proper and deemed fit in the given circumstances and interest of justice, if any of the compliance/ submission is left out due to omissions.

23. Vide Commission's letter No. 1057 dated 19.07.2019, the petitioner MPPTCL was directed to provide comprehensive reply to the issues raised by the Commission.

24. In response, MPPTCL vide its letter No. 4584 dated 08.08.2019 has submitted the additional information, duly amending the relevant tables filed in its petition. The analysis of MPPTCL's response is as under:

Issue:

(i) Addition of assets during FY 2017-18:

In Para 8.3 of petition, it was mentioned that the amount of total assets capitalized during FY 2017-18 inclusive of Consumer Contribution & PSDF grant is Rs. 787.96 Crore and the amount of assets withdrawn is Rs. 11.18 Crore. Thus, the net GFA addition of Rs. 642.47 Crore excluding assets created through consumer contribution and PSDF grant was shown in the petition. However as per Note No. 2 page 19 of Audited Accounts for FY 2017-18, the following status was observed:

Asset additions :		Rs. 629.13 Crores
Adjustments/ disposals :	(-)	Rs. 11.18 Crores
		Rs. 617.95 Crores
Company's contribution in assets created out of PSDF grant	(+)	Rs. 16.02 Crores
Net		Rs. 633.97 Crores

In view of the above, the petitioner was asked to explain the difference in figures of GFA as on 31.03.2018 with the above figures for the purpose of claiming true-up amount. The petitioner was required to inform the correct figure of GFA to be considered for determining true up amount.

Response by MPPTCL:

(a) It is to submit that the old survey reported assets are returned to stores at written down value of fixed assets. The written down values of the fixed assets being withdrawn which carry a negative value is depicted in the financial statements separately as per Schedule III of Companies Act - 2013 till the withdrawal of Gross block of fixed assets from books of accounts. However, Gross block of fixed assets can only be withdrawn from GFA and fixed assets register, after completion of related formalities i.e. preparation of Annexure-G, preparation of return indent for survey reported assets for its return to stores etc. Therefore, written down value of fixed assets were not considered in the Gross Block of Fixed Assets being withdrawn for preparation of true-up petition.

(b) Due to the procedures being followed as mentioned above, ***there is mismatch*** *in the figures shown in the financial statements and figures of fixed assets shown in True-up Petition based on the asset register.*

(c) On completion of formalities related to withdrawal of whole assets as mentioned above, the asset register will be updated which takes into account the Gross negative value of the assets written off and accordingly, ***the value of GFA will be reduced in next financial year****.*

(d) The MPPTCL is in process of implementation of ERP system and as soon as the ERP becomes fully functional, the procedure of withdrawal of fixed assets will be mapped so that timely completion of all formalities can be done in the same financial year in which fixed assets ceases to active use.

It is submitted for kind consideration of the Hon'ble Commission that the net capitalization of Rs. 642.47 Crore claimed in the Petition which is subject to adjustments due to the procedural mismatch as submitted above may please be considered for finalization of True-up claim for FY 2017-18.

As directed by the Hon'ble Commission, the claim of ***ARR for FY 2017-18 has been re-worked out*** *based on the net capitalized value considered in the Audited Accounts is also enclosed herewith as* ***Annexure-A.***

Issue

(ii) Depreciation for FY2017-18

(a) In Para 8.5 of the petition the GFA addition during FY 2017-18 is claimed as Rs. 776.78 Crore and the provision for depreciation of Rs. 361.43 Crore is claimed (as per the calculations done in Asset-Depreciation Register for FY 2017-18, submitted with the petition)

(b) It is mentioned in the petition that GFA addition of Rs. 776.78 Crore will result in

Net Capitalization of Rs. 642.47 Crore excluding assets created out of consumer contribution and PSDF grant.

(c) As per Note 2 of the Audited Accounts the addition to depreciation of Rs. 353.20 Crore and disposed/ adjustments of Rs. 5.53 Crore is observed, thus making a net additions of Rs. 347.67 Crores to Depreciation.

Considering above, if net asset capitalization is considered as Rs. 633.97 Crores as per Audited Accounts, then Depreciation shall have to be revised accordingly. Therefore, the petitioner was required to file its reply to the above and may make necessary changes in the amount claimed for Depreciation also mentioning the revised GFA and rate of depreciation to be applied for the same.

<u>Response by MPPTCL</u>

<u>DEPRECIATION FOR FY 2017-18</u> –

As per above procedure, the Depreciation (*excluding Depreciation on Assets formed under Consumer's Contribution*) for 2017-18, computed from Asset Register & Software model and comparison from previous year, is given below;

(Amount Rs. in Crores)

FY	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
2016-17	8278.30	559.50	8837.80	3166.39	336.78	3503.17	5111.91	5334.64
2017-18	8837.80	768.29	9606.09	3503.15	361.18	3864.33	5334.65	5741.76

<u>Issue</u>

(iii) The report on regulatory compliance for FY 2017-18 was submitted by Reporter of Compliance vide MPPTCL's letter No. 3914 dated 02.07.2018

Para 2.10 of the said report has mentioned the following net addition to number of bays during FY 2017-18 :

S. No.	Voltage level	Net addition of Bays during FY 2017-18
1	400 kV	2
2	270 kV	25
3	132 kV	103
	Total	130

However, in Para 6.3 and 6.4 (Annexure IV A&B) of the petition, the following net addition to Bays is considered during FY 2017-18 :

S. No.	Voltage level	Net addition during FY 2017-18
1	400 kV	2
2	270 kV	27
3	132 kV	124
	Total	153

Thus the additional O&M expenses for 2 Bays at 220 kV level and 21 Bays at 132 kV level have been claimed in the petition.

In view of above, the petitioner was required to file its explanation for departure from its own submissions and revise its O&M expenses considering the network parameters as per RoC reports submitted by it to the Commission.

Response by MPPTCL

In regard to mismatch in the figures of No. of Bays considered for the purpose of grant of O&M expenses the following is prayed for kind consideration of the Hon'ble Commission;

i. *The voltage wise No. of Bays considered in the Petition are based on the **comprehensive information** obtained from the field units which includes name of substation and bays, their voltage level, estimate number, date of completion etc. whereas for inclusion of the same in the report of Reporter of Compliance, the same were considered based on the **general information** obtained from the field units in which some slippages regarding completion and commissioning of the bays have occurred.*

ii. *The Annexure-IV(B) of the True-up Petition contains all the detailed information regarding voltage wise bays stood commissioned as on 31.03.2018 whereas in the report of Reporter of Compliance, No. of bays commissioned during the period are obtained which **lacked proper scrutiny** at the field level.*

*The **mismatch occurred as aforesaid is regretted** and concerned authorities are being advised to be careful in submission of information which are mandated as regulatory compliance.*

25. On scrutiny of the submissions by MPPTCL in the subject petition, it was observed that the Net GFA addition of Rs. 642.47 Cr. during FY 2017-18 as mentioned in the petition was at variance with the figure of Rs. 633.97 Cr. recorded in Annual Audited Accounts for FY 2017-18. Accordingly, the total Annual Revenue Requirement (ARR) of MPPTCL for FY 2017-18 and the sharing of true-up amount among the customers, filed by the petitioner vide letter under reference was changed and the petitioner had revised its claim filed in the original petition.

26. Therefore, the Commission vide letter dated 19.09.2019 directed MPPTCL to submit an updated revised petition at the earliest, after reconciliation of all the figures with the Audited Annual Accounts, the reports submitted to the Commission by RoC of the company along with the gist of the revised true-up petition in English and Hindi versions for publication in newspapers to invite comments/ suggestions from stakeholders.

27. In response MPPTCL vide its letter No. 6193 dated 28.09.2019 has submitted as under:

*"In compliance to the direction of the Hon'ble Commission vide letter No. 1311 dated 19.09.2019, **revised Petition** (Petition No. 50/2018) is submitted. As desired vide letter dated 19.09.2019, the gist of the revised Petition in English and Hindi version is enclosed. The report of Reporter of Compliance containing information as per the revised petition will be submitted separately for kind consideration of Hon'ble Commission.*

The necessary affidavit is appended in the Petition.

In view of the aforesaid submissions, it is humbly prayed that Hon'ble Commission may kindly consider an approve the following:

1. *The True up Petition amounting to Rs. 589.99 Crores for the FY 2017-18.*
2. *In order to decide the matter expeditiously, the Hon'ble Commission may kindly consider curtailment in time period of 21 days allowed in public notice for filing comments/ objections by the stakeholders as per Clause No. 16 read with Clause 43(1) of the MPERC (Conduct of Business) (Revision-I) Regulations, 2016."*

28. The petitioner submitted revised petition by updating all changes made by it in its various submissions during the course of analysis of the petition. A summary of the revised ARR viz-a-viz the original ARR regarding True-up of Transmission Tariff for FY 2017-18 is as under:

True up for FY 2017-18 (Amount in Rs. Crores)

S. No.	Particulars	As per ARR approved by order dated 10.06.2016	As filed in original petition	True-up Amount in original petition (Col. 4 – Col 3)	As filed in revised petition based on Audited Accounts	True-up Amount in revised petition (Col. 6 – Col 3)
1	**2**	**3**	**4**	**5**	**6**	**7**
1	O&M Expenses	446.58	464.24	17.66	464.24	17.66
2	**Terminal Benefits -**					
2(i)	Cash expenses	1177.90	1707.07	529.17	1707.07	529.17
2(ii)	Provisioning	0	57.94	57.94	57.94	57.94
2	**Total -**	**1177.90**	**1765.01**	**587.11**	**1765.01**	**587.11**
3	Depreciation	324.22	361.43	37.21	361.18	36.96
4.i.	Interest on Loan & Bank Charges	131.26	203.23	71.97	91.59	-39.67
4.ii.	Interest on Working Capital	67.33	81.67	14.34	79.27	11.94
4	**Total Interest -**	**198.59**	**284.90**	**86.31**	**170.86**	**-27.73**
5	Return on Equity	364.33	387.74	23.42	387.51	23.18
6	Taxes and Fee	1.33	4.42	3.09	4.42	3.09
7	PPP Unitary Charges	37.80	37.19	-0.61	37.19	-0.61

8	**TOTAL -**	**2550.74**	**3304.94**	**754.20**	**3190.41**	**639.66**
9	Less Non-Tariff Income	20.00	65.61	45.61	65.61	45.61
10	**GRAND TOTAL -**	**2530.74**	**3239.33**	**708.58**	**3124.79**	**594.05**
11	Saving passed on to beneficiaries on account of swapping of loan	0.00	-6.88	-6.88	- 8.32	**-8.32**
	Saving retained by MPPTCL on account of swapping of loan	0.00	+3.45	+3.45	+ 4.16	**+4.16**
		2530.74	**3235.90**	**705.15**	3120.63	**589.89**
12	MAT actually paid in FY 2013-14	0.00	0.095	0.095	0.095	**0.095**
	Grand Total	**2530.74**	**3235.99**	**705.25**	3120.73	**589.99**

Thus it has been observed that the total true-up amount claimed in revised true-up petition is Rs. 589.99 Cr viz-a-viz the true-up amount of Rs. 705.25 Cr. claimed in the original true-up petition.

29. The Commission, considered the revised petition filed by MPPTCL, and listed it for motion hearing on 15.10.2019

30. Motion hearing on revised petition was held on 15th October' 2019. The petitioner reiterated the contents of the revised petition in brief. The Commission observed as under:
   (a) MPPTCL has filed the revised petition alongwith draft public notices in English & Hindi versions.
   (b) MPPTCL has also filed the revised Reporter of Compliance report on Regulatory Compliance of FY 2017-18 vide its letter No. 6509 dated 10.10.2019.

31. The petition was admitted with the following directions:
   (i) The petitioner shall serve copy of the revised petition to the Respondents, within a weeks' time.
   (ii) The petitioner shall submit soft copy and three hard copies of the revised petition to the Commission for sale, if required, within a weeks' time.
   (iii) The petitioner shall publish the approved public notice, enclosed herewith, in widely circulated newspapers in Hindi & English versions, within a weeks' time and submit compliance report to the Commission.
   (iv) The Respondents shall submit their comments/ suggestions on the revised petition latest by 15.11.2019 with a copy to the petitioner.
   (v) The petitioner shall compile all comments/ suggestions received by it and shall submit its response on them to the Commission, latest by 20.11.2019.

32. The public hearing in the subject matter was fixed on 26.11.2019.

33. Vide its letter No. 04-01/CRA Cell/F-6/7204 dated 01.11.2019 submitted that the advance copy of the modified RoC report for FY 2017-18, submitted to the Commission on 10.10.2019, was placed before BoD in the 102nd meeting held on 15.10.2019 and the same has been ratified/ approved for onward submission to the Hon'ble Commission. The copy of BoD's resolution No. CS/MPPTCL/541 dated 01.11.2019 alongwith the subject RoC report was also enclosed by MPPTCL.

