MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION

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

Petition No. 45/2019

PRESENT:
S. P. S. Parihar, Chairman
Mukul Dhariwal, Member
Shashi Bhushan Pathak, Member

IN THE MATTER OF:

True-up of Transmission Tariff of MPPTCL Jabalpur determined by M. P. Electricity Regulatory Commission for FY 2018-19 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. Industrial Development Corporation Ltd. (SEZ), Indore

(v) West Central Railways, Jabalpur

Respondents

ORDER

(Passed on this day of 8th February' 2021)

1. The Multi-Year Transmission Tariff (MYT) order for FY 2016-17 to FY 2018-19 was issued by the Commission on 10th 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").

2. Vide letter no. 7610 dated 14th November' 2019, MPPTCL filed the subject petition for true-up of its Transmission Tariff determined by the Commission for FY 2018-19. MPPTCL also submitted the Annual Financial statements and Auditor's Report for FY 2018-19 and Asset-cum-Depreciation Register for FY 2018-19. In Para 1.10 & 5.3 of the petition, it is stated that the instant petition for True-up of FY 2018-19 is based on Annual Accounts of the company for FY 2018-19.

3. Motion hearing in the subject matter was held on 03rd January' 2020. Vide daily order dated 03rd January' 2020, 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 10h February' 2020. Vide letter No. 9572 dated 14th January' 2020, MPPTCL confirmed service of copies of the petition to all the respondents in the subject matter.

4. Subsequently, vide Commission's letter No. 248 dated 07th February' 2020, the information gaps and the requirement of additional details/ data/ documents were communicated to the petitioner seeking its reply by 20.03.2020.

5. Vide letter No. 12221 dated 20th March' 2020, MPPTCL filed reply to the aforesaid issues, which was received on 20/05/2020 due to Covid-19 related lockdown. Certain discrepancies were found in the information furnished by MPPTCL. Vide letter No. 781 dated 02nd July' 2020, the petitioner was asked to file comprehensive reply to all such discrepancies communicated to it by the Commission. MPPTCL filed its response vide letter No. 1982 dated 30th July' 2020.

6. On examination of the aforesaid response filed by MPPTCL, it was observed that the reply on some issue was not satisfactory and needed some more clarity. Hence, vide letter No. 1082 dated 22nd September' 2020, the Commission's observations on certain issues such as Net capitalization, additions in equity and loan, etc were communicated to the petitioner with the directions to file comprehensive and clear reply on all such issues. The petitioner was also asked to submit the consequential impact on tariff components of considering its request regarding capital cost of Rs 1624.06 Cr instead of Rs 1601.54 Cr filed in original petition.

The petitioner was also directed to submit draft public notices in Hindi & English on gist of the petition for publication in newspapers to invite comments/suggestions from stakeholders. MPPTCL filed its reply along with the draft public notices vide letter No. 3192 dated 29th September' 2020.

7. Vide Commission's letter No. 1192 dated 13/10/2020, MPPTCL was asked to publish the public notice on the gist of subject petition in newspapers in Hindi and English version within a week and to submit copy of the updated petition. Vide letter no. 3600 dated 15th October' 2020, MPPTCL filed updated petition. The public notice was published on 16/10/2020 in Hindi and English in Agni ban Jabalpur, Pradesh Today Indore and Central Chronicle Bhopal.

8. In the updated petition submitted to the Commission, MPPTCL prayed the following:

   "Approve the True-up of Annual Fixed Cost for year 2018-19, 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 8.9 of tariff Regulation 2016, may kindly permit to recover the same from the beneficiaries, within six months from the date of determination of final Tariff under these Regulations."

9. Vide letter no. 4350 dated 21/11/2020, the petitioner confirmed that it has not received any comments/ suggestions in the matter from any stakeholder/ public/ respondents.

10. Public hearing was conducted on the 24th November' 2020 through video conferencing. In the public hearing no objection was received. Only the representatives of MPPTCL appeared in the public hearing.

11. On the queries raised by the Commission, issue wise reply filed by the petitioner:

    Vide Commission's letter No 248 dated 07th February' 2020, MPPTCL was directed to submit its reply on various issues in the subject true-up petition by 20.03.2020. MPPTCL vide its letter No 12221 dated 20th March' 2020 had filed its reply as under:

Issue: O&M Expenses and Terminal benefit expenses:

(i) In para 6.5 of the petition, the petitioner has claimed Rs.35.35 Crore towards actual amount of arrears of wage revision 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 of Rs 452.34 Crore as per audited accounts are less than the normative O&M of Rs 499.66 Crore claimed in the petition. Therefore, MPPTCL was asked to explain the reasons for claiming arrears of Rs. 35.35 Crore over and above the total actual as well as normative O&M /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 "Madhya Pradesh Electricity Regulatory Commission (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 35.35 Crores have been claimed towards wage revision arrears in the True-up petition for FY 2018-19. The details of the same are submitted herewith for kind perusal as Annexure-1(A).

It is also submitted for kind consideration of the Commission that the MPPTCL has claimed abovesaid amount of Rs 35.35 Crores over and above the O&M expenses of Rs 499.66 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 Commission may kindly consider to admit the aforesaid claim of Rs 35.35 Crores as per actual towards arrears on account of wage revision.

Issue:

(ii) The petitioner was asked to furnish the copy of notification no. MPPTCL/EC/4116 dated 29/12/2017 along with total liability towards 7th Pay Commission wage revision and its monthly installments.

Response by MPPTCL:

The copy of notification No AS/MPPTCL/E6/4116 dated 29.12.2017 is submitted herewith. The total liability towards 7th pay commission wage revision is anticipated as Rs 83.96 Crores depicted at Note No. 30, page-42 of Annual Audited Accounts of FY 2018-19. This was payable in 36 installments from January-2018 onwards for which provisioning was made during FY 2017-18. The details of payment amounting to Rs 35.35 Crore made during FY 2018-19 towards arrears is also attached herewith (Annexure-1, A & B).

<u>Issue:</u>

(iii) The petitioner was asked to confirm that the claim towards O&M expenses have been worked out only on the works completed & capitalized and no CWIP has been considered for this purpose.

<u>Response by MPPTCL:</u>

It is to confirm 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.

<u>Issue:</u>

(iv) MPPTCL has filed the advance copy of Reporter of Compliance report on Regulatory Compliance of FY 2018-19 vide its letter dated 9th July' 2019. On perusal of the report filed, it is observed that total no of bays information as on 31.03.2019 is not provided i.e, para 2.10 is missing in the report as compared to the previous year's RoC Report. The petitioner was asked to furnish the details of No. of Bays as on 01st April' 2018, additions during the year and closing as on 31st March' 2019 in the final RoC Report also.

<u>Response by MPPTCL:</u>

The final RoC report for FY 2018-19 has been approved by the Board of Directors which has been submitted for kind perusal of the Commission along with Board's resolution vide letter No. 04-01/CRA Cell/F-6/11537 dated 28.02.2020. The copy of letter dated 28.02.2020 and Para 2.10 (Page-16) of the final RoC report is submitted herewith as Annexure-2 (A & B).

<u>Issue:</u> <u>Capitalization</u>

(v) The petitioner has submitted in para 8.3 that the Assets inclusive of Consumer Contribution, PSDF Grant & NCEF Grant worth Rs. 1906.27 Crore have been capitalized during the year and assets of value Rs. 22.52 Crore have been withdrawn. Further, the aforesaid figure is inclusive of value Rs. 175.59 Crore that have been capitalized on account of consumer contributions, Rs. 1.95 Crore against grant portion of PSDF Scheme and Rs 104.67 Crore against NCEF scheme. Thus, a net addition worth of Rs 1601.54 Crore (net capitalization) (Rs 1906.27 Cr- Rs 22.52 Cr- Rs.175.59 Cr- Rs 1.95 Cr- Rs. 104.67 Cr) have been capitalized during the FY 2018-19.

The CFO's certificate in Annexure-V states that asset amounting to Rs 1928.79 Crore has been capitalized during FY 2018-19. After reducing assets withdrawal of Rs 22.52 Crore, net capitalization is Rs 1906.27 Crore. Discrepancy in the figures of the certificate & para 8.3 of the petition was to be clarified by the petitioner.

The petitioner was also asked to submit the asset wise/work-wise details along-with all supporting documents with regard to consumer contribution, assets withdrawn and grant portion of PSDF & NCEF Scheme. The petitioner was asked to reconcile these amounts with the annual audited accounts for FY 2018-19. Further, the opening additions as on 01st April' 2018 filed in the subject petitions is Rs 1601.54 Crore whereas, the opening net additions filed in Schedule 2 of the Annual Audited Accounts for FY 2018-19 is Rs 1442.33 Crore (Rs 1464.85 Crore-Rs 22.52 Crore). The petitioner was asked to reconcile both amounts.

Response by MPPTCL:

The total capitalization during FY 2018-19 of Rs 1928.79 Crore has been done which entails to Rs 1906.27 Crore after withdrawal of assets worth Rs 22.52 Crore during FY 2018-19. This has been certified by the CFO, MPPTCL which is appended as Annexure-V of the Petition. The aforesaid figure of Rs 1906.27 Crore is also shown at Para 8.5 and Format TUT-7 of the Petition. As such, it is requested that to kindly consider figure of Rs 1906.27 Crores as net capitalization during FY 2018-19 after reducing the amount of Rs. 22.52 Crores for assets withdrawn from the total capitalization of Rs. 1928.79 Crores. The detail of capitalization as per Audited Accounts of FY 2018-19 is tabulated here as under;

Particulars	***Amount (Rs. in Crores)***	***Remarks***
Capitalized under Plant & Machinery (Tangible Assets)	*1464.854*	*Note-2, page-19 of Audited Financial Accounts of FY 2018-19*
Capitalized works from consumer contribution	*175.595*	
Works completed under NCEF Scheme	*263.32*	
Works under PSDF Scheme	*2.791*	
Intangible Assets (Computer & ERP)	*22.32*	*Note-4(a), page-24 of Audited Financial Accounts of FY 2018-19*
Assets withdrawn (-)	*22.52*	*Note-2, page-19 of Audited Financial Accounts of FY 2018-19*
Less SLDC booking (-)	*0.09*	-
Total	*1906.27*	

*Therefore, a net capitalization for the purpose of claiming depreciation after reducing the Consumer Contribution (Rs 175.59 Crores), grant portion of NCEF (Rs 104.67 Crores) and grant portion of PSDF (Rs.1.95 Crores), will be Rs.**1624.06** Crores instead of Rs.1601.54 Crores, which may kindly be considered.*

The work wise details in respect of consumer contribution / assets withdrawn are marked as CC/WD in Annexure-V of the Petition. The Annexure-V includes the complete list of works capitalized during FY 2018-19 which also contains the works executed under PSDF and NCEF Scheme besides other schemes. The scheme wise list of works is submitted herewith as Annexure-3(A, B, C & D).

Issue: **Capital Cost of Assets capitalized during FY 2017-18**

(vi) Point (A) of Annexure A of the independent auditors' report in the financial statement for FY 2018-19 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. 41.65 Crores."

In view of the above, MPPTCL was asked 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. ERP system has been implemented in MPPTCL and as a result, the delay in capitalization has been reduced considerably. As far as, the True-up claim in the instant petition is concerned which is limited to assets capitalized during FY 2018-19 has no effect of the abovesaid observations.

Issue:

(vii) The petitioner has submitted a list of 316 projects capitalized during 01.04.2018 to 31.03.2019 (Annexure V with the petition). On scrutiny of the aforesaid details, the following information/clarifications were asked from the petitioner:

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

(b) It should also be submitted whether the projects/ works shown as capitalized in FY 2018-19 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 such as S.No. 10, 20, 50, 52, 88, 93, 104, 122, 129, 130, etc. The reasons for non-capitalization of the complete estimated amount was to be submitted.

(f) It is mentioned in the petition that the works capitalized during FY 2018-19 are as per the Capex Plan approved whereas, no reference is given against each work. 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. (1, 16, 23, 42, 94, 116, 200, 290) are shown as negative. The reasons for the same be submitted.

(h) For several works, the executed amount exceeds the estimated amount such as in S.no (4, 28, 59, 64, 81, 115 ,... etc) while for many works, the executed amount is much less than the estimated amount such as in S.no.(1, 2, 7, 15, 22, 30, 33, 40, 41, 46, 47, 49, 51, 53, ...) etc. The reasons for the same was asked from 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 was asked from MPPTCL (CC164, CC165 ,... DB2, ...WD1........, WD29).

Response by MPPTCL:

(i). The MPPTCL delegated powers for administrative approval and technical sanction to the works to various authorities. Depending upon the financial commitment involved in execution of works, the administrative approval for the same is obtained of the competent authority and subsequently the authority competent accords approval to the estimate. It is to submit that, the process of obtaining administrative approval and technical sanction to the estimate is followed prior to execution of works.

(ii). It is submitted that the works capitalized in FY 2018-19 are new works only.

(iii). The schedule date of commissioning of works capitalized in FY 2018-19 are as per plan and are indicated in Col. 11 of Annexure-4 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 and various other constraints.

(iv). The relevant details regarding penalty on account of delay in commissioning of projects beyond its scheduled date are submitted in Col. 12 & 13 of Annexure-4.

(v). The capitalized amount shown is for FY 2018-19. The total capitalized amount is less than the estimated amount due to actual requirement of work at site and change in scope of work wherever found inevitable.

(vi). The reference of approved Capex Plan is indicated in Col. 9 & 10 of the Annexure-4.

(vii). Regarding capitalized amount of works at S. No. 1, 16, 23, 42, 94, 116, 200 and 290 shown as negative, 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.

