

MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION, BHOPAL

Sub: In the matter of filing of Capex Petition for the period FY 2020-21 to FY 2024-25 for obtaining approval of Commission for various schemes by MPPaKVCL (West Discom) as the Distribution Licensee (P. No. 07/2021).

Order

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

Order dated: 06.12.2021

M.P Paschim Kshetra Vidyut Vitran Company Ltd. (West Discom): Petitioner

Shri Ashwin Parwal, ASE(Works) appeared on behalf of the petitioner.

1. The petitioner, has filed the subject petition seeking approval of the Commission on Capital Expenditure Plan of Rs 2519.93 Crore during FY2020-21 to FY2024-25 for implementation of various projects for system strengthening, loss reduction, creation of new 33/11 kV S/s, Bifurcation of overloaded 33kV feeders, Addition /Augmentation of Power Transformers, installation of Distribution Transformers, conversion of LT line with AB Cable, DTR metering and replacement of service lines etc.
2. The physical works and financial expenditure envisaged under the proposed Capital Investment Plan is summarized below:

S. No.	Name of the Project / Scheme / Plan	Unit	SSTD	DDUGVY	IPDS	Transformer failure reduction Scheme (Renovation of DTR)	Smart Meters	Installation of meter at agriculture pre-dominant DTR	TOTAL (WZ)
1	Construction of 33 KV line	KM	2,337	2	10	0	0	0	2,349
2	Construction of 33/11 KV Substation	No.	150	2	6	0	0	0	158
3	Augmentation of Power Transformer	No.	187	0	0	0	0	0	187
4	Additional Power Transformer	No.	171	0	0	0	0	0	171
5	New 11 KV line	KM	4,817	283	2	0	0	0	5,102
6	Installation of Distribution Transformer	No	7,275	293	0	75,000	0	0	82,568
7	Construction of LT line	KM	1,455	346	0	0	0	0	1,801
8	Meter	No	0	0	0	0	8,45,000	1,34,167	9,79,167
Total Amount (Rs. Cr.)			1,196.31	51.77	107.68	249	629	286.17	2,519.93

3. Petitioner has submitted that projects will be funded through GoI/GoMP and other sources like REC.

However, supporting documents are not submitted by the petitioner for the aforesaid fundings and sanctions. Scheme wise details of proposed investment plan along with type of funding, funding agency and funding proportion submitted by the petitioner is given below:

(Rs Crore)

S.No.	Scheme Name	Proposed Investment for the period FY-21 to FY-25	Funding Agency
1	SSTD	1,196.31	GoI is providing fund for scheduled caste predominant area through GoMP out of which 70% is loan and 30% is equity.
2	DDUGJY	51.77	<ul style="list-style-type: none"> REC is funding agency for DDUGJY Scheme on behalf of Govt. of India. Under this scheme 60% grant will be provided by the Govt. of India, 10% of the sanction amount has to be arranged by the DISCOM by their own resources and rest 30% is loan component under the scheme. In addition to that additional grant by Govt. of India for 50% of the loan component (30%) i.e. 15% may be considered on achievement of prescribed milestones. Govt. of India has sanctioned Rs. 934.64 crores. Including PMA charges for MPPKVCL, Indore for implementation of DDUGJY scheme in 15 districts of DISCOM.
3	IPDS	107.68	Sanctioned amount of IPDS project is INR 523.67Cr
4	Transformer Failure Reduction Scheme	249	GoMP will provide funds as equity
5	Metering	629	<ul style="list-style-type: none"> Energy department, GoMP has conveyed Budget Allocation vide letter no F 05-05/2016/Terah dated 06.04.2016 & accordingly, Rs.20 Cr has been allocated for the project of Smart Metering. Out of Rs. 20Cr budget of Rs. 15 Cr will be used for installation of smart meters for consumers having consumption 200kwh or more and Rs. 5 Cr will be used for Head End System (AMI).
6	Installation of meters at pre-dominant Ag. DTR	286.17	-

4. The Petitioner in its submission has proposed following AT & C loss reduction trajectory over the period FY2020-21 to FY 2024-25:

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Expected as per proposed CAPEX Plan	13.49 %	12.01 %	11.92 %	11.20 %	10.05 %

5. The Petitioner has further submitted the Circle wise details of works to be carried out along with

estimated Circle-wise cost, IRR and Payback period. The petitioner has estimated IRR as 9.81% and payback period of 8 years for proposed schemes for company as a whole.