34. Vide letter No. 7828 dated 21.11.2019, MPPTCL confirmed publishing the public notice on the gist of subject petition in newspapers in Hindi and English versions on **30.10.2019**.

35. Vide its letter No. 04-01/CRA/F-121/7828 dated **22.11.2019**, MPPTCL also informed that it has not received any comments/ suggestions in the matter from any of the stakeholders/ public/ respondents till date.

36. Public hearing in the matter was held on **26th November' 2019** in court room of the Commission. The Commission received no comment/ suggestion in this matter from any respondent/ stakeholder. Only the representatives of MPPTCL appeared in the public hearing.

37. In para 2.5 to 2.6 and Annexure III of the revised petition, MPPTCL filed the following Transmission Capacity of **16734.57** MW for FY 2017-18 and its allocation among Discoms, SEZ and WCR.

*"2.5 **<u>TRANSMISSION CAPACITY FOR FY 2017-18</u>** –*

*Transmission capacity for FY 2017-18 is worked out on the basis of Generating capacity allocation served by MPPTCL in the previous financial year 2016-17. **<u>Annexure-III</u>** attached to this Petition shows total Station-wise Generating capacity allocation to MP as **17873.00 MW.** From this, Auxiliary consumption has been reduced from the Generators within the State. For Generating Stations, outside the State, both the Auxiliary consumption as well Inter-State Transmission losses has been reduced.*

*After deductions, net Transmission capacity is worked out as **16734.57 MW** for year 2017-18 of which **16494.57 MW** is for the 3 Discoms, **200 MW** for the Railways and **40MW** for SEZ.*

*2.6 **<u>TRANSMISSION CAPACITY ALLOCATION AMONG DISCOMS, RAILWAYS & SEZ</u>** -*

The capacity allocation to Discoms is proposed on the following basis.

*(i). The State Government vide notification dated 21.03.2016 **(Annexure-II)** has allocated all capacities to Madhya Pradesh Power Management Co. Ltd. and directed*

MPPMCL to distribute the power capacity in the ratio of energy requirement of three state owned Discoms. Accordingly, MPPMCL based on energy requirement has distributed the capacities same is tabulated hereunder;

Particulars	Energy input of Discoms	% allocation	MW Share
MP Poorva Kshetra Vidyut Vitaran Company Ltd. Jabalpur.	*19111.35*	*30.40%*	*5014.35*
MP Madhya Kshetra Vidyut Vitaran Company Ltd. Bhopal.	*21179.32*	*33.69%*	*5557.02*
MP Paschim Kshetra Vidyut Vitaran Company Ltd. Indore.	*22571.77*	*35.91%*	*5923.20*
Total -	***62862.44***	***100.00%***	***16494.57***

A capacity of 40 MW for SEZ and 200 MW for WCR is treated as additional.

(ii). The capacity for the year for 2017-18 is taken as that on 31st March 2017.

(iii). The percentage takes care of Bundelkhand's allocation to East Discom.

Based on above, the allocated transmission capacity is tabulated hereunder;

S. No.	Distribution Licensee	Percentage Allocation	Capacity Allocation for 2017-18 (MW)
1	*MP Poorva Kshetra Vidyut Vitaran Company Ltd. Jabalpur.*	*30.40%*	*5014.35*
2	*MP Madhya Kshetra Vidyut Vitaran Company Ltd. Bhopal.*	*33.69%*	*5557.02*
3	*MP Paschim Kshetra Vidyut Vitaran Company Ltd. Indore.*	*35.91%*	*5923.20*
4	*Total Discoms -*		*16494.57*
5	*MPAKVN SEZ-Pithampur*	*-*	*40*
6	*WCR on behalf of Railways*	*-*	*200*
	GRAND TOTAL -	***-***	***16734.57***

As per Transmission Tariff Regulations, the Distribution Companies, SEZ and West Central Railways as Long Term Open Access Customers will share the Transmission charges in the ratio of capacity allocated to them. Hon'ble Commission has considered percentage allocation of True-Up amount for FY 2016-17 as allocated in the MYT order dated 10.6.2016 & 26.4.2017 (for FY 2016-17). On the same lines MPPTCL has also proposed the percentage allocation of True-Up amount for FY 2017-18."

38. In Para 13.2 of the revised petition, the petitioner filed for sharing of true-up amount as under:

"A. *Details of capacity of Long Term Open Access Customers i.e. Discoms, SEZ and West Central Railways (WCR) as approved in MYT Order dated 10.6.2016 & Order dated 26.4.2017 are as under, The trued up Capacity on the basis of energy consumption of three State owned Discoms as on 31.3.2017 is given below. For*

West Central Railways (WCR) & SEZ, the contracted Transmission capacity as on 31.3.2017 is also depicted below;

(in MW)

S.N.	**Customer**	**Capacity as approved in MYT order dated 10.6.2016 & Order dated 26.4.2017**	**Trued Up Capacity**
1	MP Poorva KVVCL	4562.21	5014.35
2	MP Madhya KVVCL	4859.94	5557.02
3	MP Paschim KVVCL	5846.29	5923.20
4	MPAKVN for SEZ	40.00	40.00
5	Railways (WCR)	200.00	200.00
	TOTAL -	**15508.44**	**16734.57**

B. *The Hon'ble Commission distributed the True Up amount on the basis of capacity and percentage allocation as approved in MYT order dated 10.6.2016 and order dated 26.4.2017 & in True Up order dated 04.5.2018 for FY 2016-17. On the same principle, sharing of True-up amount amongst Discoms, SEZ and West Central Railways (WCR) has been proposed, which is tabulated below:*

(Rs. in Crores)

S. No.	**Customer**	**Capacity Allocated as per MYT** *(MW)*	**Amount as per filing in this petition**	**Amount as per MYT Orders**	**True-up to be shared**
1	MP Poorva KVVCL	4562.21	918.044	744.47	173.574
2	MP Madhya KVVCL	4859.94	977.955	793.07	184.885
3	MP Paschim KVVCL	5846.29	1176.436	954.03	222.406
4	MPAKVN for SEZ	40	8.049	6.53	1.519
5	Railways (WCR)	200	40.246	32.64	7.606
	TOTAL -	**15508.44**	**3120.73**	**2530.74**	**589.99**

CAPITAL COST AND CAPITAL STRUCTURE

39. The petitioner filed a list of works completed during FY 2017-18 with the revised petition. The aforesaid list contained a break-up of 364 works capitalized during the year along with 273 works done with consumer contribution, 118 works done by direct booking, other work-wise details like particulars of work, estimated amount, date when work completed, amount capitalized and date of capitalization etc. In the revised petition, the amount of direct booking items was reduced from Rs. 74.12 Cr in original petition to Rs. 65.64 Cr. in revised petition. A revised certificate dated 25.09.2019 issued by the Chief Financial Officer, MPPTCL Jabalpur certifying the following was also annexed with the petition:

"It is certified that the works of EHV Lines, Sub-Stations and other Assets amounting to Rs. ***779.46****Crores have been Capitalized in the Financial Year 2017-18 after reducing the Assets of worth Rs. 11.18 Crores which were withdrawn during FY 2017-18, the Net Capitalization during the year is Rs.* ***768.28 Crores****."*

40. MPPTCL filed the details of transmission lines and bays commissioned in FY 2017-18 (Annexure 4 of the revised petition) in support of its O&M claims. MPPTCL also filed the break-up of following capital cost and its funding:

CAPITAL COST –

(Rs. in Crores)

S. No.	Particular	Unit	Total Assets
1	Capital cost as on 31.3.2017 as admitted vide Order dated 04.5.2018	Rs. Cr.	8284.54
2	Capital expenditure during FY17-18 based on audited accounts	Rs. Cr.	779.46
3	Less Works capitalized through Consumer Contribution during FY 2017-18	Rs. Cr.	88.45
4	Less PSDF Scheme Grant Portion Recognized	Rs. Cr.	45.86
5	Less Assets adjusted/ withdrawn/ de-capitalized during the year	Rs. Cr.	11.18
6	Net Additional Capital expenditure during FY 2017-18	Rs. Cr.	**633.97**
7	Total capital cost as on 31.3.2018 (Net)	Rs. Cr.	8918.51

FUNDING OF CAPITAL COST –

(Rs. in Crores)

S. No.	Particular	Assets	Equity	Loan
1	Opening capital cost as on 01.04.2017 as per true-up order for FY2017-18	8284.55	2401.39	4024.62
2	Net-off Capitalization during the year for RoE calculations (considering normative 70 - 30 debt - equity ratio)	**633.97**	**190.19**	**443.78**
3	Closing capital cost as on 31.03.2018	8918.51	2591.58	4468.40

41. **Commission's Analysis:-**

On perusal of the contents in the subject petition with regard to true-up of the capital cost, the information gaps/ infirmities in the claims made by MPPTCL were communicated to it by the Commission and the response of MPPTCL on all such issues has been detailed in earlier paragraphs of this order.

42. The Commission observed that the capitalization mentioned in the original petition was different from that mentioned in Page 1 of Balance Sheet as on 31st March' 2018 and note 2 of Page 19-21 of Audited Accounts. This has been corrected by the petitioner in the revised petition.

43. The Commission observed that note 2 on page 19 of the Audited Accounts for FY 2017-18 mentions total tangible assets additions as Rs. 629.13 Crores and disposed/ adjustments

as Rs. 11.18 Crores making net additions as Rs. 617.95 Crores. The assets created against grant scheme (plant & machinery under PSDF scheme) is mentioned as Rs. 61.88 Crores

Note 2.4 states as under:
"Property, plant and equipment of Rs. 61.88 Crores under PSDF schemes for the purpose of renovation and upgradation of protection system of sub-station of MPPTCL has been capitalized during FY 2017-18 as per IND-AS. Out of Rs. 61.88 Cr. capitalized during the FY 2017-18, Rs. 45.86 Crore is assets created from PSDF grant fund and balance of Rs. 16.02 Crore is created from company contribution".

44. The Commission also observed that the approved guidelines/ procedures for disbursement of fund from Power System Development Fund (PSDF) issued vide letter dated 18.09.2014 of the Ministry of Power, Government of India, New Delhi provides (at Guideline No. 4.6) as under:

> "The Central Commission, at this stage shall not go into the details of the project cost, which will be examined by the Appropriate Commission only at the time of filing of tariff petition by the project entity to ensure inter alia that the tariff in respect of such project/ scheme is not claimed for the portion of grant from the PSDF".

45. As per the certificate of the Chief Financial Officer, MPPTCL, Jabalpur, the assets of **Rs.88.45** Crore were funded through consumer contribution and Rs. 65.64 Crore through direct booking and withdrawal of **Rs. 11.18** Crore was made from the Gross Block. Accordingly, addition of **Rs. 633.97** Crore (out of total capitalized amount of **Rs.768.28** Crore in FY 2017-18) is shown in the certificate. Therefore, an amount of **Rs.633.97 Crore** for the assets capitalized during FY 2017-18 is considered in the petition by the petitioner. The Commission after prudence check has observed that as per the Regulations and previous true-up order for FY 2016-17, the capital cost as per the Audited Accounts for FY 2017-18 is as given below:

CAPITAL COST:

S. No.	Particular	Unit	Total Assets
1	Capital cost as on 31.3.2017 as admitted vide True up Order For FY 2016-17 dated 04.05.2018	Rs. Cr.	8284.55
2	Capital expenditure during FY17-18 based on audited accounts	Rs. Cr.	629.12
3	Less : Assets adjusted/ withdrawn/ de-capitalized during the year	Rs. Cr.	(-)11.18
4	Add: MPPTCL Equity under PSDF Scheme as Per Para 2.4 Page 21 of audited accounts	Rs. Cr.	16.02

5	Net Additional Capital expenditure during FY 2017-18 (2 –3)	**Rs. Cr.**	**633.97**
6	Total capital cost as on 31.3.2018 (1+4)	Rs. Cr.	8918.51

The following funding of Capital Cost as on 31.03.2018 on normative Debt : Equity ratio is considered in this order:

FUNDING : **(Rs. in Crore)**

S. No.	Particular	Assets	Equity	Loan
1	Opening capital cost as on 01.04.2017 as per true-up order for FY2016-17	8284.54	2401.39	4024.62
2	Net-off Capitalization during the year for RoE calculations (considering normative 70 - 30 debt - equity ratio)	**633.97**	**190.19**	**443.78**
3	Closing capital cost as on 31.03.2018	8918.51	2591.58	4468.40

46. As per provisions under MPERC (Terms & Conditions for Determination of Transmission Tariff) (Revision-III) Regulations, 2016, the Commission has considered that the source of funding corresponding to the assets addition is 70% from loan and 30% from Equity as per normative debt- equity ratio. Thus, GFA addition of Rs. **633.97 Crore** is considered to be funded from a loan of Rs. **443.78Crore** and Equity of Rs. **190.19 Crore** as mentioned above.