(viii). 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.

(ix). The estimated amount in respect of Consumer Contribution and Direct Booking works are indicated in Annexure-4.

Issue: Assets Withdrawn

(viii) In para 8.3 of the petition, it is submitted that the assets of Rs 22.52 Cr. have been withdrawn/de-capitalized during the year. The details of all such assets along with date of commissioning, original cost, the reasons of withdrawal and how depreciation has been adjusted be submitted.

Response by MPPTCL:

The details of assets amounting to Rs 22.52 Crores withdrawn/decapitalized during the year is submitted herewith along with Journal Vouchers and supporting details as Annexure-5.

Issue:

(ix) First proviso of Regulation 17.2 of MPERC (Terms and Conditions for Determination of Transmission Tariff) (Revision-III) Regulations, 2016, provides that:

"Provided that in case of individual transmission project, 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 asked to demonstrate that the capital cost incurred on each project is at par with the benchmark norms specified by CERC.

Response by MPPTCL:

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 MPERC. On its part, the Company carries out prudent checks of the Capital cost of projects through its carefully prepared Schedule of Rates which facilitates to estimate the project cost in initial stages. Further, checks are also exercised by way of ascertaining rate reasonability in every tender invited for execution of the project which subsequently falls under the scrutiny of Audit too. This is to submit that 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.

<u>Issue:</u> <u>Return on equity</u>

(x) On perusal of the information filed for additional RoE, the petitioner was required to provide complete details for its claim along with modified Annexure VII. 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. The petitioner was asked to justify its claim for additional RoE for works capitalized in FY 2018-19.

<u>Response by MPPTCL:</u>

The additional RoE has been claimed @0.5% on equity portion of completed value of work only. The Commission in earlier years have approved the qualifying works for additional RoE which are shown below;

Sr. No.	***Addl. RoE approved by MPERC in previous years through True-up order***	***Amount Rs. in Crores***	***Reference of 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*
9	*For Works Capitalized In FY 2017-18*	*0.014*	*Para 59 of True Up Order dated 04.1.2020*
10	*For Works Capitalized In FY 2018-19*	*0.77*	*As claimed in Para 10.4 of True Up Petition for FY 2018-19*
A	*TOTAL*	*1.320*	

As directed, 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 submitted as Annexure-6. The claim is in line with Tariff Regulations, 2016.

<u>Issue:</u> <u>Depreciation</u>

(xi) The petitioner in its petition has shown depreciation worth Rs 383.90 Crore whereas in note 32 of the Annual Audited Accounts for FY 2018-19, the total depreciation is shown as Rs 371.46 Crore. The Petitioner was asked to reconcile the amounts shown in the subject petition and the Annual Audited Accounts. However, in note 2 of the Annual Audited Accounts, additions to depreciation is mentioned as Rs 352.43 Crore (Rs 370.02 Cr-Rs 17.59 Cr). The petitioner was asked to explain the reasons for aforesaid difference.

Response by MPPTCL:

For the period FY 2005-06 till FY 2008-09, the Company's Accounts were governed by the Rates prescribed in the Company's Act while the submissions made in the Transmission Tariff Petitions were as per the rates of depreciation prescribed in the relevant Tariff Regulations. Due to above said variation in the rates of depreciation, the difference in cumulative depreciation amount had occurred. Here it is also to be submitted that the Tariff Petitions have been carried forward on year to year basis on the rates as given in the respective Regulations and have been accepted by the MPERC.

Issue: Depreciation

(xii) The petitioner was asked to demonstrate that no depreciation has been charged on opening as well as addition during the year for works towards consumer contribution, PSDF Grant and NCEF Grant.

Response by MPPTCL:

It is confirmed that, no depreciation has been charged on opening as well as addition during the year for works under consumer contribution and grant portion of PSDF & NCEF scheme. The same is indicated in Format TUT-8 annexed with the True Up petition.

Issue: Weighted Average Rate of Interest:

(xiii) Regulation 24.5 of Transmission Tariff Regulations, 2016 provides that :

"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"

Therefore, the petitioner was asked to compute weighted average rate of interest on actual loan portfolio also and submit the detailed calculation in excel format to the Commission.

Response by MPPTCL

The Weighted Average Rate of Interest has been calculated as per Regulation - 24.5 on actual loan portfolio at Para 9.4 of True Up petition. The computation sheet for Weighted Average Rate of Interest is submitted herewith as Annexure-7. The same is also being transmitted through e-mail in Excel Format. However, interest rate for JICA IDP-217 and ADB-3066 loan for FY 2018-19 in the instant petition have been considered @1.5% and @2.14% respectively instead of 12% for working out the Weighted Average Rate of Interest as directed and approved by the MPERC for True Up of Transmission Tariff for the FY 2016-17 and FY 2017-18 vide order dated 04.05.2018 and 04.01.2020 respectively.

Issue

(xiv) 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 2014-15 (AY 2015-16) & FY 2015-16(AY 2016-17) taking cognizance of the MAT payment. With the aforesaid submission, MPPTCL has submitted that the MAT expenses of Rs. 1.09 Crore paid to tax authority for FY 2014-15 & Rs 0.99 Crore for FY 2015-16 is now being claimed and the same was considered and allowed. In this regard the petitioner was asked to inform the following:

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

b) A copy of Challan/ invoice for payment of Rs. 1.09 Crore & 0.99 Crore as MAT to IT Department be filed.

c) The status of Income-Tax filed by MPPTCL for Assessment Year FY 2016-17 onwards be also informed.

Response by MPPTCL

(i) MAT is calculated as per provision of Section 115 JB of Income Tax Act, 1961.
(ii) The MAT for FY 2014-15 and FY 2015-16 amounting to Rs.1.09 Crores and Rs.0.99 Crores respectively has been adjusted against TDS deducted from amount payable / paid to MPPTCL.
(iii) MAT audit report for FY 2016-17 onwards is submitted herewith.
The information of (i) to (iii) is submitted as Annexure-8.

Issue: Taxes

(xv) The petitioner has claimed Rs. 1.92 Cr. towards taxes and fee during FY 2018-19. The petitioner was asked 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 2018-19. The details of fee paid to MPERC only for determination of Transmission tariff/true-up petition for FY 2018-19 be submitted.

Response by MPPTCL

The rates and taxes amounting to Rs.1.91 Crores and MPERC fee amounting to Rs.0.01 Crores has been claimed in accordance with Clause-37.1 of Tariff Regulations, 2016. The aforesaid details are depicted in Format TUT-5 (A) (ii) and (A) (xi) [excluding Rs.0.01 Crores fee paid by SLDC appended with the True Up petition].

Issue: Bad Debts Written off

(xvi) Form TUT 10 shows bad debts written off as Rs. 535.70 Cr. Details of these debts alongwith the details of efforts made to recover these debts and the reason for considering these as bad debts and their impact on tariff was asked 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 for reduction in AT&C losses and improvement in operational efficiency. In this regard, as directed by Energy Department, GoMP vide order No. 8964/R3483/2015/XIII dated 11th Oct 2019, an amount of Rs.535.14 Crores towards receivables as on 31.3.2019 from Discoms has been written off in FY 2018-19. 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. As such, there is no impact on Tariff.

An amount of Rs. 0.45 Crores is towards miscellaneous losses i.e. obsolescence of stores and compensation made upon accidents/injuries/deaths etc. As per Note-9.1 of Annual Audited Accounts for FY 2018-19, an amount of Rs 0.11 Crores has been written off towards Parallel Operation Charges of Malanpur Captive Power Ltd., the recoveries of the outstanding amount whereby has been decided by the National Company Law Tribunal, New Delhi.

Issue: Unitary Charges

(xvii) The petitioner has stated details of unitary charges in Annexure XVIII, which shows that invoice amount was Rs. 36,44,32,916 whereas, the amount paid was Rs. 35,92,56,913. The reason for variation in tax & discounts during various months was asked. Further, the amount actually paid was asked 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 36,44,32,916/- and payment of Rs 35,92,56,913/- is on account of discount of Rs 18,22,164/- & TDS of Rs 33,53,839/- deducted from the bills submitted by the service provider. The same is detailed in Annexure-XVIII appended with the True Up petition.

Issue:

(xviii) The petitioner in its balance sheet has shown cash & cash equivalents of Rs 901.50 Crore in FY 2017-18 and Rs 346.75 Crore in FY 2018-19. The reason for reduction in amount of cash & cash equivalents and bank balances as on 31st March' 2019 compared to the previous year was sought from the petitioner.

Response by MPPTCL:

The Bank Balance of FY 2017-18 was Rs.901.50 Crores which includes receipt from MNRE grant of Rs.360 Crores, and from GoMP as equity of Rs.130 Crores which was fully expended against the capital expenditure of FY 2018-19 which was approximately Rs.1685 Crores, therefore the bank balance was reduced to Rs.346.75 Crores. Depending upon the expenditure incurred on various projects and receipt from various sources such as GoMP equity, loan, grant etc., the bank balance can increase or decrease in a financial year.

Issue:

(xix) Note 9 of the Annual Audited Accounts for FY 2018-19 shows trade receivable of Rs 1548.21 Crore in FY 2017-18 and Rs 1750.81 Crore in FY 2018-19. The petitioner was asked to submit the reasons for this unbilled revenue along with the efforts made by MPPTCL to expedite recovery of these unbilled revenue. The petitioner was also asked details of major receivables of over Rs 1 Crore pending for recovery from over 1 year and the efforts made for their recovery.

Response by MPPTCL:

The trade receivables as indicated in Note No.-9 of the Annual Audited Account for the FY 2018-19 does not include the amount of unbilled revenue. A separate provision of unbilled revenue is created in the books of accounts for the unbilled bill for month of March of the current financial year which is billed in next financial year and unbilled revenue of true up orders which is also billed in next financial year as per commission direction and the same is reversed as at the opening of the next Financial Year and billed the same to discoms in next financial year as per direction of commission in trued up order, the details of which are depicted in Note-12.1 of the Annual Audited Accounts for FY 2018-19.

The provision of unbilled revenue is created to follow the accounting policy of MPPTCL on accrual basis of expenditure/income. The major amount as shown in Note-9 of the Annual Audited Accounts for FY 2018-19 is receivables from the State Discoms which are not able to pay due to acute financial crunch. The receivables towards Grid Support/Parallel Operation Charges is outstanding to the tune of 50% of the Invoice amount as per order of the Hon'ble APTEL where appeal by the Captive Power Plant owners against the levy of Parallel Operation Charges are pending for disposal.

Issue:

(xx) In Para 1.10 of the petition, the petitioner has stated that "the instant petition for true-up for FY 2018-19 is based on Annual Accounts of the company for FY 2018-19." On perusal of the Financial Statements submitted vide petitioner's letter No. CFO/ Transco/1309 dated 16th October' 2019, the following was observed:

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

(ii) True up income for rest of expenses except Terminal Benefits and for SLDC charges are not quantifiable, True-up petition for financial year 2017-18 filed in MPERC on 13.11.2018 but order still awaited, but during the financial year company has recognized income of Rs 868.24 Crores in the name of movement in Regulatory Deferral account Balance.

(iii) The company has recognized the disputed income of Rs 28.39 Crores as under "revenue from operations" in respect of six customers out of these six customers, four customers are paying 50% under the order of Hon'ble APTEL, One customer is not paying any amount

under the order of Hon'ble Supreme Court & One Customer is paying full amount under protest, therefore income of the company overstated to the extent.

(iv) 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.

(v) The Company has written off an amount of Rs. 535.14 Crore receivable outstanding from Discoms on the basis of decision of GoMP vide their letter No. 8964/R3483/2015/XII dated 11 Oct 2019. 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.

(vi) The Company has outstanding consumer contribution amounting to Rs. 766.08 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.

(vii) The following accounts are not accounted for in the books of company/MPSEB, due to the reason that MPSEB is not able to provide required details or allocation of amount, as detailed under:

Particulars	***Amount (Rs in Crores)***
Net Amount credited by MPSEB but not accounted for by the company	*4719.56*
Net Amount debited by Company but not accounted for by the MPSEB	*4680.04*

(viii) The company has not made available progressive details prior to 01.06.2005 (estimate wise & year wise) of CWIP, due to that we cannot comment on the assets completed and ready for use but are not transferred to fixed assets."

(ix) DRT has decided the case between the bank and the company and issued the order on 31st August' 2015. Accordingly, MPPTCL is liable to pay interest on overdue principle @ 6.35% and on principle amount from the date of maturity @7.5%. The bank has submitted its amounting to Rs 15.41 Crores upto 08th January, 2016 but DRT, Delhi gave directions to appoints a Chartered Accountant who will calculate the Actual Liability. Further, management appoint the NASA & Associates and they calculate the liability of Rs 8.72 Crores. Therefore, MPPTCL paid the entire payment of Rs 8.72 crores in two installments but still Punjab & Sind Bank is not agreed with this liability. So, management has booked the balance amount as Contingent Liabilities and not recognized as liability up to the reporting date.

Therefore, unpaid amount should be provided as liability and the amount over and above Rs 8.72 Crore i.e., Rs 6.69 Crore by this, liability is understated and profit is overstated to that extent.

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 2018-19 was to be submitted.

<u>Response by MPPTCL</u>:

(i) As per IND AS-115, the revenue should be recognized from the contract with customer, when it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. The expenses other than Terminal Benefits and SLDC charges cannot be measured reliably as it is not anticipated that what quantum of expenses other than Terminal Benefits and SLDC Charges shall be allowed by the MPERC. Therefore, the same is not recognized in the books of accounts. However, the expenses other than Terminal Benefits have been estimated and disclosed as Contingent Asset in the books of the accounts. Further, True up petition for financial year 2017-18 filed in MPERC on 13.11.2018 which was under consideration of MPERC, as such, the same was not accounted for as per the "Revenue Recognition" accounting policy of the company.