6. The Commission held the motion hearing on 09.03.2021 and vide daily order dated 16.03.2021 admitted the subject petition.
7. Subsequent to admission of subject Petition, the Commission conducted a thorough scrutiny and observed that the petition was deficient on many counts in accordance with the “Guidelines for capital expenditure by licensees” specified by the Commission. The Commission vide letter dated 24.08.2021 directed the Petitioner to furnish additional information such as i) DPRs of the Projects/schemes along with load flow analysis report, ii) Details of loan tie-ups with Financial Institutions along with sanctions/approval from Competent Authority iii) energy audit reports iv) metering plan and other requisite details/clarifications
8. The petitioner has filed reply incorporating desired information vide letter dated 24.09.2021. In subsequent development, the Commission held the review meeting on 30.09.2021 with Managing Director and senior officers of Company wherein it was, inter-alia informed that the Ministry of Power, GoI vide office memorandum dated 20.07.2021 has introduced Revamped Distribution Sector Scheme (RDSS) which is a reformed based & result linked scheme” with the aim to reduce the AT&C losses to pan -India level of 12 -15% and ACS- ARR gap to zero by 2024-25. The key objective of the scheme is to improve the quality & reliability of power supply to consumers through a financially sustainable & operationally efficient distribution sector. During the review meeting, the petitioner informed that in pursuance to aforesaid scheme, the Company is revisiting their Capital investment plan in comprehensive manner through merging of existing schemes and incorporating new schemes for approval of the appropriate competent authorities and thereafter, financial tie up with funding agencies for various schemes shall be arranged.
9. Subsequently, the Commission held a public hearing on 16.11.2021, in pursuance of public notice dated 22.10.2021 in subject petition. None of the stakeholders appeared during the hearing nor was any written comments received within the stipulated time.

Commission’s observations and findings:

10. The Commission has taken the cognizance of petitioner’s submission during the review meeting held on 22.10.2021 in regard to revamping and renewing their proposed Capital expenditure plan in pursuit to the Central Govt’s scheme “RDSS” which aims to strengthening and digitalizing the Distribution sector through major fillip of reform-based linkage while achieving desired result of improving performance and corresponding trajectories. The schemes are reported to be under revision at various

stages by the petitioner along with requisite financial closure/ tie up with respective funding agencies which are yet to attained finality and approval/sanction of component authorities viz. State /Central Govt. In view of above, the Commission deemed it appropriate at this stage to consider the Capex scheme for FY 2020-21 and FY2021-22 for Rs 550.78 crore and Rs 471.84 Crore respectively, as per following cost break details:

(Rs crore)

Name of Projects	FY2020-21		FY2021-22	
	Cost Claimed in Petition	Cost Approved by Commission	Cost Claimed in Petition	Cost Approved by Commission
SSTD	200	200	244.52	244.52
DDUGVY	51,77	51,77	0	0
IPDS	107.68	107.68	0	0
Transformer failure reduction scheme	45	45	48	48
Smart meters	125	125	126	126
Installation of meters at pre- dominant Ag. DTR	21.33	21.33	53.32	53.32
Total (In Rs Crore)	550.78	550.78	471.84	471.84
Total Capex for FY 2020-21 & FY 2021-22 (In Rs Crore)	1022.62			

11. The Commission further observed that while it is necessary to invest in the Distribution network for bringing in operational efficiencies, it is also important to evaluate the impact of such investment in terms of its financial returns. The Petitioner should strive at offsetting the burden of investments by additional financial benefits and thereby reduce the impact on Tariff and pass on the benefit to Consumers. The Commission, therefore, directs the Petitioner that outcome of the CAPEX be monitored closely and that the envisaged results through the CAPEX are met in a timely manner.
12. In view of the aforesaid observations, the Commission accords in-principle approval to the proposed Capex plan of **Rs 550.78 Crore for FY 2020-21** and **Rs 471.84 Crore for FY 2021-22** filed by the petitioner in subject petition on the condition that admissibility of such investment in ARR of True up of FY 2020-21 and FY2021-22 would be subject to prudence check. The servicing of debt, depreciation, return on equity included in the said investment would be permissible in the ARR to such extent only as

considered prudent by the Commission and does not adversely affect the interests of the consumers and only after such assets are capitalized and put to use.

13. The Commission further directs the Petitioner to file 5-year Capex plan from FY 2022-23 to FY2026-27 subsequent to approval of action plan/sanction by appropriate competent authorities in pursuance of Central Govt.'s Revamped Distribution Sector Scheme and in line with Capex Guidelines specified by the Commission. With the above directions, the petition stands disposed of.

(Shashi Bhushan Pathak)

Member

(Mukul Dhariwal)

Member

(S.P.S Parihar)

Chairman