The above figures of funding are considered in this order to work out interest and finance charges and Return on Equity.

47. Though the Commission has considered Net Additional Capital expenditure of Rs. 633.97 Crore during FY 2017-18 as mentioned above for the purpose of this True-up order, but it is made clear that the prayers of MPPTCL as mentioned in Para **22** of this order for approval of such works as part of Capex plan which have been capitalized by MPPTCL but which were not part of the approved capex plan is not considered in this order.

48. The Commission observed that vide its order dated 02.05.2018 in Petition no. 33/2017, approval was granted for Capital Investment Plan for Transmission works during the period from FY 2017-18 to FY 2021-22, subject to the terms and conditions mentioned in that order. The condition No. (xiii) provides that "MPPTCL shall obtain in-principle approval of the Commission in case of any change in the present capital investment plan filed with the subject petition".

49. However, the present True-up petition shows that several works with were not covered in the capex plan approved by the Commission, have been executed and capitalized by MPPTCL. The petitioner is directed to obtain approval of all such Capex which are not

included in the approved Capex plan. Hence, MPPTCL is required to file a appropriate petition for approval of Additional Capex Plan for same period from FY 2017-18 to FY 2021-22 regarding all works executed and planned to be executed in future which are not part of the approved Capex plan or for works where the executed amount in expected to exceed the approved amount. The aforesaid petition be filed by MPPTCL, **within a period of 60 days of this order**.

ANNUAL FIXED COST

50. The Annual Fixed Cost (AFC) of a Transmission System including Communication System is consist of the following components:
   - (i) Depreciation;
   - (ii) Return on Equity;
   - (iii) Interest and Finance Charges on loan capital;
   - (iv) Interest on working capital;
   - (v) Operation and Maintenance Expenses;
   - (vi) Lease/ Hire Purchase Charges

51. The component-wise analysis of the Annual Fixed Cost in this true-up order is as given below:

(i) DEPRECIATION:

52. **Petitioner's submission**:

The petitioner has broadly submitted the following in the revised petition:

"__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*

Hon'ble Commission had directed the Petitioner to reconcile the Asset Register and work out the Depreciation during the year on the above. The details of this Asset Register was submitted during the Truing-up process of 2012-13 for perusal of the Hon'ble Commission. The Opening Gross Blocks and Net Blocks of the Asset Register were reconciled & were of the same value as given in the Final Opening Balance Sheet. There was no change in Assets capitalized after 1.6.2005 which in turn were the same as submitted earlier and reconciled with the accounts. The Depreciation for FY 2014-15 was also worked out on the *basis of this reconciled Asset Register.*

Continuing with the Asset Register thus submitted, by extending the figures of GFA - Depreciation for the year, Accumulated Depreciation & Net Fixed Assets for 2017-18 has been worked out, as summarized in the following table;

				*(Amount **Rs.** in Crores)*
S. No.	***Date as on***	***Gross Fixed Assets***	***Accumulated Depreciation***	***Net Fixed Assets***
2	*31-03-2016*	*8278.30*	*3166.39*	*5111.91*
3	*31-03-2017*	*8837.80*	*3503.16*	*5334.64*
3	*31-03-2018*	*9606.08*	*3864.34*	*5741.74*

<u>REGULATIONS ON DEPRECIATION</u> *–*

The Depreciation for the year 2017-18 has been calculated as per Clause 25 of the Regulations.

<u>ADDITION OF ASSETS DURING FY 2017-18</u> *–*

MPPTCL has adopted IND AS for accounting from FY 2016-17 onwards and accounts for FY 2017-18 has also been prepared accordingly.

Assets inclusive of Consumer Contribution & PSDF Grant worth Rs. 779.46 Crores have been capitalized during the year and assets of value Rs. 11.18 Crores have been withdrawn. The above figure is inclusive of value Rs. 88.45 Crores that have been capitalized on account of consumer contributions and also Rs. 45.86 Crores against grant portion of PSDF Scheme. Thus, a net addition worth of Rs. 779.46 - Rs. 11.18 - Rs. 88.45 - Rs. 45.86 = Rs. 633.97 Crores (net capitalization) have been Capitalized during the year 2017-18. This is to submit that aforesaid figures has been adopted in compliance to the letter No. 1057 dated 19.07.2019 of Hon'ble Commission, whereas earlier submission were made taking Net Capitalization of Rs. 642.47 Crores and submitted for kind consideration vide letter No. 4584 dated 08.08.2019.

It is also to be submitted that as per the provisions of new IND AS adopted by the Company, this year, leasehold Asset amounting to Rs. 313.19 Crores for the Asset pertaining to PPP Project contracted to M/s Kalpataru Satpura Transco Pvt. Ltd. has also been shown in the Company's accounts; however, this amount of Rs. 313.19 Crores have not been considered in this Petition. The claim of Unitary Charges has been detailed out in Chapter XII (Para 12.1) of this Petition

*The certificate of Works Completion and Capitalization from the CFO (MPPTCL) along with the list of Assets capitalized during the year is enclosed as **<u>Annexure–V</u>**.*

DEPRECIATION AGAINST CONSUMER'S CONTRIBUTION WORKS –

Hon'ble Commission has prescribed the procedure to account for the Depreciation on Assets formed under Consumer's Contribution. Hon'ble Commission also mentioned to review this since 31.05.2005, the date of Opening Balance Sheet transfer. It is to mention that no such Assets have been capitalized till 31.03.2010. Such Assets have been capitalized in FY 2010-11 onwards only. The Depreciation on these Assets have been computed as per other Assets. Thereafter, these Assets are tabulated separately in Depreciation Model and Depreciation charged on these has been subtracted from total Depreciation claim.

Since the adjustment has been given in Depreciation itself, the amortization is not shown again as other income.

DEPRECIATION FOR FY 2017-18 –

*As per above procedure, the Depreciation (**excluding Depreciation on Assets formed under Consumer's Contribution**) for 2017-18, computed from Asset Register & Software model and comparison from previous year, is given below;*

(Amount Rs. in Crores)

FY	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
2016-17	8278.30	559.50	8837.80	3166.39	336.78	3503.17	5111.91	5334.64
2017-18	8837.80	768.28	9606.08	3503.16	361.18	3864.34	5334.64	5741.74

The category-wise details for FY 2017-18 are given in Format TUT-7 & 8.

TRUE-UP OF DEPRECIATION FOR FY 2017-18 -

(i)	Depreciation claim as per Para 8.5 above	Rs. **361.18** Crores
(ii)	Depreciation allowed in MYT order dated 10.06.2016	Rs. **324.22** Crores
	True-up Claim -	**(+) Rs. 36.96 Crores**

53. **Provisions under Regulations:**

Clause 25 of MPERC (Terms and Conditions for determination of Transmission Tariff) (Revision-III) Regulations, 2016, provides that,

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

(a) Depreciation shall be computed from the date of commercial operation of a Transmission System including Communication System or element thereof. In case of the tariff of a Transmission System including Communication System for which a single tariff needs to be determined, the depreciation shall be computed from the effective date of commercial Operation of the Transmission System taking into

consideration the depreciation of individual units or elements thereof.

Provided that effective date of Commercial Operation shall be worked out by considering the actual date of Commercial Operation and installed capacity or capital cost of all elements of the Transmission System, for which single tariff needs to be determined.

(b) The value base for the purpose of depreciation shall be the capital cost of the asset admitted by the Commission. In case of multiple elements of Transmission System, weighted average life Transmission System shall be applied. 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.

(c) 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.

(d) 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.

(e) 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.

(f) 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.

(g) In case of the existing Projects, the balance depreciable value as on 1.4.2016 shall be worked out by deducting the cumulative depreciation including Advance Against Depreciation as admitted by the Commission upto 31.3.2016 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%.

(h) 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.

(i) In case of de-capitalization of assets in respect of Transmission System or element thereof, the cumulative depreciation shall be adjusted by taking into account the depreciation recovered in tariff by the decapitalized asset during its useful services."

54. **Commission's Analysis:**

In view of the Asset-Depreciation Register filed by the petitioner, in which the depreciation for FY 2017-18 has been calculated as Rs. 361.18 Cr. As per Regulations, the following Depreciation is considered for FY 2017-18 in this order:

Sr. No.	Particular	Unit	Amount for FY 2017-18
1	Closing Gross Fixed Assets as on 31.03.2018, as per Para 45 of this order	Rs. Cr.	8918.51
2	**Depreciation during the year**	**Rs. Cr.**	**361.18**
3	Opening Cumulative Depreciation for FY 2017-18 (as per Para 37 of True-up order for FY 2016-17)	Rs. Cr.	3503.18
4	Closing Cumulative Depreciation for FY 2017-18	Rs. Cr.	3864.36

(ii) RETURN ON EQUITY:

55. **Petitioner's Submission:**

The petitioner broadly submitted the following in the revised petition:

"The MPERC (Terms and Conditions for Determination of Transmission Tariff - Revision-III) Regulations, 2016 notified on 15th January 2016 provides 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 base rate of 15.5% to be grossed up for tax .

Hon'ble Commission vide tariff order dated 10.6.2016 has allowed the RoE at the base rate of 15.5% on average Equity of Rs. 2347.65 Crores, which works out to Rs. 363.89 Crores and additional RoE for works completed within specified time limit as Rs. 0.44 Crores, totaling to Rs. 364.33 Crores for FY 2017-18.

<u>EQUITY INFUSED DURING 2017-18</u> –

The Balance Sheet incorporated in Audited Accounts for FY 2017-18, provides for following figures for Equity;

(i). Equity held on 31.03.2017 - Rs. 2687.70 Crores

(ii). Equity held on 31.03.2018 - Rs. 2786.47 Crores

An equity of worth Rs.131.45 Crores has been infused during the FY 2017-18 and after accounting of reserves and surplus, the net value comes out for the year under consideration as Rs. 2917.92 Crores

QUALIFYING EQUITY FOR ROE –

Eligible Equity for claim of RoE in line with the approach adopted by Hon'ble Commission in True up order for FY 2011-12 is worked out taking opening figures as per the True-up order for 2016-17, the same is tabulated as hereunder;

(Rs. in Crores)

S. No.	Particular	Unit	Amount for FY 2017-18
1	Opening Equity in FY 2016-17 (closing Equity of last year as per order)	Rs. Cr.	2401.39
2	Equity addition due to capitalization considered during the year	Rs. Cr.	190.19
3	Closing Equity in FY 2017-18	Rs. Cr.	2591.59
4	Average Equity in FY 2017-18	Rs. Cr.	2496.49
5	Return on Equity base rate	%	15.50
6	Tax rate actually paid during the year	%	0.00
7	Rate of Return on Equity	%	**15.50**
8	**Return on Equity**	Rs. Cr.	**387.96**
9	Cumm. Additional RoE from in respect of projects completed within specified time limit	Rs. Cr.	**0.55**
10	**Total Return on Equity -**	Rs. Cr.	**387.51**

Regarding above, it is also to submit that, keeping in tune with the approach of Hon'ble Commission towards calculating RoE as indicated in the True-up orders of previous years, the Format TUT-19 covering RoE has been suitably modified.