(ii). As per the MPERC Order dated 31.12.2012, the bills have been raised for Grid Support/Parallel Operation charges to Captive Power Plant Customers. MPERC is a statutory body and the company is bound to comply the MPERC Orders. However, it is to mention here that the disputed income in respect of Grid Support/Parallel Operation Customers is only Rs.28.39 crore. The same will be recovered upon final adjudication by the Hon'ble APTEL and Hon'ble Supreme Court on the pending appeals.

(iii). The mapping of assets with schedule of fund receipts 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 gradually with the effective implementation of ERP.

(iv). The dues of DISCOMS are written off on the directions of GoMP having 100% shareholding of the company. Therefore, the amount has been written off as per GoMP (Energy department) letter No. 8964/R3483/2015/XIII dated 11th Oct 2019.

(v). The asset wise / consumer wise detailed information is being prepared. The efforts are being made to consolidate the information and appropriate action will be taken by the company in the subject matter. The effective implementation of ERP will help to resolve this issue in future.

(vi). This has been disclosed in the accounts that net difference is only Rs.39.52 Crore, which is mainly due to common transactions of GTIS/SCLIS payment/ receipts of all the employees of MPSEB for which details were not provided by erstwhile MPSEB. Reconciliation for the same is being done.

(vii). The details of CWIP after inception of company i.e. 01.06.2005 to 31.03.2019 are available. However, since estimate wise details were not provided by GoMP/ MPSEB for CWIP prior to 01.06.2005, hence the same are not available.

(viii). *As per DRT New Delhi order dated 31.08.2015, Punjab & Sindh Bank has to file its statement showing an amount to be paid to them by MPPTCL as per the directions given in this Order. Punjab & Sindh Bank has filed this statement showing a recovery of Rs.15.41 Crores from MPPTCL. The company has raised objections against this statement before the DRT. The DRT vide its order dated 03.03.2017, has directed MPPTCL to file a statement of amount payable as per the order dated 31.08.2015, duly certified by an Independent Chartered Accountant. MPPTCL has appointed M/s NASA & Associates Chartered Accountant, Jabalpur to compute and certify the liability as per DRT Order dated 31.08.2015. M/s NASA & Associates has computed the liability towards MPPTCL amounting to Rs.8.72 Crores as per DRT Order dated 31.08.2015. MPPTCL has paid the entire amount of Rs.8.72 Crores to Punjab & Sindh Bank and the balance amount of Rs.6.69 Crores (Rs.15.41 Crores - Rs.8.72 Crores) is under protest before DRT. Till the date of decision by DRT, this amount cannot be considered as actual liability & hence it has been recognized as contingent liability*.

Issue Non-Tariff Income

(xxi) The petitioner has claimed non tariff income of Rs 61.35 Crore in para 11.1 of the subject petition. Note 29 of the Annual Audited Accounts shows other income of Rs 64.81 Crore. The petitioner was asked to reconcile the total amount of non-tariff income with the Annual Audited Accounts of FY 2018-19.

Response by MPPTCL:

The non-tariff income of Rs 61.35 Crores includes interest income Rs 5.07 Crores, consultancy/service charges Rs 39.42 Crores, profit/loss on sale of scrap/stores/fixed assets Rs 10.52 Crores, hire charges from contractor/suppliers Rs.2.01 Crores, application fee from open access customers Rs 0.06 Crores and others Rs 4.27 Crores (This is shown as Rs 4.36 Crores in Para-29 at page-41 of Annual Audited Accounts for FY 2018-19. Excess fund on physical verification of material of Rs 0.09 Lakhs has been deducted which is not the part of non-tariff income, as such, the same becomes Rs 4.27 Crores). The other head shown in the table at Para-29 of the Annual Audited Accounts eg. deferred income on PSDF and NCEF grant, interest income on security deposit and retention due to unwinding of discount are not considered as non-tariff income.

Issue:

(xxii) In para 7.3 of the petition, the petitioner's claim for terminal benefit expenses mentions cash component of Rs 2024.33 crore, while Annexure VIII of the petition shows grand total of Rs 2024.23 Crore. This discrepancy in figures need to be rectified. Moreover, Note 30 of the balance sheet mentions total amount of terminal benefits of Rs 2035.60 Crore. The petitioner was asked to reconcile the amounts under various heads claimed for terminal benefits in the petition with the Annual Audited Accounts of FY 2018-19.

Response by MPPTCL:

The terminal benefits at Note-30 of Annual Audited Accounts of FY 2018-19 is shown as Rs. 2035.60 Crores which is inclusive of Rs. 11.29 Crores towards Earned Leave Encashment. The EL Encashment is the part of Employee Expenses, as such, same has not been considered as terminal benefits, thus, making the provision as Rs.2024.31 Crores. The provision of Rs.0.02 Crores has been made towards annuity of family pension as shown in TUT-4 appended with the True Up Petition. As such, total terminal benefit comes out to Rs. 2024.33 Crores as claimed in the Petition. The payment of Rs. 0.08 Crores has been made at HO level, therefore, the same is shown as Rs.2024.23 Crores (Rs.2024.31 Cr. – Rs.0.08 Cr.) in Annexure-VIII, appended with the True Up Petition

12. On perusal of the petitioner's aforesaid responses, vide Commission's letter No. 781 dated 02.07.2020, the petitioner MPPTCL, Jabalpur was directed to submit further clarification on some issues. In response, MPPTCL vide its letter No. 1982 dated 30.07.2020 has filed its reply on all such issues as under:

Issue: Addition of Assets during FY 2018-19:

(i) MPPTCL's Capital Investment plan for FY 2017-18 to FY 2021-22 was approved vide Commission's Order dated 02/05/2018 in P. No. 33/2017. This included works for FY 2018-19 also. MPPTCL has executed some works partially while some works which were not approved in aforesaid Capex plan were also undertaken. MPPTCL has now filed petition (P. No. 42/2020) for approval of updated Capital Investment plan for FY 2019-20 to FY 2023-24 including Review of plan for FY 2017-18 & FY 2018-19 approved in P. No 33/2017**.** This P. No. 42/2020 is listed for motion hearing on 10/07/2020. In view of the above, the petitioner is required to submit a proper mapping clearly showing the reference of approved Capex plan against each work Capitalized during FY 2018-19 and claimed in the instant petition with the serial no. of the work approved by the Commission in P. No. 33/2017. The details of all such works which have been executed without prior approval and have now been proposed for approval in P.No. 42/2020 be shown separately.

Response by MPPTCL:

The list of works capitalized during FY 2018-19 and claimed in the instant Petition with Sr. No. of plan approved by the Commission in Petition No. 33/2017 was submitted for kind perusal in compliance to the observations of the Commission replied vide this office letter No. 12221 dated 20.03.2020. In the aforesaid list, the works capitalized during FY 2018-19 but not included in the plan approved by the Commission in Petition No. 33/2017 were marked as "Applied". As desired, the Sr. No. of plan submitted for approval of the Commission (Petition No. 42/2020) has been indicated for those works which were earlier indicated as "Applied".

The list of works capitalized during FY 2018-19 indicating the reference of approved plans and included in plan submitted for approval (Petition No. 42/2020) is submitted for kind perusal please (Annexure-1). The list of all such works not approved earlier and now included in the Plan (Petition No. 42/2020) is also submitted herewith separately as Annexure-2.

Issue: Additional Capitalization

(ii) In the MYT Order dated 10/06/2016 in P. No. 02/2016, the projected addition to GFA during FY 2018-19 was considered as Rs 519.04 Cr. but in the instant true up petition for FY 2018-19 there has been a steep increase in the net capitalization which is claimed as Rs 1906.27 Cr. Therefore, the actual reasons for over 300% increase in the net capitalization needs to be detailed by the petitioner. The petitioner is also required to explain full details of such works contributing for steep increase in net capitalization.

Response by MPPTCL:

The reasons for steep increase in capitalization during FY 2018-19 is broadly categorized and summarized as under;

a. *The works having executed value > Rs. 25 Crores:- In this category 16 Nos. works are there having total executed value of Rs. 968.02 Crores (Annexure-3).*
b. *The works having executed value > Rs. 10 Crores but up to 25 Crores:- In this category 19 Nos. works are there having total executed value of Rs. 288.75 Crores (Annexure-4).*
c. *The works having executed value up to Rs.10 Crore:- These works have total executed value of Rs. 478.02 Crores (Annexure-5).*
d. *The gross value of a, b and c above is Rs. 968.02 + Rs. 288.75 + Rs. 478.02 = Rs. 1734.79 Crores, which is also mentioned at Annexure-1.*
e. *The works capitalized through Annexure-G of Rs. 1734.79 Crores as above + Rs. 175.59 Crores (towards consumer contribution) + Rs. 18.41 Crores (capitalized through direct booking) is evaluated to Rs. 1928.79 Crores. After withdrawal of Rs. 22.52 Crores for assets withdrawn, the net capitalization works out to Rs. 1928.79 Crores – Rs. 22.52 Crores = Rs. 1906.27 Crores.*

It may kindly be seen that 16 major works alone, amounts to Rs 968.02 Crores. In the sub-major category i.e. works between Rs 10 Crores to Rs 25 Crores, only 19 works account for Rs 288.75 Crores of capitalization. Thus, only 35 works contribute to Rs.1256.77 Crores out of total capitalization. The rest of the works amounting to Rs. 478.02 Crores having executed value less than Rs 10 Crores have been capitalized.

The increase in net capitalization during FY 2018-19 can be attributed to the fact that during FY 2018-19, capitalization of big projects executed through turn-key contracts was done. It is to submit that turn-key projects constitute lump sum sizeable bookings, results in faster *process of capitalization. Further, efforts were made by MPPTCL to capitalize those works in the same year of their completion.*

It is also submitted that MPPTCL has hired the services of Chartered Accountants firm M/s Jain V & Co., Indore vide order No. 04-06/C/T-862/390 dated 03.05.2018 for completion of various task related to accounts / stores / ERP integration of various data etc. besides preparation of Annexure-G. This has facilitated completion of capitalization in a big way.

Issue: Net Capitalization

(iii) MPPTCL has stated that net capitalization for the purpose of claiming depreciation will be Rs.1624.06 Crore instead of Rs. 1601.54 Crore. The effect of aforesaid on the depreciation claimed in para 8.5 of the petition be submitted by the petitioner.

Response by MPPTCL:

The addition of GFA amounting to Rs. 1906.27 Crores during FY 2018-19 considered at Para 8.5 of the Petition is correct, as such, has no impact on the depreciation claimed at Para 8.5 of the Petition. However, the net capitalization should have been considered as Rs.1624.06 Crores at Para 9.5 of the Petition under head "Capital Cost" which has been inadvertently considered as Rs. 1601.54 Crores. The aforesaid position has also been clarified vide letter No. 12221 dated 20.03.2020.

Issue: Assets capitalized during FY 2018-19:

(iv) MPPTCL has submitted scheme wise list of works as Annexure 3 (A, B, C & D) of its letter. On perusal of these lists, the following is observed for some works:

a) In 3A, for CC2 (date 14.05.2012), estimate amt. is Rs 25.86 Lacs but executed amt. is Rs 7.75 Lacs only. In consumer contribution works, if the executed amount is less than 50% of the estimated amount even after 8 years, then reason for same be mentioned. How accounting has been done may also be detailed for all such works.

b) For some works like CC 96, estimate amount has been mentioned as Rs 4012000 while executed amount is mentioned as (Rs Lacs) 30.25. Such discrepancies are observed at few other places also, hence the same be rectified by the petitioner at all such places.

c) For some works like CC97, date / year has been left blank. All such blank spaces be filled with proper information.

d) For some works like CC163, date is 22/0/4/2008, i.e. 12 years old. Reason for such long delay in capitalization be submitted.

e) In 3B, for WD 14, WD 19, WD 25, etc the date of withdrawal of asset is of year 2012 / 2013. The reason for 7-8 years delay in accounting / capitalization be submitted along with the effect of such delay on tariff related issues.

f) In 3C, for DB 149, under PSDF grant scheme, the executed amount (in Rs Lacs) is 279.06 against estimate amount (in Rs Lacs) of 7874.00 even after 3 years from the date / year 2017 mentioned for it. The reason for not utilizing the full grant amount be submitted.

g) In 3D, some entries for sr.no. 13 has been left blank. The missing information be filled or the reason for lack of information be mentioned by the petitioner.

<u>Response by MPPTCL:</u>

The Commission have made certain observations on the consumer contribution works and assets withdrawn / direct booking works, the submissions in that regard is given here as under ;

(a) The 33 KV feeder bay for Discom under feeder separation scheme at 132 KV S/s Raghogarh has been completed and capitalization amounting to Rs.7.75 Lacs has been done in FY 2018-19. It is submitted that, due to restructuring of the Civil Wing, delay in capitalization has occurred. It is further submitted that an expenditure of Rs.18.25 Lacs on the work has been incurred and which shall be capitalized at the earliest. It is also submitted that since the work pertains to consumer contribution, as such, there is no impact on Tariff.

(b) The discrepancies as observed have been rectified.

(c) The compliance has been done.

(d) Due to delay in finalization of contracts owing to delay on the part of contractors and Field Division for 33 KV feeder bay at 220 KV S/s Malanpur under consumer contribution, the capitalization has been delayed. The same has been noted and it is submitted for consideration of the Commission that efforts will be made to avoid recurrence of such delays in future.

(e) This is to submit that for WD14, WD19 and WD25, the estimates were sanctioned in 2012, 2015 and 2013 respectively. The withdrawal of assets has been done during FY 2018-19 and the accounting for decapitalization has been done accordingly. The withdrawal of assets have the valid effects resulting in reduction of Tariff applicable on that amount.

(f) In DB149, the works are under PSDF Grant Scheme and against total estimated amount of Rs.7874.00 Lacs, in FY 2018-19 an amount of Rs .279.06 Lacs has been capitalized while the total capitalization till FY 2018-19 is Rs.6467.00 Lacs.

(g) The compliance has been done by mentioning the required entries.

<u>Issue: List of Assets Capitalized</u>

(v) MPPTCL has submitted in point no. g(ii) of its letter dated 20th March' 2020 that "the works capitalized in FY 2018-19 are new works only" and the relevant details are mentioned in Annexure 4. On perusal of the Annexure 4, the following is observed;

(h) For some works like sr. no. 1 schedule date is mentioned as 2006-07, executed amount is negative Rs (-) 207.10 Lacs. Penalty is mentioned as Rs 14006. The reason for negative amount and delay of over 10 years in capitalization be submitted. The petitioner should mention all amounts in Annexure 4 in Rs Lacs only for proper comparison.

(i) For some works like sr. no. 20, executed amount is Rs 0.97 Lacs only and scheduled date is 2020-21 (future date), still penalty has been mentioned, while for many works where schedule date is 2014-15, etc no penalty has been mentioned. The reason for such discrepancy be submitted.

(j) For some works like sr. no. 31, 53, etc scheduled year is mentioned as 2017-20 (3 years period instead of 1 year). All such errors be rectified.

(k) For many works like sr. no. 8, etc plan reference is mentioned as "applied". Now since the new Capex petition has already been filed by MPPTCL, so relevant details be filled by the petitioner.

(l) For many works like sr. no. 111, the executed amount is negligible in comparison to the estimate amount. The reason for such partial capitalization be submitted.

(m) It was observed in para g(v) of the Commission's letter that for some works partial amount has been shown as capitalized and the reason for non capitalization of the complete estimate amount was sought. MPPTCL has stated that this is due to actual requirement of work at site and change in scope of work where ever found inevitable. This reply of MPPTCL is inadequate.

The examples were written, but justifications for all such works needs to be mentioned by the petitioner after detailed review.

Ex. For work at Sr.no.10 of Annexure V of petition, the estimate amount is Rs 96.93 Lacs while amount capitalized during FY 2018-19 is mentioned as executed amount of Rs 5.66 Lacs and the date is mentioned as 25.03.2014. The reason for partial capitalization during FY 2018-19 of the work executed in 2014 and also the total amount capitalized against this estimate till date was asked to be filed by MPPTCL.

A column be added to show total amount capitalized against each estimate till end of FY 2018-19. Then only it will be clear whether total executed or capitalized amount has exceeded the estimate amount. This process was asked to be completed for all items in the list.

(n) It was observed in para g(viii) of the Commission's letter that for several works the executed amount exceeds the estimate amount and the reasons for the same were sought. The generalist response "that excess / savings in an estimate are dependent on various factors …" is not adequate. Actual reason for each and every such excess was asked to be submitted. The petitioner was asked to write a brief remark in the remarks column. For major works and major deviations remarks / reasons be mentioned separately as foot note. The capitalization claimed in this petition for FY 2018-19 is a huge amount of Rs 1906.27 Cr. This capitalization becomes base for all other parameters in the ARR. Hence proper justification was required from the petitioner in detail.

Response by MPPTCL:

The Commission have made certain observations on the assets capitalized during FY 2018-19, the response to the same is submitted here in below for kind consideration;

(h) The negative booking has occurred due to some accounting adjustments which has been finalized during FY 2018-19. It is submitted that for want of some accounting adjustments, the instant work could be got finalized during FY 2018-19. Due to aforesaid procedural complexities, the capitalization gets delayed which is being taken care of in ERP and recurrence of such delays will be avoided in future. As desired, the amounts in Annexure-4 earlier submitted (now Annexure-1) have been mentioned in Lacs.

(i) The work has been capitalized during FY 2018-19. The penalty is imposed on the contractors as per contract terms which is on account of delay in completion of works. The instant work i.e. installation of 1x12 MVAR capacitor bank at 220 KV S/s Vidisha (Sr. No. 20 of the list) has been commissioned much earlier than the scheduled completion as per plan due to system requirement.

(j) The works at Sr. No. 31 & 53 are related to installation of CVTs at various EHV substations which are not specific but are indicated in the plan as a No. of works and entered therein as lump sum quantities which are planned for execution over a period of 2017 to 2020. The schedule of completion like 2017-20 are mere reflection of the period appearing in the approved capex plan.

(k) All such references of capex petition have been mentioned and are depicted in Annexure-1.

(l) The amount capitalized of work at Sr. No. 111, during FY 2018-19 is Rs.1.91 Lacs whereas the total capitalized amount is Rs.550.79 Lacs till FY 2018-19 against estimated amount of Rs.983.66 Lacs. As some minor works were required to be executed even after charging of the asset, which resulted in partial capitalization.

(m) The works are executed as per the site conditions which sometimes require reduction / excess in the scope of work. The change in scope of work is inevitable as vital inputs for construction of a S/s or a Line are sometimes not available at the time of framing the estimate.

The work at Sr. No. 10 of Annexure-V of the Petition for which estimate was sanctioned on 25.03.2014 pertains to the work of construction of 132 KV feeder bay at Shyampur. Initially the work was entrusted to a contractor, whose work was later terminated. Although, by the time, the firm had completed most of the work, the balance work was got completed departmentally causing the delay. The G-Form for the major portion for an amount of Rs.44.31 Lacs has been submitted during True-up of FY 2016-17. The present capitalized amount of Rs.5.66 Lacs pertains to the balance work executed departmentally. It may kindly be perused that till date Rs. 49.97 Lacs has been booked.

This is to submit for kind consideration that record of basic data regarding expenditure incurred against the works are being maintained at Division Levels and are responsible *for preparation of Annexure-G of the estimates in consultation with RAO concerned who after verification of expenditure, issues the Annexure-G. The capitalization of works is further finalized by loading the overheads and interest at Headquarter of Finance Wing on the basis of Annexure-G transmitted by the RAOs.*

The procedure involved in finalization of expenditure against each and every estimate for the purpose of capitalization as mentioned above requires huge volume of data of past years required to be collected from various Field / Account Offices spread in the State of MP. The provision for showing total executed / capitalized amount against the estimates has been made in ERP which is under process of implementation and on completion of the above process, the information desired by the Commission will be readily available.

However, in compliance of the direction of the Commission, the information regarding total amount capitalized till FY 2018-19 for all major works having value more than Rs.10 Crores which were capitalized during FY 2018-19 has been obtained and the same is submitted as Annexure-6.

(n) The list of works capitalized during FY 2018-19 in which the executed amount has exceeded the estimate amount is submitted herewith as Annexure-7. It is submitted for kind consideration that only 9 Nos. of such works are there. The reasons for excess over the estimate are also recorded therein.

Regarding justification of capitalization of Rs.1906.27 Crores, it is submitted that the same is given at point A(ii) above.

Issue: Depreciation

(vi) The petitioner was asked to reconcile the depreciation claimed in this petition with that mentioned in its Annual Audited Accounts. Such reconciled statement showing final reconciled amount was not filed.

In para 8.5 of the petition, GFA addition has been mentioned as Rs 1906.27 Cr and corresponding Depreciation has been claimed as Rs 383.90 Cr. Addition to depreciation in the note 2 of the Annual Audited Accounts is Rs 352.43 Cr.

Moreover in para (e) of its present submission, the petitioner stated that the net capitalization for purpose of claiming depreciation Rs 1624.06 Cr instead of Rs 1601.54 Cr. In view of the above, the petitioner was required to submit a final amount for depreciation to be considered along with final Asset depreciation register. If needed the corresponding items of ARR was also asked to be amended accordingly.

Response by MPPTCL:

The rate of depreciation which was earlier applied till FY 2009-10 for finalization of Accounts was as per the rates and depreciable value stipulated in the Companies Act while the same as per Regulatory Norms was different than what was stipulated in the Companies Act. Subsequently, the rates of depreciation as per the Companies Act and Regulatory Norms became the same. It is to submit that, the difference initially occurred in position of FY 2009-10, continued thereafter and were reflected in the subsequent Accounts & Petitions.

In view of the above, the depreciation claim of Rs 383.90 Crores claimed in the Para 8.5 of the Petition is correct. The GFA amounting to Rs. 1906.27 Crores when reduced by the amounts which do not qualify for claiming depreciation such as Consumer Contribution (Rs. 175.59 Crores), grant portion of NCEF (Rs. 104.67 Crores) and grant portion of PSDF (Rs. 1.95 Crores), stood at Rs. 1624.06 Crores. It is further submitted that depreciation amount of Rs. 383.90 Crores as claimed in the Petition will remain unchanged as the same has been worked out on Rs. 1624.06 Crores as per the Regulations in vogue and the same shall form the basis for finalization of ARR. The Asset Depreciation Register which was submitted alongwith the Petition confirming to Rs. 383.90 Crores against depreciation is also submitted herewith for kind perusal please.

Issue: Interest and Finance charges

(vii) MPPTCL has mentioned weighted average interest rate as 2.14 % for ADB loan no. 3066. However, the weighted average interest rate is shown as 10.59 % for ADB loan no. 1869. The petitioner may verify the rate for ADB loan no. 1869 and submit document in support of its claim for ADB loan no. 1869 on this issue.

Response by MPPTCL:

The ADB Loan No. 1869 was a common loan received by the erstwhile MPSEB constituting of a number of loan orders having interest rate varying from 12% to 10.50%. The weighted average interest of the same works out to 10.59%. The statement of the same has been submitted with the Petition as Annexure-XI. For kind perusal, some of the loan documents for ADB loan No. 1869 are submitted herewith as Annexure-8.

Issue: Taxes and Fee

(viii) The details of Rs 1.91 Cr shown as rates and taxes in TUT 5A(ii) be submitted. MPPTCL is required to submit the details of fee paid to MPERC, CERC, any other SERC separately.

Response by MPPTCL:

The property tax being paid to local self-Government Offices such as Nagar Nigam / Nagar Palika / Nagar Panchayats etc. include Samekit Kar, Nagariya Vikas Upkar, Shiksha Upkar etc. At most of the places, the involvement of tax amount is meagre and for Rs.1.91 Crores paid on this account will involve a large No documents to be collected from the field. However, for verification, some of the documents are submitted herewith as Annexure-9.

It is further submitted that, Rs.1 Lac (Rs. One Lac) has been paid towards fee for True-up Petition for FY 2017-18 on dated 14.11.2018 to MPERC vide UTR No. UBINH118318133051

Issue: Amounts written off

(ix) MPPTCL is required to submit detailed calculation of Rs 535.70 Cr. bad debts written off separately for each entity and to submit copy of documents in support thereof.

Response by MPPTCL:

The MPPTCL does not have a policy to write-off or provisions of bad & doubtful debts. The dues of Discoms are written-off on the directions of GoMP who are the 100% shareholder of the Company. Therefore, the amount has been written-off as per GoMP (Energy Department) letter No. 8964/R-3483/2015/XIII dated 11.10.2019 wherein Discom wise written-off amount is shown. The copy of letter dated 11.10.2019 is enclosed herewith as Annexure-10.

Issue: Audited annual accounts

(x) (i) MPPTCL was required to submit specific timeline by which the mapping of assets with source of funds and commissioning shall be done as mentioned in point no. t(iii) of its letter dated 07.02.2020.

(ii) For consumer contribution works the asset wise / consumer wise details may be available. The details of the amounts refundable as mentioned in para t(v) was sought.

(iii) In para t(vi) of its letter dated 30/07/2020, MPPTCL had submitted that reconciliation of Rs 39.52 Cr is being done. If reconciliation had been completed till now, details was to be submitted by the petitioner.

Response by MPPTCL:

(i) The ERP having provisions for various activities are being lined up and its smooth functioning is gradually increasing. The one to one unique mapping of assets with schedule of fund receipts and commissioning is quite complex involving a lot of technical intricacies in large No. of works. It is expected that over a period of next 2 to 3 years after addressing the initial problems involved in such process, it will be possible to succeed in the desired task.

(ii) The asset / consumer wise details are being prepared through ERP which will depict the required information alongwith the refundable amount. The Company is making sincere efforts to consolidate and finalize the same.

(iii) The details of common transactions of GTIS / SCLIS have not been provided by the erstwhile MPSEB. The efforts are on to reconcile the difference of Rs 39.52 Crores.

13. On perusal of the aforesaid responses by MPPTCL, vide Commission's letter no. 1082 dated 22.09.2020, the petitioner was further directed to submit some clarification in the matter of Asset addition and net capitalization by 30.09.2020 on the issues raised by the Commission in the subject true-up petition. In response, MPPTCL vide its letter No. 3192 dated 29.09.2020 submitted the additional information, duly amending the relevant tables filed in its petition. The analysis of MPPTCL's response is as under:

Issue: Addition during FY 2018-19:

(i) A list of 25 nos. unapproved works of Rs 29.15 Cr which had been capitalized in FY 2018-19 is mentioned in the Annexure - 2. It is stated that these works have been included in P. No. 42/2020 regarding approval of Capex plan. Therefore, the reasons and urgency for carrying out those works without prior approval of the Commission, was sought from the petitioner.