PROJECTS COMPLETED WITHIN SPECIFIED TIME LIMIT –

*Proviso of Clause 23.2 of Transmission Tariff Regulations provides that, in case of projects commissioned on or after 1st April 2009/ 2016, an additional return of 0.5% shall be allowed if such projects are completed within the time line specified in Appendix-I of the Regulations. Format TUT-18 attached to this Petition indicates the required information related to works completed during FY 2017-18. It is submitted that although the works may have been completed within time line specified in Appendix-I of the Regulations, Capitalization of specifically the big works generally take time, and only small works are Capitalized in the same year i.e. the year of completion. The details of works which were eligible for additional incentive in previous year have been submitted with the earlier True-up Petitions, a summary of the same is tabulated in Table-A to B below. The eligible works from those capitalized during 2017-18 is shown in **Annexure-VII** attached with this Petition. For other works claim will be lodged in subsequent True-up, on Capitalization of works.*

*From **Annexure-VII** the claim for this year is shown in Table-A & B below;*

***TABLE A** – FROM WORKS CAPITALIZED IN PREVIOUS YEARS -*

S No	Addl. RoE already allowed in Previous Years through True-up	Rs. Crores
1	For Works Capitalized In FY 2009-10	0.005
2	For Works Capitalized In FY 2010-11	0.100
3	For Works Capitalized In FY 2011-12	0.120
4	For Works Capitalized In FY 2012-13	0.020
5	For Works Capitalized In FY 2013-14	0.120
6	For Works Capitalized In FY 2014-15	0.070
7	For Works Capitalized In FY 2015-16	0.030
8	For Works Capitalized In FY 2016-17	0.070
A	**TOTAL -**	**0.535**

***TABLE B** – FROM WORKS CAPITALIZED IN FY 2017-18*

(i)	Value of G-forms of qualifying works	Rs. 9.417 Crores
(ii)	Equity employed with 70:30 ratio	Rs. 2.825 Crores
(iii)	0.5% Additional RoE	Rs. 0.014 Crores
(B) Claim lodged this Year =		**Rs. 0.014 Crores**

Total of (A) + (B) = Rs. 0.535 + 0.014 Crores = Rs. 0.549 Crores

Say Rs. 0.55 Crores

NORMATIVE LOAN –

If the average Equity is more than the eligible Equity, the same is to be treated as Normative Loan, and this "Normative loan" is eligible for interest at the rate 8.02% as indicated in Para 9.4 covering overall Weighted Average Rate of Interest for Year 2017-18. On the basis of Chapter-IX & X, formulated on lines of True up order for FY 2011-12, with opening figures based on True up Order for FY 2017-18, the following is obtained;

(Amount Rs. in Crores)

S No	Interest on Normative Loan	
a	Gross Block of Assets as on 01.04.2017	8284.54
b	Gross Block of Assets as on 31.03.2018 Net of Consumer Contribution	8918.51
c	Gross Block of Assets (Average)	8601.53
d	Maximum Qualifying Equity (30%) with 70:30 Debt : Equity ratio	2580.46
e	Equity at the beginning of the year employed on Capitalized Works	2401.40
f	Equity at the end of the year employed on Capitalized Works	2591.59
g	Average Equity employed on Capitalized Works	2496.50
h	Qualifying Equity	2580.46
i	Available equity	0.00
j	Normative Loan component only if (g)>(h))	**Nil**

***TRUE-UP OF RoE FOR FY 2017-18** –*

(Amount Rs. in Crores)

(i)	RoE Eligibility as per True-up claimed above	386.96
(ii)	Additional RoE as per Para 10.4 above	0.55
(iii)	Total RoE claimed	387.51

(iv)	*RoE allowed in MYT order for 2017-18*	*364.33*
(v)	***True-up amount***	***(+) Rs. 23.18***

56. **Provisions under Regulations:**

The provisions under Clause 23 of MPERC (Terms & Conditions for determination of Transmission Tariff) (Revision-III) Regulation, 2016 provide that,

23.1. "Return on equity shall be computed in rupee terms, on the paid up equity capital determined in accordance with Regulation 20.

23.2. Return on equity shall be computed at the base rate of 15.5% to be grossed up as per clause 23.3 of this Regulation:

Provided that:

(i) in case of Projects commissioned on or after 1st April, 2016, an additional return of 0.5% shall be allowed if such projects are completed within the timeline specified in ***Appendix-I****:*

(ii) the additional return of 0.5% shall not be admissible if the Project is not completed within the timeline specified above for reasons whatsoever:

(iii) additional RoE of 0.5% may be allowed if any element of the transmission project is completed within the specified timeline and it is certified by the competent authority that commissioning of the particular element will benefit the system operation in the regional/national grid:

(iv) the rate of return of a new project shall be reduced by 1% for such period as may be decided by the Commission, if the Transmission System is found to be declared under Commercial Operation without commissioning of any of the data telemetry and Communication System up to Load Dispatch Centre or protection system:

(v) as and when any of the above requirements are found lacking in a Transmission System based on the report submitted by SLDC, RoE shall be reduced by 1% for the period for which the deficiency continues:

23.3. The base rate of return on equity as allowed by the Commission under Regulation 23.2 shall be grossed up with the effective tax rate of the respective financial year. For this purpose, the effective tax rate shall be considered on the basis of actual tax paid in the respective financial year in line with the provisions of the relevant Finance Acts by the concerned Transmission Licensee, The actual income tax on other income stream including deferred tax (i.e., *income of non transmission business) shall not be considered for the calculation of "effective tax rate".*

23.4. 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 effective tax rate in accordance with clause 23.3 of this Regulation, and shall be calculated at the beginning of every financial year based on the estimated profit and tax to be paid estimated in line with the provisions of the relevant Finance Act applicable for that financial year to the company on pro-rata basis by excluding the income of or non-transmission business, as the case may be, and the corresponding tax thereon. In case of Transmission Licensee paying Minimum Alternate Tax (MAT), "t" shall be considered as MAT rate including surcharge and cess.

Illustration.-

(i) In case of the Transmission Licensee paying Minimum Alternate Tax (MAT) say, @ 20.96% including surcharge and cess:

Rate of return on equity = 15.50/ (1-0.0.2096) = 19.610%

(ii) In case of the Transmission Licensee paying normal corporate tax including surcharge and cess:

(a) Estimated Gross Income from transmission business for FY 2016-17 is Rs 1000 Crore.

(b) Estimated Advance Tax for the year on above is Rs 240 Crore

(c) Effective Tax Rate for the year 2016-17 = Rs 240 Crore/Rs 1000 Crore = 24%

(d) Rate of return on equity = 15.50/ (1-0.24) = 20.395%

The Transmission Licensee shall true up the grossed up rate of return on equity at the end of every financial year based on actual tax paid together with any additional tax demand including interest thereon, duly adjusted for any refund of tax including interest received from the income tax authorities pertaining to the tariff period FY 2016-17 to FY 2018-19 on actual gross income of any financial year. However, penalty, if any, arising on account of delay in deposit or short deposit of tax amount shall not be claimed by the Transmission Licensee. Any under-recovery or over-recovery of grossed up rate on return on equity after truing up, shall be recovered or refunded to the Long Term Transmission

Customers on year to year basis."

57. **Commission's Analysis:**

The information gaps/ infirmities regarding this issue were communicated to the petitioner and the petitioner's response on all such issues have been discussed in earlier paragraphs of this order.

58. On perusal of the information filed for additional RoE, the Commission observed that the capitalized amount shown in Annexure VII is much less than the estimated amount. It was also observed that a number of works capitalized in previous years for which additional RoE has been claimed in Table –A are not enclosed in the petition. Hence, the petitioner was asked to provide complete details for its claim alongwith modified Annexure VII.

59. In response, the petitioner submitted as under:

*(a) The estimates are sanctioned based on the anticipated requirement of work, however, sometimes due to site conditions, the scope of actual work reduces. In the instant case, the completed value of work is Rs. 9.417 Crores against the sanctioned amount of Rs. 20.62 Crores. The additional RoE has been claimed @0.5% on equity portion of completed value of work only. The Hon'ble Commission in earlier years have approved the qualifying works for additional RoE which are shown below in **Table-A** along with reference of True-Up orders for the relevant years. It is also submitted that in Annexure-VII of the True-Up petition only those works are mentioned for which additional RoE is being claimed. It is also submitted for kind consideration that inadvertently, the additional RoE amount for FY 2015-16 has been indicated as Rs. 0.070 Crores in the **Table-A** of Para-10.4 of the True-Up petition which has now been corrected and indicated as approved amount of Rs. 0.030 Crores. The modified **Table-A** and **Table-B** is given below for kind perusal please.*

<u>MODIFIED TABLE (A) of Para 10.4 of True-Up Petition FY 2017-18</u>

S No	*Addl. RoE approved by Hon'ble MPERC in previous years through True-up order*	*Amount Rs. in Crores*	*Reference of Hon'ble MPERC order*
1	*For Works Capitalized In FY 2009-10*	*0.005*	*Para 4.99 of True Up Order dated 06.8.2012*
2	*For Works Capitalized In FY 2010-11*	*0.100*	*Para 4.74 of True Up Order dated 02.2.2013*
3	*For Works Capitalized In FY 2011-12*	*0.120*	*Para 28 of True Up Order dated 11.11.2013*
4	*For Works Capitalized In FY 2012-13*	*0.020*	*Para 30 of True Up Order dated 21.8.2014*
5	*For Works Capitalized In FY 2013-14*	*0.120*	*Para 31 of True Up Order dated 28.4.2015*
6	*For Works Capitalized In FY 2014-15*	*0.070*	*Para 30 of True Up Order dated 18.4.2016*
7	*For Works Capitalized In FY 2015-16*	*0.030*	*Para 33 of True Up Order dated 15.5.2017*

8	*For Works Capitalized In FY 2016-17*	*0.070*	*Para 28 of True Up Order dated 04.5.2018*
A	***TOTAL -***	***0.535***	

<u>TABLE-(B) of Para 10.4 of True-Up Petition FY 2017-18</u>

(i)	*Value of G-forms of qualifying works*	*Rs. 9.417 Crores*
(ii)	*Equity employed with 70:30 ratio*	*Rs. 2.825 Crores*
(iii)	*0.5% Additional RoE*	*Rs. 0.014 Crores*
(B) Claim lodged this Year =		*Rs. **0.014 Crores***

Total of (A) + (B) *= Rs. 0.535 + Rs. 0.014 Crores = Rs. 0.549 Crores*

Say** Rs. **0.55 Crores

It is requested to kindly consider and allow an amount of Rs. 0.55 Crores towards additional RoE.

60. In the last true-up order for FY 2016-17 the closing equity of FY 2015-16 was considered as equity employed on capital cost at the beginning of year. The equity infusion during FY 2016-17 was also considered only for the assets created and capitalized during that year. Similarly, the equity amount of Rs. **2401.39** Crore at the end of FY 2016-17 is considered as opening equity in this true-up order. The equity infusion of **Rs. 190.19 Crore** during FY 2017-18 is considered in this order. Accordingly, the Return on Equity for FY 2017-18 is worked out as under:

Return on Equity:

Sr. No.	Particular	Unit	Amount for FY 2017-18
1	Opening Equity as on 01.04.2017(as per True up order of FY 2016-17- closing Equity of previous year)	Rs. Cr.	2401.39
2	Addition due to additional capital expenditure during the year	Rs. Cr.	190.19
3	Closing Equity as on 31.03.2018	Rs. Cr.	2591.58
4	Average Equity during FY 2017-18	Rs. Cr.	2496.485
5	Return on equity base rate	%	15.5
6	Tax rate actually paid during the year (No Tax Paid)	%	-
7	Applicable Rate of return on Equity	%	15.5
8	**Return on equity**	Rs. Cr.	**386.96**
9	Additional RoE in respect of projects completed within specified time limit	Rs. Cr.	**0.55**
10	**Total return on equity worked out (8+9)**	**Rs. Cr.**	**387.51**

61. In view of the above, the Commission has considered the total Return on Equity of Rs. **387.51 Crore** (including additional return on Equity of Rs. **0.55 Crore**) in this order.

(iii) INTEREST AND FINANCE CHARGES ON LOAN CAPITAL:

62. **Petitioner's submission:**

The petitioner broadly submitted the following in the revised petition:

*"**SANCTION UNDER TARIFF ORDER FOR FY 2017-18** -*

Hon'ble Commission under order dated 10.06.2016, allowed following Interest and Finance charges to MPPTCL for year 2017-18;

(i).	Interest & Finance Charges	Rs.131.26 Crores
(ii)	Interest on Working Capital	Rs.67.33 Crores
TOTAL -		**Rs.198.59 Crores**

***LOANS TRANSFERRED THROUGH OPENING BALANCE SHEET** -*

The Govt. of M.P. has notified the final Opening Balance Sheet on 12th June 2008, as referred in Chapter 1 of this Petition. 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;

*(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**

*A Statement showing the position of the above mentioned liabilities as on FY 2017-18 has been prepared and is a part of **Annexure-VI**.*

***WEIGHTED AVERAGE RATE OF INTEREST** -*

*Hon'ble Commission has desired that the Rate of Interest for each category of loans such as PFC, ADB, State Govt. etc. should be worked out by considering rate of interest of various loan instalments applicable during the year. It is to submit that State Government Fund for JICA IDP 217 & ADB 3066 related works were based on debt i.e. there was no component of equity given by the State Government. Finance Department (GoMP) considered the request of MP Power Transmission Co., Ltd. to infuse equity in the JICA and ADB funded projects in such manner that the loan and equity portion to be kept in the ratio of 70:30. However, it was decided that 70% Loan portion would carry interest rate of 12% with retrospective effect. The same was conveyed to MPPTCL vide Energy Department letter No. F5-15/2014/13 dated 31.03.2017, the same is enclosed as **Annexure- XVI**. Further, for the FY*

2017-18 the Govt. of MP has released Rs.102.38 Crores as equity under ADB-3066 and JICA IDP-217 project out of which Rs.28.12 Crores has been received. Therefore, the interest on externally aided projects (ADB-3066 & JICA IDP-217) was revised to 12% with retrospective effect. It is also mentioned in the Energy Department letter dated 31.03.2017 that the same has been done in order to maintain the ratio of 70:30 between Loan and Equity portion of the project so as to make the project financially viable.