Response by MPPTCL:

It is submitted that in a large interconnected power supply system like MPPTCL's network, the futuristic capacity addition and system strengthening 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. The requirements of distribution companies from new 132/33 kv substation also have to be met from time to time. It is submitted that some works, not envisaged earlier, are sometimes required for operational flexibility and improving reliability at a later stage than original formulation of the plan. Most of the works amongst the 25 Nos not included in the approved capex plan were essential nature works required for proper functioning of transmission assets and satisfactory delivery of services to the ultimate beneficiaries of the transmission system. The reasons and urgency involved for execution of these works of Annexure-2 is submitted herewith for consideration please.

Issue: Net Capitalization for purpose of Depreciation, Interest & Return on Equity:

(ii) It is mentioned at point no. A(iii) of reply that the net capitalization has been inadvertently considered as Rs 1601.54 Cr instead of Rs 1624.06 Cr and there is no impact of this inadvertent error on Depreciation claimed in the petition. However, the aforesaid inadvertent error in the capital cost will affect the loan & equity components and consequently the interest & finance charges and return on equity also. Therefore, the consequential impact of considering capital cost as Rs 1624.06 Cr instead of Rs 1601.54 Cr on all tariff components was sought.

Response by MPPTCL:

Inadvertently, net capitalization at para 9.5 of abovesaid petition has been considered as Rs 1601.54 Crores instead of Rs 1624.06 Crores which was intimated to Commission vide letter No 30.07.2020. It is to submit for kind consideration that aforesaid inadvertent error did not have any impact on the depreciation claimed in the petition. In compliance to the direction given by the Commission, having considered the consequential impact on other tariff components given herein below and ARR worked out accordingly. The true up claim is Rs 877.65 Crore instead of Rs 876.75 Crore entailing a total difference of Rs 0.90 Crore only.

Issue: Additional submission by MPPTCL:

(iii) MPPTCL submitted the following additional point regarding sharing of true-up amount:

It is most respectfully submitted for kind consideration of Hon'ble Commission that allocation of true up amount during FY 2016-17 and FY 2017-18 amongst the Discoms has been allowed on the basis of percentage allocation considered at para 19 in MYT order dated 10.6.2016 and at para 14(A) of order dated 26.4.2017 in Petition No. 70/2016 on MW basis. The capacity allocation amongst Discoms i.e. MP Poorva KVVCL, MP Madhya KVVCL and MP Paschim KVVCL was 29.88%, 31.83% and 38.29% respectively. It is further submitted for kind consideration of the Hon'ble Commission that in the True Up Petition for FY 2018-19, allocation of the ARR has been sought on the similar methodology considering the capacity of *three Discoms, MPAKVN (now MPIDC) and WCR with the allocation shown in the aforesaid orders. It is submitted that the capacity of WCR and MPAKVN (now MPIDC) stands enhanced to 270 MW and 45 MW instead of 200 MW and 40 MW approved in aforesaid orders. In this situation, for the amount to be billed from WCR and MPAKVN (now MPIDC) for the excess capacity beyond 200 MW and 40 MW will have to be passed on to LTOA customers mainly the Discoms, at the end financial year after reconciliation of the amount and finalization of the accounts. With a view to reduce the burden of Discoms at the stage of billing of true up amount itself, it is felt appropriate that trued up capacities of LTOA customers at the end of the preceding financial year i.e. FY 2017-18 may be considered for allocation of true up amount amongst the LTOA customers. It is further submitted that the total capacity served by the transmission system as on 31.3.2018 is considered for allocation amongst the Discoms based on the same percentage approved in the MYT order dated 10.6.2016 besides considering the capacity of WCR and MPAKVN (now MPIDC) as 270 MW and 45 MW respectively.*

It may kindly be perused that the ARR in any case shall remain the same and the proposed allocation of true up amount will ensure reduction in true up charges of the Discoms which otherwise have to be passed on after a lapse of considerable period as elaborated above.

14. Vide letter No. 3600 dated 15th October' 2020, MPPTCL submitted copies of the updated and amended petition. Total Annual Revenue Requirement (ARR) of MPPTCL for FY 2018-19 and the sharing of true-up amount among the customers, filed by the petitioner was changed. The petitioner had also amended its claim regarding net capitalization filed in the original petition.

15. A summary of the ARR regarding True-up of Transmission Tariff for FY 2018-19 as filed in the original petition and the amended petition is as under:

Table 1: True up for FY 2018-19 claimed by MPPTCL (Rs in Crore)

S. No.	Particulars	As per ARR approved by order dated 10.06.2016	As filed in original petition	True-up Amount in original petition	As filed in amended petition based on Audited Accounts	True-up Amount in amended petition
				(Col. 4 – Col 3)		(Col 6 – Col 3)
1	**2**	**3**	**4**	**5**	**6**	**7**
1	O&M Expenses	495.49	535.01	39.52	535.01	39.52
2	**Terminal Benefits -**					
2(i)	Cash expenses	1282.38	2024.33	741.95	2024.33	741.95
2(ii)	Provisioning	0	42.17	42.17	42.17	42.17
2	**Total -**	**1282.38**	**2066.50**	**784.12**	**2066.50**	**784.12**
3	Depreciation	345.84	383.90	38.06	383.90	38.06
4.i.	Interest on Loan & Bank Charges	143.12	130.60	-12.52	130.96	-12.16

4.ii.	Interest on Working Capital	73.40	88.87	15.47	88.89	15.49
4	**Total Interest -**	**216.52**	**219.47**	**2.95**	**219.85**	**3.33**
5	Return on Equity	388.46	440.25	51.79	440.77	52.31
6	Taxes and Fee	1.47	1.92	0.45	1.92	0.45
7	PPP Unitary Charges	37.80	35.93	-1.87	35.93	-1.87
8	**TOTAL -**	**2767.96**	**3682.98**	**915.02**	**3683.88**	**915.92**
9	Less Non-Tariff Income	21.00	61.35	40.35	61.35	40.35
10	**GRAND TOTAL -**	**2746.96**	**3621.63**	**874.67**	**3622.53**	**875.57**
11	MAT actually paid in FY 2014-15	0.00	1.09	1.09	1.09	1.09
	MAT actually paid in FY 2015-16	0.00	0.99	0.99	0.99	0.99
	Grand Total	**2746.96**	**3623.71**	**876.75**	**3624.61**	**877.65**

16. It was observed that the total true-up amount claimed in the amended true-up petition is Rs. 877.65 Cr viz-a-viz the true-up amount of Rs. 876.75 Cr. claimed in the original true-up petition.

17. In para 2.5 to 2.6 and Annexure III of the amended petition, MPPTCL filed the following Transmission Capacity of **17473.31** MW for FY 2018-19 and its allocation among Discoms, SEZ and WCR.

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(A)) 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 and vide notification dated 30.3.2016 (Annexure-II(B)) Subsequently, allocation of 40 MW power revised to 45 MW to MPIDC(SEZ) from the Capacity of Discoms. Accordingly, after taking into consideration of abovesaid notification 45 MW power has been allocated to MPIDC(SEZ) from the capacities of discoms and the reduced capacities based on energy requirement of MPPMCL has been distributed between three discoms and the same is tabulated hereunder;

Particulars	***Energy input of Discoms***	***% allocation***	***MW Share***
MP Poorva Kshetra Vidyut Vitaran Company Ltd. Jabalpur.	*20889.63*	*30.03%*	*5152.64*
MP Madhya Kshetra Vidyut Vitaran Company Ltd. Bhopal.	*23823.39*	*34.25%*	*5876.72*
MP Paschim Kshetra Vidyut Vitaran Company Ltd. Indore.	*24841.57*	*35.72%*	*6128.95*
Total -	***69554.59***	***100.00%***	***17158.31***

The Capacity of 270 MW for WCR is treated as additional.

(ii). The capacity for the year for 2018-19 is taken as that on 31st March 2018.

(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 2018-19 (MW)
1	MP Poorva Kshetra Vidyut Vitaran Company Ltd. Jabalpur.	30.03%	5152.64
2	MP Madhya Kshetra Vidyut Vitaran Company Ltd. Bhopal.	34.25%	5876.72
3	MP Paschim Kshetra Vidyut Vitaran Company Ltd. Indore.	35.72%	6128.95
4	Total Discoms -		17158.31
5	MPIDC(SEZ)-Indore	-	45
6	WCR on behalf of Railways	-	270
	GRAND TOTAL -	**-**	**17473.31**

As per Transmission Tariff Regulations, the Distribution Companies, MPIDC (SEZ) and West Central Railways as Long Term Open Access Customers will share the Transmission charges in the ratio of capacity allocated to them Commission has considered percentage allocation of True-Up amount for FY 2016-17 on MW basis as allocated in the MYT order dated 10.6.2016 & 26.4.2017. On the same lines MPPTCL proposes the percentage allocation of True-Up amount for FY 2018-19."

18. In Para 13.2 of the amended 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, MPIDC (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 MW basis of three State owned Discoms as on 31.3.2018 is given below. For West Central Railways (WCR) & MPIDC(SEZ), the contracted Transmission capacity as on 31.3.2018 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	4857.35	5126.90
2	MP Madhya KVVCL	5174.34	5461.49
3	MP Paschim KVVCL	6224.49	6569.92
4	MPIDC SEZ	40.00	45.00
5	Railways (WCR)	200.00	270.00
	TOTAL -	**16496.18**	**17473.31**

B. *The 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. Sharing of True-up amount amongst Discoms, SEZ and West Central Railways (WCR) has been proposed on Trued up capacities, which is tabulated below:*

(Rs. in Crores)

S. No.	Customer	Trued up Capacity (MW)	Amount as per filing in this petition	Amount as per MYT Orders	True-up to be shared
1	MP Poorva KVVCL	5126.90	1063.51	808.851	254.66
2	MP Madhya KVVCL	5461.49	1132.91	861.636	271.28
3	MP Paschim KVVCL	6569.92	1362.84	1036.508	326.34
4	MPAKVN for SEZ	45	9.33	6.661	2.67
5	Railways (WCR)	270	56.01	33.304	22.70
	TOTAL -	**17473.31**	**3624.610**	**2746.960**	**877.650**

CAPITAL COST AND CAPITAL STRUCTURE

19. The petitioner filed a list of works completed during FY 2018-19 with the petition. The aforesaid list contained a break-up of 316 works capitalized during the year along with 171 works done with consumer contribution, 149 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.

20. MPPTCL filed the details of transmission lines and bays commissioned in FY 2018-19 (Annexure 4 of the petition) in support of its O&M claims. MPPTCL also filed the break-up of following capital cost and its funding:

Table 2: Breakup of Capital Cost filed by the Petitioner

S. No.	Particular	Unit	Total Assets
1	Capital cost as on 31.3.2018 as admitted vide Order dated 04.01.2020	Rs. Cr.	8918.51
2	Capital expenditure during FY 18-19 based on audited accounts	Rs. Cr.	1928.79
3	Less Works capitalized through Consumer Contribution during FY 2018-19	Rs. Cr.	175.59
4	Less PSDF Scheme Grant Portion Recognized	Rs. Cr.	1.95
5	Less NCEF Scheme Grant Portion Recognized		104.67
6	Less Assets adjusted/ withdrawn/ de-capitalized during the year	Rs. Cr.	**22.52**
7	Net Additional Capital expenditure during FY 2018-19	Rs. Cr.	**1624.06**
8	Total capital cost as on 31.3.2019 (Net)	Rs. Cr.	10542.57

FUNDING OF CAPITAL COST –

Table 3: Funding of Capital Cost claimed by the petitioner (Rs in Crore)

S. No.	Particular	Assets	Equity	Loan
1	*Opening capital cost as on 01.04.2018 as per true-up order for FY 2017-18*	8918.51	2591.58	4468.40
2	*Net-off Capitalization during the year for RoE calculations (considering normative 70 - 30 debt - equity ratio)*	**1624.06**	**487.22**	**1136.84**
3	*Closing capital cost as on 31.03.2019*	**10542.57**	**3078.80**	**5605.24**

Commission's Analysis: -

21. 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 by the Commission and the response of MPPTCL on all such issues has been detailed in earlier paragraphs of this order.

22. 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".

23. However, the information filed in the present True-up petition shows that some works which were not covered in the capex plan approved by the Commission, have been executed and capitalized by MPPTCL during FY 2018-19. Vide Commission's letter No. 1082 dated 22/09/2019, petitioner was asked to explain the reasons and urgency for carrying out aforesaid works. Vide letter No. 3192 dated 29/09/2020 submitted the reasons and urgency for carrying out all such works. The response of MPPTCL has been detailed at para 13(i) of this Order. The Commission has considered the petitioner's reply and has included the aforesaid works in the Capital Cost in view of the CFO's certificate and the audited financial statements of MPPTCL for FY 2018-19.

24. As per the certificate of the Chief Financial Officer, MPPTCL, Jabalpur, the assets of Rs. 175.59 Crore were funded through consumer contribution and Rs. 18.41 Crore through direct booking and withdrawal of Rs. 22.52 Crore was made from the Gross Block. Accordingly, addition of Rs. 1624.06 Crore (out of total capitalized amount of Rs. 1906.27 Crore in FY 2018-19) is shown in the certificate.

25. The following was observed from the audited financial statements for FY 2018-19 of MPPTCL:

(i) Note 2 shows addition of total tangible assets as Rs 1464.85 Cr.

(ii) Note 4(a) shows addition of intangible assets as Rs 22.32 Cr.

(iii) Note 2 shows assets withdrawn as Rs 22.52 Cr.

(iv) Addition of plant & machinery under NCEF (National Clean Energy Fund) scheme is shown as Rs 263.32 Cr and under PSDF (Power System Development Fund) scheme as Rs 2.79 Cr respectively.

(v) Note 2.4 & 2.6 shows PSDF grant fund as Rs 1.95 Cr and NCEF grant fund as Rs 104.67 Cr respectively.

Thus, the details of total addition of Rs 1624.06 Cr filed by MPPTCL vide its letter no. 248 dated 20/03/2020 are tallied with the corresponding information in the audited financial statements.

(vi) Therefore, an amount of Rs. 1624.06 Crore for the assets capitalized during FY 2018-19 is considered in this order. The Commission after prudence check, analysis of the audited accounts and as per the provisions of the Regulations and the approach followed in previous true-up order for FY 2017-18, has considered the capital cost as given below:

Table 4: Capital Cost considered by the Commission

S. No.	Particular	Unit	Total Assets
1	Capital cost as on 01.04.2018 as admitted vide True up Order for FY 2017-18 dated 04.01.2020	Rs. Cr.	8918.51
2	Capital expenditure during FY18-19 based on audited accounts	Rs. Cr.	1464.85
3	Add :Intangible Assets (Computer & ERP)		22.32
4	Less : Assets adjusted/ withdrawn/ de-capitalized during the year	Rs. Cr.	(-)22.52
5	Less: SLDC Booking	Rs Cr.	(-) 0.09
6	Add: Works Completed under NCEF Scheme after reducing grant portion of NCEF (Rs 263.32 Cr- Rs 104.67 Crore)	Rs. Cr.	158.65
7	Add: Works Completed under PSDF Scheme after reducing grant portion of PSDF (Rs 2.79 Crore- Rs 1.95 Crore)	Rs Cr.	0.841
8	Net Additional Capital expenditure during FY 2018-19	**Rs. Cr.**	**1624.06**
9	Total capital cost as on 31.3.2019 (1+8)	Rs. Cr.	10,542.57

26. The following funding of Capital Cost as on 31.03.2019 on normative Debt : Equity ratio is considered in this order:

Table 5: Funding Admitted by the Commission (Rs in Crore)

S. No.	Particular	Assets	Equity	Loan
1	Opening capital cost as on 01.04.2018 as per true-up order for FY2017-18	8918.51	2591.58	4468.40
2	Net-off Capitalization during the year for RoE calculations (considering normative 70 - 30 debt - equity ratio)	**1624.06**	**487.22**	**1136.84**
3	Closing capital cost as on 31.03.2019	10542.57	3078.80	5605.24

27. 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. It can be seen from Note 16 A of the Annual Audited Accounts of FY 2018-19 that the equity infusion is recorded as Rs 507.88 Crore in FY 2018-19. Therefore, GFA addition of Rs. **1624.06 Crore** is considered to be funded from a loan of Rs. **1136.84 Crore** and Equity of Rs. **487.22 Crore** as mentioned above.

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

ANNUAL FIXED COST

29. The Annual Fixed Cost (AFC) of a Transmission System including Communication System consists 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

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

(i) DEPRECIATION:

Petitioner's submission:

31. The petitioner has broadly submitted the following in the amended and updated 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) Accumulatd Depreciation Rs 1205.95 Crores
(iii) Net Fixed Assets Rs 1726.81 Crores

The Commission had directed the Petitioner to reconcile the Asset Register and work out the Depreciation during the year on the above. The detail of this Asset Register was submitted during the Truing-up process of 2012-13 for perusal of the 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 2017-18 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 2018-19 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**
1	31-03-2017	8837.80	3503.16	5334.64
2	31-03-2018	9606.08	3864.34	5741.74
3	31-03-2019	11512.35	4248.24	7264.11

The Depreciation for the year 2018-19 has been calculated as per Clause 25 of the Regulations.

ADDITION OF ASSETS DURING FY 2018-19 –

MPPTCL has adopted IND AS for accounting from FY 2016-17 onwards and accounts for FY 2018-19 has also been prepared accordingly.

Assets inclusive of Consumer Contribution, PSDF Grant and NCEF Grant worth Rs 1928.79 Crores have been capitalized during the year and assets of value Rs 22.52 Crores have been withdrawn. The above figure is inclusive of value Rs 175.59 Crores that have been capitalized on account of consumer contributions and also Rs 1.95 Crores against grant portion of PSDF Scheme and Rs 104.67 Crores NCEF Scheme. Thus, a net addition worth of Rs 1928.79 - Rs 22.52 - Rs 175.59 - Rs 1.95 - Rs 104.67 = Rs 1624.06 Crores (net capitalization) have been Capitalized during the year 2018-19.

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 Annexure–V.

DEPRECIATION FOR FY 2018-19 –

As per above procedure, the Depreciation (excluding Depreciation on Assets formed under Consumer's Contribution) for 2018-19, computed from Asset Register & Software model and comparison from previous year, is given below;

Table 6: Depreciation this year and comparison from previous year filed by the Petitioner

(Rs in Crore)

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
2017-18	8837.80	768.28	9606.08	3503.16	361.18	3864.34	5334.64	5741.74
2018-19	9606.08	1906.27	11512.35	3864.34	383.90	4248.24	5741.74	7264.11

The category-wise details for FY 2018-19 are given in Format TUT-7 & 8.

TRUE-UP OF DEPRECIATION FOR FY 2018-19 -

Table 7: True up of Depreciation Claimed by the Petitioner

(i).	Depreciation claim as per Para 8.5 above	**Rs 383.90 Crores**
(ii)	Depreciation allowed in MYT order dated 10.06.2016	**Rs 345.84 Crores**
	True-up Claim -	**(+) Rs 38.06 Crores**

Provisions under Regulations:

32. 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."

Commission's Analysis:

33. 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. In the Asset-Depreciation Register filed by the petitioner, the depreciation of Rs 383.90 Cr for FY 2018-19 has been calculated. As per provisions under Regulations, the following Depreciation is considered for FY 2018-19 in this order:

Table 8: Depreciated admitted by the Commission

Sr. No.	Particular	Unit	Amount for FY 2018-19
1	Opening Cumulative Depreciation for FY 2018-19(as per Para 54 of True-up order for FY 2017-18)	Rs. Cr.	3864.36
2	**Depreciation during the year**	Rs. Cr.	**383.90**
3	Closing Cumulative Depreciation for FY 2018-19	Rs. Cr.	4248.26

(ii) RETURN ON EQUITY:

Petitioner's Submission:

34. The petitioner broadly submitted the following in the amended and updated 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 .

The Commission vide tariff order dated 10.6.2016 has allowed the RoE at the base rate of 15.5% on average Equity of Rs 2503.36 Crores, which works out to Rs 388.02 Crores and additional RoE for works completed within specified time limit as Rs 0.44 Crores, totaling to Rs 388.46 Crores for FY 2018-19.

EQUITY INFUSED DURING 2018-19 –

The Balance Sheet incorporated in Audited Accounts for FY 2018-19, provides for following figures for Equity;

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

(ii). Equity held on 31.03.2019 - Rs 3294.35 Crores

And after taking into consideration of accounting of reserves and surplus, the net value comes out for the year under consideration as Rs 3140.96 Crores

QUALIFYING EQUITY FOR ROE –

Eligible Equity for claim of RoE in line with the approach adopted by Commission in True up order for FY 2011-12 is worked out taking opening figures as per the claim in True-up of FY 2017-18, the same is tabulated as hereunder;

Table 9: Return on Equity Claimed by the Petitioner

S. No.	Particular	Unit	Amount for FY 2018-19
1	*Opening Equity in FY 2018-19 (closing Equity of last year as per updated True Up petition of FY 2017-18)*	Rs Cr.	2591.58
2	*Equity addition due to capitalization considered during the year*	Rs Cr.	487.22
3	*Closing Equity in FY 2018-19*	Rs Cr.	3078.80
4	*Average Equity in FY 2018-19*	Rs Cr.	2835.19
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.	**439.45**
9	*Cumm. Additional RoE in respect of projects completed within specified time limit*	Rs Cr.	**1.32**
10	***Total Return on Equity -***	Rs Cr.	**440.77**

Regarding above, it is also to submit that, keeping in tune with the approach of 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 2018-19. 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 2018-19 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 in 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
9	For Works Capitalized In FY 2017-18	0.014
A	**TOTAL -**	**0.549**

TABLE B – FROM WORKS CAPITALIZED IN FY 2018-19

(i)	Value of G-forms of qualifying works	Rs 511.06 Crores
(ii)	Equity employed with 70:30 ratio	Rs 153.32 Crores
(iii)	0.5% Additional RoE	Rs 0.77 Crores
(B) Claim lodged this Year =		**Rs 0.77 Crores**

Total of (A) + (B) *= Rs 0.55 + Rs 0.77 Crores = Rs 1.320 Crores*

Say** Rs **1.32 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 **4.50 %** as indicated in Para 9.4 covering overall Weighted Average Rate of Interest for Year 2018-19. On the basis of Chapter-IX & X, formulated on lines of True up order for FY 2011-12, with opening figures based on updated True up for FY 2017-18, the following is worked out;*

Table 10: Int on Normative Loan worked out by the Petitioner (Rs in Crores)

S No	Interest on Normative Loan	
a	Gross Block of Assets as on 01.04.2018	8918.51
b	Gross Block of Assets as on 31.03.2019 Net of Consumer Contribution, PSDF & NCEF Grant	10542.57
c	Gross Block of Assets (Average)	9730.54
d	Maximum Qualifying Equity (30%) with 70:30 Debt : Equity ratio	2919.16
e	Equity at the beginning of the year employed on Capitalized Works	2591.58
f	Equity at the end of the year employed on Capitalized Works	3078.80
g	Average Equity employed on Capitalized Works	2835.19
h	Qualifying Equity	2919.16
i	Available equity	0.00
j	Normative Loan component only if (g)>(h))	**Nil**

TRUE-UP OF RoE FOR FY 2018-19 –

Table 11: True Up of ROE claimed for FY 2018-19 (Rs in Crore)

(i)	RoE Eligibility as per True-up claimed above	439.45
(ii)	Additional RoE as per Para 10.4 above	1.32
(iii)	Total RoE claimed	440.77
(iv)	RoE allowed in MYT order for 2018-19	388.46
(v)	**True-up amount**	**(+) Rs 52.31**

Provisions under Regulations:

35. 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%

(iii) 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."

Commission's Analysis:

36. 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.

37. On perusal of the information filed for additional RoE, the petitioner was asked to file complete details for its claim along with modified Annexure- VII. The petitioner was asked to submit a certificate from competent authority mentioning that all parts of the concerned unit/ block/ element have been completed within the time line fixed under Regulations. The petitioner was also asked to justify its claim towards additional RoE for works capitalized in FY 2018-19.

38. In response, the petitioner submitted as under:

"The additional RoE has been claimed @0.5% on equity portion of completed value of work only. The Commission in earlier years have approved the qualifying works for additional RoE which are shown below;

Sr. No.	*Addl. RoE approved by MPERC in previous years through True-up order*	*Amount Rs. in Crores*	*Reference of 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*
9	*For Works Capitalized In FY 2017-18*	*0.014*	*Para 59 of True Up Order dated 04.1.2020*
10	*For Works Capitalized In FY 2018-19*	*0.77*	*As claimed in Para 10.4 of True Up Petition for FY 2018-19*
A	*TOTAL*	*1.320*	

As directed, 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 submitted as Annexure-6. The claim is in line with Tariff Regulations, 2016.

39. In the last true-up order for FY 2017-18, the closing equity of FY 2016-17 was considered as equity employed on capital cost at the beginning of year. The equity infusion during FY 2017-18 was also considered only for the assets created and capitalized during that year. Similarly, the equity amount of Rs. 2591.58 Crore at the end of FY 2017-18 is considered as opening equity in this true-up order. The equity infusion of Rs. 487.22 Crore during FY 2018-19 is considered in this order. The Return on Equity of **Rs 439.45 Cr** is allowed as per the undermentioned table. The additional Return on Equity of **Rs 1.32 Cr** is also allowed as per the provisions under the Regulations in respect of projects completed within specified time limit. Accordingly, the Return on Equity for FY 2018-19 is worked out as under:

Return on Equity:

Table 12: Return on Equity admitted by the Commission

Sr. No.	Particular	Unit	Amount for FY 2018-19
1	Opening Equity as on 01.04.2018(as per True up order of FY 2017-18- closing Equity of previous year)	Rs. Cr.	2591.58
2	Addition due to additional capital expenditure during the year	Rs. Cr.	487.22
3	Closing Equity as on 31.03.2019	Rs. Cr.	3078.80
4	Average Equity during FY 2018-19	Rs. Cr.	2835.19
5	Return on equity base rate	%	15.50
6	Tax rate actually paid during the year (No Tax Paid)	%	-
7	Applicable Rate of return on Equity	%	15.50
8	**Return on equity**	Rs. Cr.	**439.45**
9	Additional RoE in respect of projects completed within specified time limit	Rs. Cr.	**1.32**
10	**Total return on equity worked out (8+9)**	**Rs. Cr.**	**440.77**

40. In view of the above, the Commission has considered the total Return on Equity of Rs. **440.77 Crore** (including additional return on Equity of Rs. **1.32 Crore**) in this order.