It is to submit that as directed by the Hon'ble Commission vide Para 33 of the True up order dated 04.05.2018 for FY 2016-17 that since any change in interest rates between the State Govt. and the Govt. of India/ Lending Agencies have not been finalized, the revision of total weighted average rate of interest on account of change in interest rate of JICA and ADB 3066 loans and consequential claim for the prior period i.e. FY 2012-13 to FY 2015-16 is not considered. On similar ground, the interest claims of JICA and ADB 3066 loans were considered@1.5% and 2.14% respectively instead of 12%.The earlier submissions in this petition for True up claim of FY 2017-18, were made taking the interest rate @12% for JICA and ADB 3066 loans which were revised in compliance to the directives of the Hon'ble Commission vide letter No. 272 dated 13.02.2019. The total weighted average rate of interest is now worked out is in compliance to the observations and directions of the Hon'ble Commission. It is also submitted that consequent upon finalization of interest rates between the GoMP & Govt. of India/ lending agencies in respect of JICA and ADB 3066 loans, as desired by the Hon'ble Commission, the claims for revised rates of interest for FY 2012-13 till applicable financial year shall be lodged in subsequent True Up Petitions.

The computation of interest for each category for FY 2017-18 is done and enclosed as Annexures numbered IX to XV, details of which are tabulated hereunder;

S. No.	***Loan Scheme***	***Weighted Average Rate of Interest***	***Remarks***
1	*GoMP JICA IDP-217*	*1.50%*	*Ref. Anx- IX*
2	*State Govt. - General*	*16.50%*	*Ref. Anx- X a*
3	*Market Bonds*	*8.30%*	*Ref. Anx- X b*
4	*ADB 1869*	*10.60%*	*Ref. Anx- XI*
5	*ADB 3066*	*2.14%*	*Ref. Anx- XII a*
6	*ADB 2323*	*3.03%*	*Ref. Anx- XII b*
7	*ADB 2346*	*3.03%*	*Ref. Anx- XII c*
8	*SCSP*	*16.50%*	*Ref. Anx- XIII a*
9	*TSP*	*16.50%*	*Ref. Anx- XIII b*
10	*Union Bank Of India*	*8.38%*	*Ref. Anx- XIV*
11	*KfW(GEC-I)*	*11.50%*	*Ref. Anx- XV*

***Note**: The 'Weighted Average Rate of Interest' worked out in above mentioned Annexures are based on 'Principal Not Due' only, therefore, may differ from actual loan portfolio.*

OVERALL WEIGHTED AVERAGE RATE OF INTEREST FOR 2017-18

Clause 24.5 of the Transmission Tariff Regulations says;

"The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio after providing appropriate accounting adjustment or interest capitalized."

The Weighted Rate of Interest is worked out on the basis of the principal not due outstanding at the end of the year, and on the rate of interest against various loans as worked out in Para 9.3 above. The working is shown in the following table:-

(Rs. in Crores)

S. No.	Particulars	Principal not due as on 31.03.2018	Rate of interest (%)	Interest
1	GoMP JICA IDP-217	590.20	1.50%	8.85
2	State Govt. - General	15.22	16.50%	2.51
3	Market Bonds	3.80	8.30%	0.32
4	ADB 1869	168.67	10.60%	17.88
5	ADB 3066	319.76	2.14%	6.84
6	ADB 2323	350.55	3.03%	10.62
7	ADB 2346	521.01	3.03%	15.79
8	SCSP	4.19	16.50%	0.69
9	TSP	5.15	16.50%	0.85
10	KfW(GEC-I)	12.37	11.50%	1.42
11	Union Bank Of India	102.87	8.38%	8.62
TOTAL -		**2093.79**	-	**74.39**

Weighted Average Rate of Interest = (74.39 / 2093.79)*100 = 3.55%

ELIGIBILITY OF INTEREST FOR YEAR 2017-18 -

Clause 24.2 and 24.3 of the Transmission Tariff Regulations notified on 14.12.12 states the following;

"24.2 The normative loan outstanding as on 01-04-2013 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.03.2013 from gross normative loan.

24.3 The repayment for each year of the Tariff period 2013-16 shall be deemed to be equal to the depreciation allowed for that year."

In accordance with the above, the position of loans up to 31.03.2017 has been worked out in ***Annexure-VI****, considering the actual loan repayments during each year. The repayment of loan is deemed as equal to Depreciation being claimed in the True-up Petition for 2017-18.*

Further, Hon'ble Commission vide its order dtd. 12.12.2013 has directed to adopt its approach regarding the True up order for FY 2011-12.

In line with the approach & True up order for FY 2011-12 & also 2012-13 to 2016-17, the interest claim for FY 2017-18 is worked out as hereunder:

CAPITAL COST –

(Rs. in Crores)

S. No.	Particular	Unit	Total Assets
1	Capital cost as on 31.3.2017 as admitted vide Order dated 04.5.2018	Rs. Cr.	8284.54
2	Capital expenditure during FY17-18 based on audited accounts	Rs. Cr.	779.46
3	Less Works capitalized through Consumer Contribution during FY 2017-18	Rs. Cr.	88.45
4	Less PSDF Scheme Grant Portion Recognized	Rs. Cr.	45.86
5	Less Assets adjusted/ withdrawn/ de-capitalized during the year	Rs. Cr.	11.18
6	Net Additional Capital expenditure during FY 2017-18	Rs. Cr.	**633.97**
7	Total capital cost as on 31.3.2018 (Net)	Rs. Cr.	8918.51

FUNDING OF CAPITAL COST –

(Rs.in Crores)

S. No.	Particular	Assets	Equity	Loan
1	Opening capital cost as on 01.04.2017 as per true-up order for FY2016-17	8284.54	2401.39	4024.62
2	Net-off Capitalization during the year for RoE calculations (considering normative 70 - 30 debt - equity ratio)	**633.97**	**190.19**	**443.78**
3	Closing capital cost as on 31.03.2018	8918.51	2591.58	4468.40

INTEREST ON LOAN –

(Rs. in Crores)

S. No.	Particular	Unit	Amount claimed for FY 2017-18
1	Opening Loan (equal to closing loan for FY 2016-17 allowed in Para 34 of order dated 04.05.2018 for true-up of transmission tariff for FY 2016-17 in P. No. 58/ 2017)	Rs. Cr.	2451.05
2	Loan component added for Capitalization considered during the year	Rs. Cr.	443.78
3	Repayment equal to depreciation during the year	Rs. Cr.	361.18
4	Closing Loan	Rs. Cr.	**2533.65**
5	Average Loan	Rs. Cr.	**2492.35**
6	Wt. average rate of interest as claimed	%	3.55%
7	**Interest on Loan**	Rs. Cr.	**88.48**

REFINANCING OF LOAN **-**

Rs. 118.63 Crores swapped against the fully prepaid PFC loans on 16.10.2017. The loan swapping was done to save on interest charges which were reduced from 11.75% for

*PFC loan to 8.38% for Union Bank of India. The Company had paid prepayment premium (refinancing Charges) of Rs.3.11 Crores for the above said swapping which is the additional financial cost to the company. This amount of Rs.3.11 Crores is being claimed as per para 24.7 of tariff regulation dated 15.01.2016 which stipulate that the transmission licensee shall make every effort to refinance the loan as long as it results in net savings on interest and in that event the cost associated with such refinancing 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 net savings on interest due to swapping of loans is evaluated to Rs.12.48 Crores which shall be shared between the beneficiaries and MPPTCL in ratio of 2:1(i.e. Rs. 8.32 Crores **:** 4.16 Crores).The above said amount towards net savings is passed on / retained as indicated in table 13.1 (A).*

***NET INTEREST CLAIMED FOR FY 2017-18 BASED ON PARA 9.5* -**

(Rs. in Crores)

i.	*Gross Interest claim as per Para 9.5*	-	*88.48*
ii.	*Refinancing Charges as per para 9.6*	-	*3.11*
iii.	*Interest allowed in order dtd. 10.06.16*	-	*131.26*
iv.	*True up claimed for interest (i+ii-iii)*	-	***(-) 39.67 Crores***

***INTEREST ON WORKING CAPITAL* –**

The Interest on Working Capital is to be worked out on Normative basis as per Clause 28 & 38 of the Transmission Tariff Regulations, the working is given in Format TUT -16 and summarized in the following table;

***Working Capital requirement for 2017-18* -**

i.	*O&M expenses for one month (Rs. 464.24 Crores / 12)*	*Rs. 38.69 Crores*
ii.	*Maintenance spares @ 15% of the O&M expenses*	*Rs. 69.64 Crores*
iii.	*Receivables equivalent to 2 months Transmission charges*	*Rs. 520.80 Crores*
	Total Working Capital --	*Rs. 629.13 Crores*
iv.	*Interest on working capital @ 12.60 % i.e. SBI's Base rate of 9.1% as on 01.04.2017 plus 3.5%*	*Rs. 79.27 Crores*

***TRUE UP OF INTEREST CHARGES FOR FY 2017-18* –**

(Rs. in Crores)

S. No.	***Particulars***	***As allowed in Tariff order***	***As per this petition***	***True Up***
1	*Interest on loans*	*131.26*	*91.59*	*-39.67*
2	*Interest on working capital*	*67.33*	*79.27*	*11.94*
NET TRUE UP Rs. in Crores -				***(-) 27.73***

63. **Provisions of Regulations:**

Clause 24 of MPERC (Terms & Conditions for Determination of Transmission Tariff)

(Revision-III) Regulations, 2016 provides that,

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

24.2. *The normative loan outstanding as on 1.4.2016 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.3.2016 from the gross normative loan.*

24.3. *The repayment for each year of the tariff period FY 2016-17 to FY 2018-19 shall be deemed to be equal to the depreciation allowed for the corresponding year/period. In case of de-capitalization of assets, the repayment shall be adjusted by taking into account cumulative repayment on a pro-rata basis and the adjustment should not exceed cumulative depreciation recovered upto the date of decapitalization of such asset.*

24.4. *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.*

24.5. *The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio after providing appropriate accounting adjustment or interest capitalized*

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.

24.6. *The interest on loan shall be calculated on the normative average loan of the year by applying the weighted average rate of interest.*

24.7. *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.*

24.8. *The changes to the terms and conditions of the loans shall be reflected from the date* *of such re-financing.*

24.9. 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."

64. **Commission's Analysis**

The information gaps/ infirmities regarding this issue were communicated to the petitioner and the petitioner's response on all such issues has been discussed in detail in earlier paragraphs of this order.

65. The Commission observed that the petitioner had claimed the revised interest rate of 12% in respect of JICA and ADB 3066 loans in its Petition No. 58 of 2017 for true-up of FY 2016-17 mentioning that the interest rate were revised from 1.5% and 2.14% to 12% in respect of these loans. After examining several information and documents obtained from MPPTCL, the Commission in Para 31-33 of Order dated 4th May' 2018 for true-up of transmission tariff for FY 2016-17 did not consider the claim of MPPTCL for the interest amount on account of change in interest rates in terms of Regulation 4.1(i)(v) of MPERC (Terms and Conditions for determination of Transmission Tariff) Regulations, 2016.

66. Despite all above, the petitioner has again claimed the interest rate of 12.00% in respect of JICA and ADB 3066 loans in the subject petition to arrive at the higher weighted average interest rate of 8.02% without any additional details/ documents. Therefore, the petitioner was asked to explain the reasons for claiming the revised rate of interest against the Commission's observations and decision on this issue in the aforesaid order.

67. In response, the petitioner submitted as under:

It is to submit that MPPTCL has claimed the revised interest rate of 12% in respect of JICA & ADB 3066 in instant Petition in compliance to GoMP Order No. F/5-15/2014/13 dated 31/03/2017. The Hon'ble Commission at Para 33 of the True-up order dated 04.05.2018 has disallowed the claim of MPPTCL amounting to Rs. 101.29 Crores for the prior period in terms of Regulation 4.1(i) (v) of MPERC (Terms and Conditions for determination of Transmission Tariff) Regulations 2016. In line with the above, in this petition the claim for the prior period i.e. FY 2012-13 to FY 2016-17 has not been considered and only 12% rate of interest in respect of JICA & ADB 3066 Loans has been considered for FY 2017-18 only. It is to submit that the claim for prior period shall be lodged in the *subsequent years on receipt of any additional details/document from GoMP. It is also submitted for kind consideration of the Hon'ble Commission that the MPPTCL's accounts have been finalized in compliance to the GoMP order and the Statutory Auditors have found the same as legitimate expenses while giving their approval to the same in accordance with IND-AS. In view of the above, it is requested that the claim of MPPTCL worked out in accordance with GoMP order conforming to the audited accounts may kindly be considered by the Commission for FY 2017-18 and the same may kindly be allowed.*

68. The Commission observed that in Para 33 of Commission's last true up order dated 4th May' 2018, it was mentioned that MPPTCL did not have information about any change in the interest rate between the State Government and Government of India/ leading agencies. It was further observed that the interest charges were worked out as financial commitment however, the same were not actually paid. With the aforesaid observations, the claim for prior period was not considered as well as the weighted average rate of interest for FY 2016-17 was also got reworked to 3.84%. However, the status of information or reply filed by MPPTCL remain unchanged. Therefore, MPPTCL was asked to submit the revised calculation for weighted average interest rate for FY 2017-18.