INTEREST AND FINANCE CHARGES ON LOAN CAPITAL:

Petitioner's submission:

41. The petitioner broadly submitted the following in the amended and updated petition:

*"**<u>SANCTION UNDER TARIFF ORDER FOR FY 2018-19</u>** -*

Commission under order dated 10.06.2016, allowed following Interest and Finance charges to MPPTCL for year 2018-19;

(i).	*Interest & Finance Charges*	*Rs 143.12 Crores*
(ii)	*Interest on Working Capital*	*Rs 73.40 Crores*
TOTAL -		***Rs 216.52 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 2018-19 has been prepared and is a part of Annexure-VI.

WEIGHTED AVERAGE RATE OF INTEREST –

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 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 IDP-217 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 Commission vide letter No. 272 dated 13.02.2019. The total weighted average rate of interest worked out is in compliance to the observations and directions of the Commission as aforesaid. It is also submitted that consequent upon finalization of interest rates between the GoMP & Govt. of India/ lending agencies in respect of JICA IDP-217 and ADB 3066 loans, as desired by the 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 2018-19 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	REC-I Secured	9.50%	Ref. Annexure-IX(a)
2	REC-II Secured	9.50%	Ref. Annexure-IX(b)
3	Union Bank of India	8.76%	Ref. Annexure-X
4	ADB-1869	10.59%	Ref. Annexure-XI
5	GOMP ADB 2323	4.08%	Ref. Annexure-XII(a)
6	GOMP ADB 2346	4.08%	Ref. Annexure-XII(b)
7	GOMP ADB 3066	2.14%	Ref. Annexure-XII(c)
8	GOMP JICA IDP-217	1.50%	Ref. Annexure-XIII(a)
9	GOMP JICA IDP-250	1.80%	Ref. Annexure-XIII(b)
10	GOMP KfW (GEC)	11.50%	Ref. Annexure-XIV
11	Market Bond	8.30%	Ref. Annexure-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 2018-19-

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 31.03.2019	Rate of interest (%)	Interest
1	REC-I Secured	138.16	9.50%	13.14
2	REC-II Secured	16.35	9.50%	1.55
3	Union Bank of India	177.89	8.76%	15.58
4	ADB-1869	146.63	10.59%	15.40
5	GOMP ADB 2323	328.98	4.08%	13.42
6	GOMP ADB 2346	488.91	4.08%	19.95
7	GOMP ADB 3066	544.85	2.14%	11.66

8	GOMP JICA IDP-217	546.48	1.50%	8.20
9	GOMP JICA IDP-250	42.55	1.80%	0.77
10	GOMP KfW (GEC)	134.12	11.50%	15.42
11	Market Bond	3.05	8.30%	0.25
TOTAL -		**2567.97**	**-**	**115.34**

Weighted Average Rate of Interest = (115.34/2567.97)*100 = 4.50 %

ELIGIBILITY OF INTEREST FOR YEAR 2018-19 -

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 31.03.2019 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 2018-19.

Further, 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 and revised True Up Petition of FY 2017-18, the interest claim for FY 2018-19 is worked out as hereunder:

CAPITAL COST –

Table 13: Capital Cost as on 31st March' 2019 filed by the Petitioner

S. No.	***Particular***	***Unit***	***Total Assets***
1	*Capital cost as on 31.3.2018 as filed in True Up Petition of FY 2017-18*	*Rs Cr.*	*8918.51*
2	*Capital expenditure during FY18-19 based on audited accounts*	*Rs Cr.*	*1928.79*
3	*Less Works capitalized through Consumer Contribution during FY 2018-19*	*Rs Cr.*	*175.59*
4	*Less PSDF Scheme Grant Portion Recognized*	*Rs Cr.*	*1.95*
5	*Less NCEF Grant Portion Recognized*	*Rs Cr.*	*104.67*
6	*Less Assets adjusted/ withdrawn/ de-capitalized during the year*	*Rs Cr.*	*22.52*
7	*Net Additional Capital expenditure during FY 2018-19*	*Rs Cr.*	***1624.06***
8	*Total capital cost as on 31.3.2019 (Net)*	*Rs Cr.*	*10542.57*

<u>FUNDING OF CAPITAL COST</u> –

Table 14: Funding of the Capital Cost filed by the Petitioner (Rs in Crores)

S. No.	Particular	Assets	Equity	Loan
1	Opening capital cost as on 01.04.2018 as per as filed in True Up Petition of FY 2017-18	8918.51	2591.58	4468.40
2	Net-off Capitalization during the year for RoE calculations (considering normative 70 - 30 debt - equity ratio)	**1624.06**	**487.22**	**1136.84**
3	Closing capital cost as on 31.03.2019	**10542.57**	**3078.80**	**5605.24**

<u>INTEREST ON LOAN</u> –

Table 15: Interest on Loan filed by the Petitioner (Rs in Crores)

S. No.	Particular	Unit	Amount claimed for FY 2018-19
1	Opening Loan	Rs Cr.	**2533.65**
2	Loan component added for Capitalization considered during the year	Rs Cr.	1136.84
3	Repayment equal to depreciation during the year	Rs Cr.	383.90
4	Closing Loan	Rs Cr.	**3286.59**
5	Average Loan	Rs Cr.	**2910.12**
6	Wt. average rate of interest as claimed	%	4.50
7	**Interest on Loan**	Rs Cr.	**130.96**

9.6 <u>NET INTEREST CLAIMED FOR FY 2018-19 BASED ON PARA 9.5</u> –

Table 16: True Up Claimed for Interest (Rs in Crore)

i.	Gross Interest claim as per Para 9.5	-	130.96
ii.	Interest allowed in order dtd. 10.06.16	-	143.12
iii.	True up claimed for interest (i-iii)	-	**(-) 12.16 Crores**

Provisions of Regulations:

42. 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."

Commission's Analysis

43. 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.

44. MPPTCL has submitted the calculation for arriving at the weighted average rate of interest for FY 2018-19. Considering the calculation provided by the petitioner, the weighted average rate has been considered as 4.50%. Accordingly, the interest on loan is considered as Rs. 130.96 Crore.

45. The Commission has allowed Rs. **130.96** Crore for Interest and Finance charges for FY 2018-19 in this order as given below:

Table 17: Interest on Loan admitted by the Commission

Sr. No.	Particular	Unit	Amount for FY 2018-19
1	Opening Loan	Rs. Cr.	2533.65
2	Loan addition for additional Capitalisation considered	Rs. Cr.	1136.84
3	Repayment equal to depreciation during the year	Rs. Cr.	383.90
4	Closing Loan (4=1+2-3)	Rs. Cr.	3286.59
5	Average Loan [5= (1+4) * 0.5]	Rs. Cr.	**2910.12**
6	Wt. average rate of interest as claimed	%	4.50
7	**Interest on Loan**	Rs. Cr.	**130.96**

(iii) OPERATION AND MAINTENANCE EXPENSES:

Petitioner's Submission:

46. The petitioner broadly submitted the following:

"__O&M EXPENSES DURING FY 2018-19__ -

Commission has allowed O&M expenses of Rs. 495.49 Crores for FY 2018-19. 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 Commission while allowing O&M Expenses for the year 2018-19 in the above referred order and tabulated in Para 5.1, considered the following average length of EHV Lines and Bays for the period 01.04.18 to 31.03.19. O&M expenses for year 2018-19 have been allowed as Rs. 495.49 Crores, considering following parameters;

S. No.	*Particulars*	*O&M Norms 2018-19 Rs. in Lacs*	*Parameters taken for 2018-19*	*O&M Expenses allowed for 2018-19 (rounded to Rs. In Lacs)*
1	*400 KV Line*	*34.70/100 Ckt-KM*	*3199.86 Ckt-KM*	*1110.35*
2	*400 KV Bays*	*10.30*	*135*	*1400.36*
3	*220 KV Line*	*32.40/100 Ckt-KM*	*12597.26 Ckt-KM*	*4081.51*

4	220 KV Bays	12.05	766	9237.96
5	132 KV Line (incl. of 66 KV)	34.10/100 Ckt-KM	17056.72 Ckt-KM	5816.34
6	132 KV Bays	12.10	2170	27902.60
TOTAL Rs. in LACS -				**49549.13**

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 cost and administrative & general 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 – 2018-19 –

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- 2018-19 based on approved norms, is worked out as under;

S. No.	Particulars	O&M Norms 2018-19 Rs. in Lacs	Parameters taken for 2018-19	O&M Expenses allowed for 2018-19 (rounded to Rs. In Lacs)
1	400 KV Line	34.70/100 Ckt-KM	3297.70 Ckt-KM	1144.30
2	400 KV Bays	10.39	136	1413.04
3	220 KV Line	32.40/100 Ckt-KM	12683.69 Ckt-KM	4109.52
4	220 KV Bays	12.06	687.00	8285.22
5	132 KV Line (incl. of 66 KV)	34.10/100 Ckt-KM	18336.10 Ckt-KM	6252.61
6	132 KV Bays	12.10	2377.00	28761.70
TOTAL Rs. in LACS -				**49966.39**

Say Rs. 499.66 Crore

List of Lines and Bays added during 2018-19 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	87.37	2.20	1.35	83.82
2	TUT-4	Employee Cost	377.87	87.30	10.05	280.52
3	TUT-5	A&G Expenses (MPERC fee Rs.0.01 not incl. in Net Amt)	101.36	11.95	1.41	88.00
4	**TOTAL -**		**566.60**	**101.45**	**12.81**	**452.34**

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 2018-19 is Rs. 35.35 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. 35.35 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:

Table 18: Claim of O&M Expenses by the Petitioner ***(Rs in Crores)***

S. No.	***Particulars***	***Amount***
1	*O&M claim as per O&M Norms worked out in Para 6.3 above*	*499.66*
2	*O&M claim for Wage Revision payment as per Para 6.6*	*35.35*
3	*O&M Expenses allowed in Tariff order for FY 2018-19*	*495.49*
4	*True up amount of O&M Expenses ((1+2)-3))*	***39.52***
Net True up Claim (O&M): (+) Rs. 39.52 Crores		

Provisions under Regulations:

47. 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."

Provision for true-up of O&M Expenses:

48. 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."

Commission's Analysis:

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

50. Vide its letter No. 04-01/CRA Cell/F-6/11537 dated 28.02.2020, MPPTCL submitted the final copy of the RoC Report for FY 2018-19 in compliance to the observations communicated vide Commission's letter dated 07.02.2020. MPPTCL submitted the approved copy of the final RoC Report for FY 2018-19 along with BoD's resolution issued vide letter no. CS/MPPTCL/100 dated 26.02.2020. Details of EHV lines & bays filed in this petition are tallied with the corresponding figures mentioned in tables under para 1.1 & 2.10 respectively of the RoC report. The Commission has considered this information for the purpose of this order.

Table 19: O&M Expenses admitted by the Commission

S. No.	Particulars	Assets			Approved Norms for FY 2018-19	Amount (Rs. in Lacs)
		As on 31.3.2018 (as per true-up order for FY 2017-18)	As on 31.3.2019 (as per modified RoC report for FY 2017-18)	Average		
1	400 KV Line in Ckt-KMs	3074.75	3520.95	3297.85	Rs. 34.70 Lacs/ 100 Ckt-KM	1144.35
2	220 KV Line in Ckt-KMs	12438.31	12929.07	12683.69	Rs.32.40 Lacs/ 100 Ckt-KM	4109.52
3	132 KV Line in Ckt-KMs	17757.64	18914.55	18336.10	Rs. 34.10 Lacs/ 100 Ckt-KM	6252.61
4	400 KV Bay in Nos.	124	148	136	Rs. 10.39 Lacs/ Bay	1413.04
5	220 KV Bay in Nos.	661	713	687	Rs. 12.06 Lacs/ Bay	8285.22
6	132 KV Bay in Nos.	2254	2500	2377	Rs. 12.10 Lacs/ Bay	28761.70
Total O&M Cost on the basis of Bays and Lines – Rs. 499.66 Cr.						**49966.43**

51. The petitioner had claimed additional **Rs. 35.35 Crore** as arrears paid to employees as actual. Vide letter no. 12221 dated 20/03/2020, MPPTCL submitted copy of its trial balance showing that balance in code 44.315 (Wage revision arrears) has changed from

Rs 77,01,82,651/- to Rs 41,67,24,674/- as per the closing balance for FY 2017-18 & FY 2018-19 respectively, showing a payment of Rs 35,34,57,977/- during FY 2018-19.

52. It is further observed that note no. 30.1 of the audited financial statements of MPPTCL for FY 2018-19 states that "In FY 2017-18, Arrears of wage revision under the 7th Pay Commission amounting to Rs 83.96 Cr has been determined as per notification no. MPPTCL/ E6/4116 dated 29/12/2017. The liability under the 7th Pay Commission has been payable in 36 instalments from January 2018". The information regarding arrears of wage revision contained in note no. 18, 21, 23 & 24 is tabulated as under:

(Rs. in Crore)

S. No.	Note no.	As at 31/03/2019	As at 31/03/2018	Difference (payment during FY 2018-19)
1	18	16.21	37.31	21.10
2	21	1.65	3.81	2.16
3	23	22.95	33.12	10.17
4	24	0.86	2.78	1.92
5	**Total**	**41.67**	**77.02**	**35.35**

53. 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 (499.66 + 35.35) = **Rs. 535.01 Crore** for FY 2018-19.