69. **Response by MPPTCL:**

In response, the petitioner submitted as under:

The weighted average rate of interest has been worked out based on the communication received vide letter No. F-5-15/2014/XIII dated 31.03.2017 from the Govt. of MP, Energy Deptt. which stipulated applicable interest @12% in respect of ADB-3066 and JICA Loan. The stipulation regarding revised rate of interest as aforesaid as communicated by the Govt. of MP, Energy Deptt. will be the essential part of the terms and conditions to be defined in the on lending agreement to be executed between the lending agencies and GoI/ GoMP.

As directed by the Hon'ble Commission, the revised calculation for weighted average rate of interest for FY 2017-18 along with detailed working of revised ARR is submitted herewith as Annexure - A.

70. The Commission observed that the petitioner MPPTCL has revised the calculation for weighted average rate of interest for FY 2017-18 which shows that the weighted average rate has been reduced from **8.02%** (in table under para 9.4 of the petition) to **3.55%** (in annexure A of present submission) and so the interest on loan has reduced from **Rs. 200.12 Crore** to **Rs. 88.58 Crore**.

71. Accordingly, the Commission has considered Rs. **88.48** Crores against Interest and Finance charges for FY 2017-18 in this order as given below:

Sr. No.	Particular	Unit	Amount for FY 2017-18
1	Opening Loan	Rs. Cr.	2451.05
2	Loan addition for additional Capitalisation considered	Rs. Cr.	443.78
3	Repayment equal to depreciation during the year	Rs. Cr.	361.18
4	Closing Loan	Rs. Cr.	**2533.65**
5	Average Loan	Rs. Cr.	**2492.35**
6	Wt. average rate of interest as claimed	%	3.55%
7	**Interest on Loan**	Rs. Cr.	**88.48**

72. In Para 96 of the petition, MPPTCL has claimed Rs. 3.11 Cr. as refinancing charges. In terms of the Regulation 24.7 of MPERC (Terms and Condition for Determination of Transmission Tariff) Regulations,2016, the Commission has considered the same in this order. Accordingly, the total Interest and finance charges of **Rs. 91.59 Cr** is considered in this true up order.

(iv) OPERATION AND MAINTENANCE EXPENSES:

73. **Petitioner's Submission:** The petitioner broadly submitted the following:

*"**O&M EXPENSES DURING FY 2017-18** -Hon'ble Commission has allowed O&M expenses of Rs. 446.58 Crores for FY 2017-18. This covers Employee Cost, A&G and Repairs & Maintenance Expenses during the year. It was however mentioned that if progress achieved is more than quantities considered in this order, higher amount of O&M will be allowed. The provision is based on the O&M Norms notified in the Transmission Tariff Regulation. The same is as hereunder;*

Norms for O&M Expenses

S. No.	Particulars	FY 2016-	FY 2017-	FY 2018-
	Lines	**Rs. Lakh / 100ckt km / annum**		
1.	400 kV	32.00	33.32	34.70
2.	220 kV	29.88	31.11	32.40
3.	132 kV	31.44	32.74	34.10
	Bays	**Rs. Lakh / Bay / annum**		
1.	400 kV Bay	09.58	09.98	10.39
2.	220 kV Bay	11.12	11.58	12.06
3.	132 kV Bay	11.16	11.62	12.10

Hon'ble Commission while allowing O&M Expenses for the year 2017-18 in the above referred order and tabulated in Para 5.1, considered the following average length of EHV Lines and Bays for the period 01.04.17 to 31.03.18. O&M expenses for year 2017-18 have been allowed as Rs. 446.58 Crores, considering following parameters;

S. No.	*Particulars*	*O&M Norms 2017-18 Rs. in Lacs*	*Parameters taken for 2017-18*	*O&M Expenses allowed for 2017-18 (rounded to Rs. In Lacs)*
1	*400 KV Line*	*33.32/100 Ckt-KM*	*3101.86 Ckt-KM*	*1033.54*

2	400 KV Bays	9.98	129	1290.09
3	220 KV Line	31.11/100 Ckt-KM	12320.17 Ckt-KM	3832.80
4	220 KV Bays	11.58	644.00	7454.46
5	132 KV Line (incl. of 66 KV)	32.74/100 Ckt-KM	16733.04 Ckt-KM	5478.40
6	132 KV Bays	11.62	2105	25308.36
TOTAL Rs. in LACS -				**44657.85**

PROVISION FOR TRUE UP OF O&M EXPENSES -

Item 37 (Clause 37.1 & 37.2) of MYT Regulations notified on 15.01.2016 provides that true up of O&M expenses will depend on length of Lines and number of Bays. The relevant Clauses are reproduced hereunder;

*"**37.1** The O&M expenses comprise of employee cost, repairs & maintenance (R&M) cost and administrative & general (A&G) cost. The norms for O&M expenses have been fixed on the basis of circuit kilometers of transmission lines and number of bays in sub-station. These norms exclude pension, terminal benefits, incentive & arrears to be paid to employees, taxes payable to the Government and fee payable to MPERC. The Transmission Licensee shall claim the taxes payable to the Government, fees to be paid to MPERC & any arrears paid to employees separately as actuals. The claim of pension and terminal benefits shall be dealt as per Regulation 27.5"*

37.2 *The total allowable O&M expenses for the Transmission Licensee shall be calculated by multiplying the average number of bays and 100 Ckt-KM of line length for the Year with the applicable norms for O&M expenses per bay and per 100 Ckt-km respectively. In support of its claim for allowable O&M expenses, the Licensee shall submit before the Commission, the actual or projected circuit kilometers of line lengths and number of bays for each voltage level separately for each Year of the Tariff Period as the case may be."*

NETWORK EXPANSION AND O&M EXPENSES FOR FY - 2017-18 –

The average voltage-wise length of line & Bays on the basis of actual progress made during the year and the allowable O&M expenses for FY- 2017-18 based on approved norms, is worked out as under;

S. No.	Particulars	O&M Norms 2017-18 Rs. in Lacs	Parameters taken for 2017-18	O&M Expenses allowed for 2017-18 (rounded to Rs. In Lacs)
1	400 KV Line	33.32/100 Ckt-KM	3074.45 Ckt-KM	1024.41
2	400 KV Bays	9.98	123	1227.54
3	220 KV Line	31.11/100 Ckt-KM	12381.22 Ckt-KM	3851.80
4	220 KV Bays	11.58	648.00	7503.84
5	132 KV Line (incl. of 66 KV)	32.74/100 Ckt-	17364.24 Ckt-	5685.05

		KM	KM	
6	132 KV Bays	11.62	2192.00	25471.04
			TOTAL Rs. in LACS -	**44763.68**

Say Rs. 447.64 Crores

List of Lines and Bays added during 2017-18 is enclosed as ***Annexure-IV A & B.***

ACTUAL O&M EXPENSES AS PER AUDITED ACCOUNTS *–*

The Regulations provide for claiming O&M Expenses on normative basis on certain heads. The actual O&M Expenses are therefore for information only. The details of O&M Expenses are given in formats TUT-3 to TUT-5 as per details given hereunder;

(Rs. Crores)

S. No.	Format No.	Particulars	Gross Amount	Less Capitalized	Less SLDC Expenses	Net Amount
1	TUT-3	R&M Expenses	97.09	2.11	0.80	94.17
2	TUT-4	Employee Cost	335.61	77.38	8.29	249.94
3	TUT-5	A&G Expenses (MPERC fee Rs.1.63 not incl. in Net Amt)	95.41	13.66	1.44	80.31
4		**TOTAL -**	**528.11**	**93.15**	**10.53**	**424.42**

The provision of arrears of wage revision under 7th pay commission amounting to Rs. 83.96 Crores has been worked out as per Notification No. MPPTCL/E6/4116 dated 29.12.2017.The liability under the 7th pay commission is payable in 36 instalments from January 2018.The actual amount of arrears of Wage Revision under 7th pay commission paid during FY 2017-18 is Rs. 16.60 Crores.

PROVISION FOR ARREARS *-*

Regarding the Arrears, Para 37.1 of Regulations notified on 10.06.2016 stipulates the following;

> *"**37.1** The O&M Expenses comprise Of Employee Cost, Repairs & Maintenance (R&M) Cost and Administrative & General (A&G) Cost. The norms for O&M Expenses have been fixed on the basis of circuit kilometers of Transmission lines and number of bays in substation. These norms exclude Pension, Terminal Benefits, Incentive and Arrears to be paid to employees, taxes payable to the Government and fee payable to MPERC. The Transmission Licensee shall claim the taxes payable to the Government, fees to be paid to MPERC* ***and any arrears paid to employees separately as actuals****. The claim of Pension and Terminal Benefits shall be dealt-with as per Regulation 27.5."*

Accordingly Rs. 16.60 Crores are being claimed as per actuals over & above the normative O&M claims.

CLAIM OF O&M EXPENSES – TRUE UP *-*

Net True up of O&M Expenses for FY 2017-18 is tabulated hereunder;

S. No.	*Particulars*	*Amount(Rs. Crores)*
1	*O&M claim as per O&M Norms worked out in Para 6.3 above*	*447.64*
2	*O&M claim for Wage Revision payment as per Para 6.6*	*16.60*
3	*O&M Expenses allowed in Tariff order for FY 2017-18*	*446.58*
4	*True up amount of O&M Expenses ((1+2)-3))*	***17.66***
Net True up Claim (O&M): (+) Rs. 17.66 Crores		

74. **Provisions under Regulations:**

Regulation 27.0 in MPERC (Terms and Conditions for determination of Transmission Tariff) Regulations, 2016 provides as under:

27.1. "Operation and Maintenance Expenses shall be determined for the Tariff period based on normative O&M expenses specified by the Commission in these Regulations.

27.2. On examination of the details gathered from MPPTCL regarding transmission network parameters being considered for calculation of normative expenses and actual expenditure from FY 2010-11 to FY 2013-14 in respect of Employee expenses, Repair and Maintenance expenses and Administrative and General expenses, it was found that the normative O&M expenses allowed in the last control period was higher than the actual expenditure incurred by MPPTCL. The actual O&M expenses had been about 88% of the normative O&M expenses.

27.3. The cost components for employee expenses, repair & maintenance expenses and administrative and general expenses are considered as per Regulations 37.1 of these Regulations. The Operation and Maintenance expenses including employee expenses, repair and maintenance expenses, and administrative and general expenses are derived by considering the average of these expenditures for past four years (i.e. FY 2010-11 to FY 2013-14) as per Annual Audited Accounts. The average expenditure of the aforesaid four years is considered as base opening figure for FY 2012-13. Thereafter, the figures of O&M expenditure are derived upto FY 2015-16 by applying the annual escalation rate specified for the respective year in the applicable Regulations.

27.4. The O&M expenses for the subsequent years shall be determined by escalating the expenses of the base year i.e. FY 2015-16, as determined above, with the escalation factor @ 4.14% as considered by the Central Commission for Transmission Licensees in its Tariff Regulations, 2014 for the respective financial years to arrive at permissible O&M expenses for each year of the Control Period.

27.5. The employee expenses considered in the above Operation and Maintenance expenses *are excluding the pension and other terminal benefits. The Commission has notified MPERC (Terms and Condition for allowing Pension and Terminal Liabilities of Personal of Board and Successor Entities) Regulations, 2012 (G-38 of 2012) on 20th April, 2012. The expenses towards pension and terminal liabilities will be allowed as per the provisions of aforesaid Regulations.*

27.6. Increase in O&M charges on account of war, insurgency or changes in laws, or like eventualities where the Commission is of the opinion that an increase in O&M charges is justified, may be considered by the Commission for a specified period.

27.7. Any saving achieved by a Transmission Company in any Year shall be allowed to be retained by it. The Transmission Company shall bear the loss if it exceeds the targeted O&M expenses for that Year."