TERMINAL BENEFITS:

Petitioner's submission:

54. The petitioner broadly submitted the following:

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."*

Commission therefore in its order dtd. 10.06.2016; in para-47 has considered the Terminal Benefit and Pension expenses for FY 2018-19 on provisional basis on "Pay as you go" principles payable to the extent of ***Rs. 1282.38*** *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 2018-19.*

TERMINAL BENEFITS AS PER AUDITED ACCOUNTS -

The Audited Accounts of MPPTCL, listed out the following expenses against Terminal Benefits for FY 2018-19 as compared to the previous year;

TERMINAL BENEFIT COST – ***Rs. in Crores***

PARTICULARS	AS AT 31.03.2018	AS AT 31.03.2019
(A) CASH -		
Gratuity	326.23	284.75
Pension	1380.83	1739.56
TOTAL (A) -	**1707.06**	**2024.31**
(B) PROVISIONS -		
Gratuity	6.40	9.23
Pension	41.49	21.89
Provision for employees of MPPMCL	10.05	11.05
TOTAL (B) -	**57.94**	**42.17**
TOTAL (A+B) -	**1765.00**	**2066.48**

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), Commission, has determined an amount of ***Rs. 1282.38 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 2018-19 is given in the following table;

(Amount Rs. in Crores)

S. No.	Particulars	Terminal Benefit Expenses		
		Cash	Net Provision of Year	TOTAL
1	Pension	1739.56	21.89	1761.45
2	Gratuity	284.75	9.23	293.98
3	Annuity for addl. family pension (MPPTCL)	0.02	0.00	0.02
4	Provision for employees of MPPMCL	0.00	11.05	11.05
	TOTAL -	**2024.33**	**42.17**	**2066.50**

True-up for FY 2018-19 for Terminal Benefits is worked out hereunder;

(Amount Rs. in Crores)

S. No.	Particulars	Cash	Provision	TOTAL
1	Claim for the year	2024.33	42.17	2066.50
2	Allowed in MYT order	1282.38	0	1282.38
3	**True-up**	**741.95**	**42.17**	**784.12**

Provisions under Regulations:

55. 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."*

Commission's Analysis:

56. The figures filed by MPPTCL have been tallied with Note 30 of the Audited Balance Sheet of FY 2018-19. 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. 2024.33 Crore** for Terminal Benefits is allowed in this true-up order for FY 2018-19. The amount of provisioning under this head is not allowed by the Commission as per the approach adopted in the past true-up orders. The details of Terminal Benefits allowed in this order are given below:

Table 20: Terminal Benefits Allowed

Sr. No.	Particular	Unit	Amount for FY 2018-19
1	Pension as per audited accounts	Rs. Cr.	1739.56
2	Gratuity as per audited accounts	Rs. Cr.	284.75
3	Provisions	Rs. Cr.	0.02
4	Annuity	Rs. Cr.	0.00
5	**Total amount of terminal benefits**	**Rs. Cr.**	**2024.33**

WORKING CAPITAL:

Petitioner's submission:

57. 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 2018-19 -

Table 21: Working Capital Requirement for FY 2018-19

i.	*O&M expenses for one month (Rs. 535.01 Crores / 12)*	*Rs. 44.58 Crores*
ii.	*Maintenance spares @ 15% of the O&M expenses*	*Rs. 80.25 Crores*
iii.	*Receivables equivalent to 2 months Transmission charges*	*Rs. 603.60 Crores*
	Total Working Capital --	*Rs. 728.43 Crores*
iv.	*Interest on working capital @ 12.20 % i.e. SBI's Base rate of 8.70% as on 01.04.2018 plus 3.5%*	*Rs. 88.87 Crores*

Provisions under Regulations

58. 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."

59. 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."

Commission's Analysis:

60. State Bank of India's website shows that base rate was 8.70% as on 01/04/2018. Hence, effective rate of interest for working capital is considered as 8.70 + 3.50 = 12.20%. As per norms under Regulations, the interest on working capital for FY 2018-19 is worked out and allowed in this true-up order as given below:

Table 22: Interest on Working Capital Allowed

Sr. No.	Particular	Unit	Amount for FY 2018-19
1	O&M expenses for one month (535.01/12)	Rs. Cr.	44.58
2	Maintenance spares @ 15% of the O&M expenses (535.01x0.15)	Rs. Cr.	80.25
3	Receivables equivalent to two months transmission charges (3581.60/6)	Rs. Cr.	596.93
4	Total working capital (1+2+3)	Rs. Cr.	721.76
5	Applicable rate of interest on working capital @12.20%	%	12.20%
6	**Amount of working capital**	Rs. Cr.	**88.05**

(iv) NON-TARIFF INCOME:

Petitioner's submission:

61. The petitioner broadly submitted the following:

"Other Income of Rs. 65.49 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.

Table 23: Non-Tariff Income Filed by the Petitioner (Rs in Crores)

i	*Interest received on Income Tax Refund*	*5.07*
ii	*Application fees for Open Access*	*0.71*
iii	*Hire charges for contractors etc.*	*2.01*
iv	*Consultant services charges received*	*39.42*
v	*Sale of Tender forms*	*0.84*
vi	*Applications under RTI charges*	*0.00*
vii.	*Recovery of transport facilities*	*0.06*
viii	*Ground rent*	*0.00*
ix	*Rent of Staff quarters / Water charges/ Guest House*	*0.82*
x	*Recovery of telephone charges*	*0.05*
xi	*Other MISC receipts*	*2.50*
xii	*Profit on Sale of Store's scrap*	*10.52*
		62.00
xiii	*Less : Income considered in SLDC's Account*	*-0.65*
	TOTAL -	***61.35***

Say Rs. 61.35 Crores.

*Therefore, Non-Tariff Income for FY 2018-19 is **Rs. 61.35** Crores against **Rs. 21.00** Crores allowed vide order dated 10.06.2016 for the year 2018-19.*

Commission's Analysis:

62. It was observed that the petitioner has claimed non tariff income of Rs 61.35 Crore in para 11.1 of the subject petition whereas in Note 29 of the Annual Audited Accounts, other income of Rs 64.81 Crore was recorded. Therefore, vide Commission's letter dated 07th February' 2020, the petitioner was asked to reconcile the total amount of non-tariff income with the Annual Audited Accounts of FY 2018-19.

63. By letter dated 20th March' 2020, the petitioner submitted that:

*The non-tariff income of **Rs. 61.35 Crores** includes interest income Rs. 5.07 Crores, consultancy/service charges Rs. 39.42 Crores, profit/loss on sale of scrap/stores/fixed assets Rs 10.52 Crores, hire charges from contractor/suppliers Rs. 2.01 Crores, application fee from open access customers Rs.0.06 Crores and others Rs. 4.27 Crores (This is shown as Rs 4.36 Crores in Para-29 at page-41 of Annual Audited Accounts for FY 2018-19. Excess fund on physical verification of material of Rs.0.09 Lakhs has been deducted which is not the part of non-tariff income, as such, the same becomes Rs.4.27 Crores). The other head shown in the table at Para-29 of the Annual Audited Account eg. deferred income on PSDF and NCEF grant, interest income on security deposit and retention due to unwinding of discount are not considered as non-tariff income.*

64. Therefore, as claimed by MPPTCL, an amount of Rs. **61.35 Crore** is considered as Non-Tariff Income in this true-up order.

Table 24: Non-Tariff Income considered in this Order

Sr. No.	Particular	Unit	Amount for FY 2018-19
1	**Net amount of non-tariff income**	Rs. Cr.	**61.35**

(v) TAXES AND FEE PAID TO MPERC:

Petitioner's Submission:

65. *"MPPTCL has paid Fee amounting of Rs. 0.01 Crores to Hon'ble MPERC / CERC as Regulatory fees during year 2018-19; which is claimed under a separate head. Apart from above Rates &Taxes to the tune of Rs. 1.91 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. 0.01 Cr + Rs. 1.91 Cr. = Rs. 1.92 Crores is claimed against a permitted amount of Rs. 1.47 Crores.*

(Amount Rs. in Crores)

(i)	*MPERC Fee approved in MYT Order dated 10.06.16*	*1.47*
(ii)	*MPERC/ CERC Fee paid*	*0.01*
(iii)	*Total Other Rates &Taxes paid*	*1.91*
(iv)	*Total (iv = ii +iii)*	*1.92*
(v)	***True-up amount (iv) – (i)***	***(+) Rs. 0.45***

TAXES -

a) *Clause 23.3 of the Regulation, covering FY 2018-19, 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. 18.75 Crores as MAT as per Return filed for FY 2018-19 (AY 2019-20), 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 2014-15 (AY 2015-16), the same is submitted as Annexure – XVII(A) and (B) 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 2014-15 & 2015-16 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-

(A) For FY 2014-15

i. *The MAT Tax rate for 2014-15 is 18.5%*
ii. *The MAT surcharge rate for 2014-15 is 5.0% on above*
iii. *The CESS rate for 2014-15 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%

(B) For FY 2015-16

i. *The MAT Tax rate for 2015-16 is 18.5%*
ii. *The MAT surcharge rate for 2015-16 is 7.0% on above*
iii. *The CESS rate for 2015-16 is 3.0% on sum of above two.*
iv. *Total tax rate is 18.5%+(7% of 18.5%)+[3% of (18.5%+(7% of 18.5%)]*

= 18.5% + 1.30% + 0.59% = 20.39%

It is to submit that 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. 1.09 Crores (FY 2014-15) and Rs 0.99 Crores (FY 2015-16) paid to tax authority have been incurred which is now being claimed, the same may kindly be considered and allowed by the Commission."

Provisions under Regulations:

66. 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:*

Commission's Analysis:

67. In Note 34 for "Administrative and General Expenses" in the Audited Financial Statements of MPPTCL for FY 2018-19, the Rent, Rates and Taxes is mentioned as Rs. 1.92 Crore. MPPTCL has informed that this Rent, Rates & Taxes has been claimed as Rs. 1.91 Cr excluding the fee of Rs 0.01 Cr paid by SLDC. MPPTCL has claimed the fee paid to MPERC as Rs. 0.01 Cr. MAT of Rs 1.09 Cr for FY 2014-15 and Rs 0.99 Crore for FY 2015-16 is also claimed by MPPTCL. As per Regulation 37.1, the O&M norms exclude fee payable to MPERC. Therefore, an amount of Rs. Cr (1.91+0.01+1.09+0.99) = **Rs. 4.00 Crore** is considered as Taxes, MAT and Fee in this true-up order:

Table 25: Taxes and Fee considered in this order

Sr. No.	Particular	Unit	Amount for FY 2018-19
1	Taxes and Fee	Rs. Cr.	**4.00**

(vi) PPP EXPENSES:

Petitioner's submission:

68. 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.*

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 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, 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. 35.93 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. 35.93 Crores is claimed, the same has been indicated in TUT-12 (New) of this petition.*

The claims towards PPP Expenses in FY 2018-19 are as follows;

S. No.	***Particulars***	***Cash***
1	*Claim for the year*	*Rs. 35.93 Crores*
2	*Allowed in MYT order*	*Rs. 37.80 Crores*
3	***True-up***	***-** Rs. **1.87** Crores*

Commission's Analysis:

69. The Commission vide order dated 08.10.2013 in Petition No. 45/2013 has adopted the base unitary charge of Rs. 3.15 Crore 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."*

70. Based on above and after deducting discount of Rs 0.18 Crore and TDS of Rs 0.33 Crore from the invoice amount of Rs 36.44 Crore, an amount of Rs. 35.93 Crore as recorded in Audited Accounts of MPPTCL for FY 2018-19 is considered as PPP Unitary Charges in this order.

True-up amount allowed for FY 2018-19 in this order:

71. Based on the analysis made in preceding paragraphs, the Commission has determined the true-up amount of Rs. 834.64 Crore for FY 2018-19. This amount shall be adjusted in the bills of long term open access customers of MPPTCL in FY 2021-22. Details of true-up amount determined in this order are tabulated hereunder:

Table 26: True Up Amount allowed for FY 2018-19 in this order (Rs in Crore)

S. No.	Particulars	As per ARR approved by order dated 10.06.2016	As allowed in this true-up order for FY 2018-19	True-up Amount (Col. 4 – Col 3)
1	**2**	**3**	**4**	**5**
1	O&M Expenses	495.49	**535.01**	39.52
2	**Terminal Benefits -**			
2(i)	Cash expenses	1282.38	2024.33	741.95
2(ii)	Provisioning	0.00	0.00	0.00
2	**Total Terminal benefits -**	**1282.38**	**2024.33**	**741.95**
3	Depreciation	345.84	383.90	38.06
4.i.	Interest on Loan & Bank Charges	143.12	130.96	-12.16

4.ii.	Interest on Working Capital	73.40	88.05	14.65
4	**Total Interest & Finance charges -**	**216.52**	**219.01**	**2.49**
5	Return on Equity	388.46	440.77	52.31
6	Taxes and Fee	1.47	4.00	2.53
7	PPP Unitary Charges	37.80	35.93	-1.87
8	**TOTAL -**	**2767.96**	**3642.95**	**874.99**
9	Less Non-Tariff Income	21.00	61.35	40.35
10	**GRAND TOTAL -**	**2746.96**	**3581.60**	**834.64**

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

(Rs. in Crore)

S. No.	Customer	Trued up Capacity (MW)	Amount as approved in this Order	Amount as per MYT Order & P-70/2016 Order	True-up amount to be shared
1	MP Poorv KVVCL	5126.90	1050.89	808.85	242.04
2	MP Madhya KVVCL	5461.49	1119.47	861.64	257.83
3	MP Paschim KVVCL	6569.92	1346.67	1036.51	310.16
4	MPAKVN for SEZ	45.00	9.22	6.66	2.56
5	Railways (WCR)	270.00	55.35	33.30	22.05
	TOTAL -	**17473.31**	**3581.60**	**2746.96**	**834.64**

73. 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. MPPTCL shall upload the Order & petition on its website. 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)	(S. P. S. Parihar)
Member	**Member**	**Chairman**

Date: 8th February' 2021

Place: Bhopal