75. **Provision for true-up of O&M Expenses:**

The true up of O&M expenses will depend on length of lines and number of Bays as per Regulation 37 of MPERC (Terms and Conditions for determination of Transmission Tariff) Regulations, 2016. The relevant paras are reproduced hereunder:

37.1 The O&M expenses comprise of employee cost, repairs & maintenance (R&M) cost and administrative & general (A&G) cost. The norms for O&M expenses have been fixed on the basis of circuit kilometers of transmission lines and number of bays in substation. These norms exclude Pension, Terminal Benefits, incentive and arrears to be paid to employees, taxes payable to the Government and fee payable to MPERC. The Transmission Licensee shall claim the taxes payable to the Government, fees to be paid to MPERC and any arrears paid to employees separately as actuals. The claim of pension and terminal benefits shall be dealt-with as per Regulation 27.5. The norms for O&M expenses per 100 ckt-km and per bay shall be as under:

Norms for O&M expenses per 100 Ckt. km and per bay

S. No.	Particulars	FY 2016-17	FY 2017-18	FY 2018-19
	Lines	**Rs. Lakh / 100ckt km / annum**		
1.	400 kV Lines	32.00	33.32	34.70
2.	220 kV Lines	29.88	31.11	32.40
3.	132 kV Lines	31.44	32.74	34.10
	Bays	**Rs. Lakh / Bay / annum**		
1.	400 kV Bay	09.58	09.98	10.39
2.	220 kV Bay	11.12	11.58	12.06
3.	132 kV Bay	11.16	11.62	12.10

37.2. The total allowable O&M expenses for the Transmission Licensee shall be calculated *by multiplying the average number of bays and 100 ckt-km of line length for the Year with the applicable norms for O&M expenses per bay and per 100 ckt-km respectively. In support of its claim for allowable O&M expenses, the Licensee shall submit before the Commission, the actual or projected circuit kilometers of line lengths and number of bays for each voltage level separately for each Year of the Tariff Period as the case may be.*

37.3. The terminal benefits shall be paid as provided in Regulation 27.5."

76. **Commission's Analysis:**

The information gaps/ infirmities regarding this issue were communicated to the petitioner and the petitioner's response on all such issues have been discussed in detail in earlier paragraphs of this order.

77. The Commission vide its letter No. 1057 dated 19.07.2019 observed that in Para 2.10 of the RoC report for FY 2017-18 submitted vide MPPTCL's letter No. 3914 dated 02.07.2018, the total number of addition of bays was reported as 130 while in Para 6.3 and 6.4 of the subject petition the total number of addition of bays is reported as 153. In response, MPPTCL vide its letter No. 4584 dated 08.08.2019 submitted that the number of bays considered in the petition is based on comprehensive information and regretted the mismatch.

78. Vide its letter No. 04-01/CRA Cell/ F-6/6509 dated 10.10.2019, MPPTCL submitted an advance copy of the modified RoC Report for FY 2017-18 in compliance to the Commission's observations communicated vide letter dated 19.09.2019 MPPTCL submitted the approved copy of the modified RoC Report for FY 2017-18 along with BoDs resolution dated 01.11.2019. The Commission has considered this modified information for the purpose of this order.

S. No.	Particulars	Assets			Approved Norms for FY 2017-18	Amount (Rs. in Lacs)
		As on 31.3.2017 (as per true-up order for FY 2017-18)	As on 31.3.2018 (as per modified RoC report for FY 2017-18)	Average		
1	400 KV Line in Ckt-KMs	3074.45	3074.45	3074.45	Rs. 33.32 Lacs/ 100 Ckt-KM	1024.41
2	220 KV Line in Ckt-KMs	12324.12	12438.31	12381.22	Rs.31.11 Lacs/ 100 Ckt-KM	3851.80
3	132 KV Line in Ckt-KMs	16970.88	17757.64	17364.26	Rs. 32.74 Lacs/ 100 Ckt-KM	5685.06
4	400 KV Bay in Nos.	122	124	123	Rs. 9.98 Lacs/ Bay	1227.54
5	220 KV Bay in Nos.	634	661	648	Rs. 11.58 Lacs/ Bay	7503.84

6	132 KV Bay in Nos.	2130	2254	2192	Rs. 11.62 Lacs/ Bay	25471.04
Total O&M Cost on the basis of Bays and Lines –Rs.447.64 Cr.						**44763.69**

Say Rs. 447.64 Crores

79. The petitioner had claimed additional **Rs. 16.60 Crores** as arrears paid to employees as actual. Based on the norms specified in MPERC (Terms and conditions for determination of Transmission Tariff) Regulation, 2016 the O&M Expenses are worked out to Rs. Cr (447.64 + 16.60) = **Rs. 464.24 Crores** for FY 2017-18.

(v) TERMINAL BENEFITS:

80. **Petitioner's submission:**

The petitioner broadly submitted the following:

"Hon'ble Commission has notified the "MPERC (Terms & Conditions for allowing Pension and Terminal Benefits liabilities of personnel of Board and successor Entities) Regulations, 2012 (G-38 of 2012)" on 20th April 2012. Clause 1.2 of this Regulation provides;

> *"These Regulations shall come into force with immediate effect from the date of their publication in the official Gazette of the Government of Madhya Pradesh. For Tariff determination purposes its provisions will be given effect to in the financial year following the year of its publication."*

*Hon'ble Commission therefore in its order dtd. 10.06.2016; in para-47 has considered the Terminal Benefit and Pension expenses for FY 2017-18 on provisional basis on "Pay as you go" principles payable to the extent of **Rs. 1177.90** Crores as allowed in the MYT order. The actual expenses for this period is to be considered during the process of True up of Transmission Tariff for FY 2017-18.*

<u>TERMINAL BENEFITS AS PER AUDITED ACCOUNTS</u> -

The Audited Accounts of MPPTCL, listed out the following expenses against Terminal Benefits for FY 2017-18 as compared to the previous year;

TERMINAL BENEFIT COST – Rs. in Crores

PARTICULARS	***AS AT 31.03.2017***	***AS AT 31.03.2018***
(A) CASH -		
Gratuity	*367.76*	*326.23*
Pension	*1164.45*	*1380.83*
TOTAL (A) -	***1532.21***	***1707.06***
(B) PROVISIONS -		
Gratuity	*5.94*	*6.40*
Pension	*47.53*	*41.49*
Provision for employees of MPPMCL	*9.75*	*10.05*
TOTAL (B) -	***63.22***	***57.94***
TOTAL (A+B) -	***1595.43***	***1765.00***

TRUE-UP CLAIM FOR TERMINAL BENEFITS -

*Vide Para 47 of the Order dated 16.06.2016, against the head of Pension, Gratuity and EL encashment on retirement (of MPPTCL employees), Hon'ble Commission, has determined an amount of **Rs. 1177.90 Crores.** The details of Pension & Gratuity of all the Companies are enclosed as **Annexure-VIII**.*

Against this amount the claim of Terminal Benefits for True-up period of FY 2017-18 is given in the following table;

(Amount Rs. in Crores)

S. No.	***Particulars***	***Terminal Benefit Expenses***		
		Cash	***Net Provision of Year***	***TOTAL***
1	*Pension*	*1380.83*	*41.49*	*1422.32*
2	*Gratuity*	*326.23*	*6.40*	*332.63*
3	*Annuity for addl. family pension (MPPTCL)*	*0.01*	*0*	*0.01*
4	*Provision for employees of MPPMCL*		*10.05*	*10.05*
	TOTAL -	***1707.07***	***57.94***	***1765.01***

True-up for FY 2017-18 for Terminal Benefits is worked out hereunder;

(Amount Rs. in Crores)

S. No.	***Particulars***	***Cash***	***Provision***	***TOTAL***
1	*Claim for the year*	*1707.07*	*57.94*	*1765.01*
2	*Allowed in MYT order*	*1177.90*	*0*	*1177.90*
3	***True-up***	***529.17***	***57.94***	***587.11***

81. **Provisions under Regulations:**

MPERC (Terms and Conditions for determination of transmission tariff) (Revision-III) Regulation, 2016 provides as following:

> *"The employee expenses considered in the above Operation and Maintenance expenses are excluding the pension and other terminal benefits. The Commission has notified MPERC (Terms and Condition for allowing Pension and Terminal Liabilities of Personal of Board and Successor Entities) Regulations, 2012 (G-38 of 2012) on 20th April, 2012. The expenses towards pension and terminal liabilities will be allowed as per the provisions of aforesaid Regulations."*

82. **Commission's Analysis:**

The figures filed by MPPTCL have been tallied with the Audited Balance Sheet filed by it for FY 2017-18. Based on the information/ clarifications filed by the petitioner and the provisions under MPERC (Terms and Conditions for determination of Transmission Tariff) Regulations, 2016, an amount of **Rs. 1707.06 Crores** for Terminal Benefits is allowed in this true-up order for FY 2017-18. The amount of provisioning under this head is not allowed by the Commission as per the approach adopted in all past true-up orders. The details of Terminal Benefits allowed in this order are given below:

Terminal Benefits:

Sr. No.	Particular	Unit	Amount for FY 2017-18
1	Pension as per audited accounts	Rs. Cr.	1380.83
2	Gratuity as per audited accounts	Rs. Cr.	326.23
3	Provisions	Rs. Cr.	0.00
4	Annuity	Rs. Cr.	0.00
5	**Total amount of terminal benefits**	**Rs. Cr.**	**1707.06**

(vi) WORKING CAPITAL:

83. **Petitioner's submission:**

The petitioner broadly submitted the following:

"INTEREST ON WORKING CAPITAL –

The Interest on Working Capital is to be worked out on Normative basis as per Clause 28 & 38 of the Transmission Tariff Regulations, the working is given in Format TUT -16 and summarized in the following table;

Working Capital requirement for 2017-18 -

i.	*O&M expenses for one month (Rs. 464.24 Crores / 12)*	*Rs. 38.69 Crores*
ii.	*Maintenance spares @ 15% of the O&M expenses*	*Rs. 69.64 Crores*
iii.	*Receivables equivalent to 2 months Transmission charges*	*Rs. 520.80 Crores*
	Total Working Capital --	*Rs. 629.13 Crores*
iv.	*Interest on working capital @ 12.60 % i.e. SBI's Base rate of 9.1% as on 01.04.2017 plus 3.5%*	*Rs. 79.27 Crores*

84. **Provisions under Regulations**

Clause 38 of MPERC (Terms and Conditions for determination of transmission tariff) (Revision-III) Regulation, 2016 provides as following:

"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."

Further, Regulation 28.1 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 short term Prime Lending Rate of State Bank of India as on 01st April of that year plus 3.5%.. 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 based on the normative figures."

85. **Commission's Analysis:**

As per norms under Regulations, the interest on working capital for FY 2017-18 is worked out and allowed in this true-up order as given below:

Sr. No.	Particular	Unit	Amount for FY 2017-18
1	O&M expenses for one month (464.24/12)	Rs. Cr.	38.69
2	Maintenance spares @ 15% of the O&M expenses (464.24x0.15)	Rs. Cr.	69.64
3	Receivables equivalent to two months transmission charges (3061.40/6)	Rs. Cr.	510.23
4	Total working capital(1+2+3)	Rs. Cr.	618.56
5	Applicable rate of interest on working capital @12.8%	%	12.60%
	(SBI Base rate 01.04.2016 + 3.5 = 12.8%)		
6	**Amount of working capital**	**Rs. Cr.**	77.94

(vii) NON-TARIFF INCOME:

86. **Petitioner's submission:**

The petitioner broadly submitted the following:

"Other Income of Rs. 67.98 Crores is shown in Note 29 of Audited Accounts. This income has been bifurcated in two categories, as shown hereunder after excluding Rs. 0.97 Crores as the Other Income of SLDC.

(Amount Rs. in Crores)

i	*Interest received on Income Tax Refund*	*2.23*
ii	*Application fees for Open Access*	*1.18*
iii	*Hire charges for contractors etc.*	*2.99*
iv	*Consultant services charges received*	*49.73*
v	*Sale of Tender forms*	*1.01*
vi	*Applications under RTI charges*	*0.00*
vii.	*Recovery of transport facilities*	*0.05*
viii	*Ground rent*	*0.02*
ix	*Rent of Staff quarters / Water charges/ Guest House*	*0.85*
x	*Recovery of telephone charges*	*0.07*
xi	*Other MISC receipts*	*1.48*
xii	*Profit on Sale of Store's scrap*	*6.97*
		0
xiii	*Less : Income considered in SLDC's Account*	*-0.97*
	TOTAL -	***65.61***

Say Rs. 65.61 Crores.

*Therefore, Non-Tariff Income for FY 2017-18 is **Rs. 65.61** Crores against **Rs. 20.00** Crores allowed vide order dated 10.06.2016 for the year 2017-18.*

87. **Commission's Analysis**:

In Note. 29 for "Other Income" in the Audited Financial Statements of MPPTCL for FY 2017-18 is as Rs. 67.98 Crores. However some items like PSDF grant (Deferred Income), Excess found on physical verification of assets are not to be treated as other tariff income. Therefore, as claimed by MPPTCL, an amount of Rs. **65.61 Crore** is considered as Non-Tariff Income in this true-up order:

Sr. No.	Particular	Unit	Amount for FY 2017-18
1	**Net amount of non-tariff income**	Rs. Cr.	**65.61**

(viii) TAXES AND FEE PAID TO MPERC :

88. **Petitioner's Submission:**

"MPPTCL has paid Fee amounting of Rs. 1.633 Crores to Hon'ble MPERC / CERC as Regulatory fees during year 2017-18; which is claimed under a separate head. Apart from above Rates &Taxes to the tune of Rs. 2.785 Crores have also been paid, keeping in line with Clause 37.1 of the Regulations the same is claimed separately. Thus, a total of Rs. 1.633 Cr + Rs. 2.785 Cr. = Rs. 4.418 Crores= say Rs. 4.42 Crores is claimed against a permitted amount of Rs. 1.33 Crores.

(Amount Rs. in Crores)

(i)	*MPERC Fee approved in MYT Order dated 10.06.16*	*1.33*
(ii)	*MPERC/ CERC Fee paid*	*1.633*
(iii)	*Total Other Rates &Taxes paid*	*2.785*
(iv)	*Total*	*4.42*
(v)	***True-up amount (iv) – (i)***	***(+) Rs. 3.09***

TAXES -

a) *Clause 23.3 of the Regulation, covering FY 2017-18, states that - The base rate of Return on Equity as allowed by the Commission under Regulation 23.2 shall be grossed up with the effective tax rate of the respective financial year. For this purpose, the effective tax rate shall be considered on the basis of actual tax paid in the respective financial year…*

The Company has paid an amount of Rs. 8.90 Crores as MAT as per Return filed for FY 2017-18 (AY 2018-19), however the Income Tax Department has yet to issue Certificate/ Assessment order taking cognizance of the same, thus pending materialization of which, the revised rate of Return on equity as defined in Clause 23.4 has not been applied now. It is, therefore, requested that permission to claim the same at a grossed up base rate, on receipt of the Certificate / Assessment order confirming payment of MAT, with a future True-up Petition may please be granted.

b) *Income Tax Department has now to issued Certificate / Assessment order taking cognizance of the MAT payment for **FY 2013-14** (AY 2014-15), the same is submitted as **Annexure – XVII** of this petition.*

As the Assessment order now confirms payment of MAT the following submissions are *made for the kind consideration of the Hon. Commission.*

Clause 23.3 of the Regulation says - The rate of Return on Equity shall be computed by grossing up the base rate with the normal tax rate for the Year 2012-13 applicable to the Transmission Licensee:

Provided that Return on Equity with respect to the actual tax rate applicable to the Transmission Licensee in line with the provisions of the relevant finance acts of the respective year during the Tariff Period ***shall be trued up separately for each year of the Tariff Period.***

Also Clause 23.4 states - ***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. Therefore it is submitted-

i. *The MAT Tax rate for 2012-13 is 18.5%*
ii. *The MAT surcharge rate for 2012-13 is 5.0% on above*
iii. *The CESS rate for 2012-13 is 3.0% on sum of above two.*
iv. *Total tax rate is 18.5%+(5% of 18.5%)+[3% of (18.5%+(5% of 18.5%)]*
= 18.5% + 0.925% + 0.583% = 20.008%

It is to submit that Hon'ble Commission vide order dated 15.5.2017 of True up FY 2015-16 has allowed MAT on actual basis and to recover the amount paid to Tax authority directly from the Long Term Customers in proportion to Transmission capacity allocated to them for that particular year. Accordingly, MAT expenses of amounting to Rs. 9.47 lacs paid to tax authority for FY 2013-14 has been incurred which is now being claimed, the same may kindly be considered and allowed by Hon. Commission."

89. **Provisions under Regulations:**

Clause 37.1 of MPERC (Terms and Conditions for determination of transmission tariff) (Revision-III) Regulation, 2016 provides as following:

"*The O&M expenses comprise of employee cost, repairs & maintenance (R&M) cost and administrative & general (A&G) cost. The norms for O&M expenses have been fixed on the basis of circuit kilometers of transmission lines and number of bays in substation. These norms exclude Pension, Terminal Benefits, incentive and arrears to be paid to employees, taxes payable to the Government and fee payable to MPERC. The Transmission Licensee shall claim the taxes payable to the Government, fees to be paid to MPERC and any arrears paid to employees separately as actuals. The claim of pension and terminal benefits shall be dealt-with as per Regulation 27.5. The norms for O&M expenses per 100 ckt-km and per* *bay shall be as under:*

90. **Commission's Analysis**:

In Note 34 for "Administrative and General expenses" in the Audited Financial Statements of MPPTCL for FY 2017-18, it is recorded that Fee and other charges paid to MPERC as Rs. 1.63 Crore and Rent rates and Taxes as Rs. 3.02 Crore. MPPTCL has informed that Rent, Rates & Taxes has been claimed as Rs. 2.785 Cr fee as Rs. 1.633 (including fee to CERC of Rs. 6 lakh) Crores and MAT as 0.095 Cr. As per Regulation 37.1, the O&M norms excludes fee payable to MPERC. Therefore, an amount of Rs. Cr (2.785+1.573+0.095)= **Rs. 4.51 Crore** is considered as Taxes , MAT and Fee in this true-up order:

Sr. No.	Particular	Unit	Amount for FY 2017-18
1	Taxes and Fee	Rs. Cr.	**4.45**

(ix) PPP EXPENSES :

91. **Petitioner's submission:**

The petitioner broadly submitted the following:

*"A Petition for seeking approval in respect of initiating the Tariff based competitive bidding process and the Bidding documents for the selection of the Transmission Service Provider (TSP) for the development of Transmission System by construction of 400 KV DCDS Transmission Line between Satpura and Ashta for evacuation of power from 2 x 250 MW Extension Unit at Satpura in Madhya Pradesh through Public Private Partnership ("PPP") on Design, Build, Finance, Operate and Transfer ("DBFOT") basis was filed and was subsequently registered as Petition **No. 06/ 2012** by the Hon. Commission. In this matter vide Order dated 26th April, 2012, Hon. MPERC directed that private participation in transmission is a welcome step and deserves to be encouraged. The petitioner should strive for this by following procedures and methodology as prescribed in the Act.*

*Subsequently, in this matter another petition was filed in the subject of application seeking approval of Unitary Charges for initiating the Tariff based competitive bidding process for the selection of the Transmission Service Provider (TSP) for the development of Transmission System by construction of 400 KV DCDS Transmission Line between Satpura and Ashta for evacuation of power from 2 x 250 MW Extension Units at Satpura in the State of Madhya Pradesh through Public Private Partnership ("PPP") on Design, Build, Finance, Operate and Transfer ("DBFOT") basis. The same was registered by Hon. Commission as Petition **No. 44 of 2012.** Vide its Order dated 8th August, 2012, while disposing off the petition, Hon. Commission passed the directive that - In view of the submissions / clarifications filed by the petitioner and the amendment to Para 24 of the "Guidelines for Encouraging Competition in the Development of Transmission Projects" issued by the Ministry of Power on 2nd May, 2012, the Commission hereby accords approval to the* *notional unitary charges of Rs. 3.15 Crores as filed by the petitioner for initiating the tariff based bidding process in the subject matter.*

Hon. MPERC vide order dated 08.10.2013 under Petition No. 45/2013 has adopted the base unitary charge of Rs. 3.15 Crores per month determined through a transparent process of bidding in accordance with the guideline issued by the Central Government under Section 63 of the Electricity Act 2003 .

The said order states that – "Based on the above Certificate issued by the Bid evaluation Committee, the documents filed with the petition and the supplementary submission, the Commission hereby adopts the Base Unitary Charge of Rs. 3.15 Crore per month determined through a transparent process of bidding in accordance with the guidelines issued by the Central Government under Section 63 of the Electricity Act, 2003. The aforesaid Base Unitary Charge and other applicable associated charges payable by the petitioner as per Transmission Agreement entered into by the M.P. Power Transmission Company Ltd., Jabalpur and the Concessionaire on 6th June 2013 for 400 KV DCDS Satpura-Ashta transmission line PPP Project, may be claimed by the petitioner in its petition for determination of Transmission Tariff for recovery of these charges from the DISCOMs and other long term customers."

In this matter it is also submitted that Hon. Commission vide its Order dated 10.06.2016 covering the control period of FY 2016-17 to 2018-19 has taken cognizance of the expenses and allowed Rs. 37.80 Crores under the PPP head.

Further, Hon. MPERC, vide its Order dated 01.11.2013, under Petition No. 32/ 2013 has granted transmission License to M/s KSTPL. The Licensee has started its commercial operation from April 2015 and consequent to its service provided during 2017-18, M/s KSTPL has raised a total bill of ***Rs. 37.19 Crores****. On disbursing the bill within time limits, the Company thereby earned an amount of Rs. 0.18 Crores through discount. The details are submitted through* ***Annexure-XVIII*** *of this Petition. As the discount amount is an earning on account of the Company's effort, therefore the entire amount of Rs. 37.19 Crores is claimed, the same has been indicated in TUT-12 (New) of this petition.*

The claims towards PPP Expenses in FY 2017-18 are as follows;

S. No.	***Particulars***	***Cash***
1	*Claim for the year*	*Rs. 37.19 Crores*
2	*Allowed in MYT order*	*Rs. 37.80 Crores*
3	***True-up***	***-** Rs. **0.61** Crores*

92. **Commission's Analysis:**

The Commission vide order dated 08.10.2013 in Petition No. 45/2013 has adopted the base unitary charge of Rs. 3.15 Crores per month determined through a transparent process of bidding in accordance with the guideline issued by the Central Government under Section 63 of the Electricity Act 2003 mentioning the following:

> "*The Commission hereby adopts the Base Unitary Charge of Rs. 3.15 Crore per month determined through a transparent process of bidding in accordance with the guidelines issued by the Central Government under Section 63 of the Electricity Act, 2003. The aforesaid Base Unitary Charge and other applicable associated charges payable by the petitioner as per Transmission Agreement entered into by the M.P. Power Transmission Company Ltd., Jabalpur and the Concessionaire on 6th June 2013 for 400 KV DCDS Satpura-Ashta transmission line PPP Project, may be claimed by the petitioner in its petition for determination of Transmission tariff for recovery of these charges from the DISCOMs and other long term customers. The adoption of the aforesaid charges in this Order is subject to fulfilment of all other conditions in the "Guidelines for Encouraging Competition in the Development of Transmission Projects" by the petitioner and the selected Bidder/ Concessionaire.*"

93. Based on above and as mentioned in earlier para of this order, an amount of Rs. 37.19 Crore as per figures recorded in Audited Accounts of MPPTCL for FY 2017-18 is considered as PPP Unitary Charges in this order.

94. **True-up amount allowed for FY 2017-18 in this order:**

Based on the analysis made in preceding paragraphs, the Commission has determined the true-up amount of **Rs. 530.66 Crore** for FY 2017-18. This amount shall be adjusted in the bills of long term open access customers of MPPTCL in FY 2020-21. Details of true-up amount determined in this order are tabulated hereunder:

True up for FY 2017-18 (Amount in Rs. Crores)

S. No.	Particulars	As per ARR approved by order dated 10.06.2016	As allowed in this true-up order for FY 2017-18	True-up Amount (Col. 4 – Col 3)
1	**2**	**3**	**4**	**5**
1	O&M Expenses	446.58	**464.24**	17.66
2	**Terminal Benefits -**			
2(i)	Cash expenses	1177.90	1707.07	529.17
2(ii)	Provisioning	0	0	0
2	**Total -**	**1177.90**	**1707.07**	**529.17**
3	Depreciation	324.22	**361.18**	36.96
4.i.	Interest on Loan & Bank Charges	131.26	91.59	-39.67
4.ii.	Interest on Working Capital	67.33	77.94	10.61
4	**Total Interest -**	**198.59**	**169.53**	**-29.06**
5	Return on Equity	364.33	387.51	23.18
6	Taxes and Fee	1.33	4.45	3.12
7	PPP Unitary Charges	37.80	37.19	-0.61

8	**TOTAL -**	**2550.74**	**3131.17**	**580.43**
9	Less Non-Tariff Income	20.00	65.61	45.61
10	**GRAND TOTAL -**	**2530.74**	**3065.56**	**534.82**
11	Net saving passed on to beneficiaries on account of swapping of loan	0.00	-4.16	**-4.16**
12	**GRAND TOTAL**	**2530.74**	3061.40	**530.66**

95. The above true-up amount shall be recoverable from the Discoms, SEZ and WCR as given below:

(Rs.in Crores)

S. No.	Customer	Amount as per MYT Orders	True-up amount to be shared
1	MP Poorv KVVCL	744.47	156.11
2	MP Madhya KVVCL	793.07	166.30
3	MP Paschim KVVCL	954.03	200.04
4	MPAKVN for SEZ	6.53	1.37
5	Railways (WCR)	32.64	6.84
	TOTAL -	**2530.74**	**530.66**

96. The petitioner must take steps to implement this Order after giving public notice in accordance with clause 1.30 of MPERC (Details to be furnished and fees payable by licensee or generating company for determination of tariff and manner of making application) Regulations, 2004 and its amendment. The petitioner must also provide information to the Commission in support of having complied with this order. The true-up amount as determined by the Commission in this order shall be recovered by MPPTCL in terms of the MPERC (Terms and conditions for determination of Transmission Tariff) (Revision-III) Regulations, 2016.

Ordered accordingly.

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(Shashi Bhushan Pathak) **(Mukul Dhariwal)** **(Dr. Dev Raj Birdi)**
Member **Member** **Chairman**

Date: 04.01.2020

Place: Bhopal