MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION

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

Petition No. 24/2014

PRESENT:

Dr. Dev Raj Birdi, Chairman

A. B. Bajpai, Member

Alok Gupta, Member

IN THE MATTER OF:

Determination of True-up of Transmission Tariff for FY 2013-14 based on the petition filed by M. P. Power Transmission Co. Ltd., Jabalpur.

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

Versus

(i)	**M. P. Poorv Kshetra Vidyut Vitaran Co. Ltd., Jabalpur**	**Respondents**
(ii)	**M. P. Madhya Kshetra Vidyut Vitaran Co. Ltd., Bhopal**	
(iii)	**M. P. Paschim Kshetra Vidyut Vitaran Co. Ltd., Indore**	
(iv)	**M. P. Audyogik Kendra Vikas Nigam, (SEZ), Indore**	

ORDER

(Passed on this 28th day of April' 2015)

1. Madhya Pradesh Electricity Regulatory Commission (hereinafter referred to as "the Commission" or "MPERC") heard the petitioner namely, M. P. Power Transmission Company Ltd., Jabalpur (hereinafter referred to as "MPPTCL" or "Transmission Licensee") and other stakeholders on **24th February' 2015**, at Bhopal in the matter of true up of Transmission Tariff for FY 2013-14. The Commission considered the documents available on record and orders issued by the Government of Madhya Pradesh (Energy Department) on 31st May' 2005 making the Transfer Scheme Rules effective from 1st June' 2005, (order No.3679/FRS/18/13/2002 dated 31.05.2005) and 3rd June' 2006 making the Madhya Pradesh Electricity Reforms Transfer Scheme Rules, 2006. The Commission also considered the Final Opening Balance sheets (as on 31.05.2005) notified by the State Government on 12th June' 2008 and reallocation of generating capacity among the three Distribution Companies & SEZ by the State Government vide order dated 19th March' 2013.

2. The Multi-Year Transmission Tariff (MYT) order for FY 2013-14 to FY 2015-16 was issued by the Commission on 02nd April' 2013 in accordance with the MPERC (Terms & Condition for determination of Transmission Tariff)(Revision-II) Regulations, 2012 (RG-28 (II) of 2012) (hereinafter referred to as "Regulations").

3. On 14th November' 2014, MPPTCL filed the true-up petition of the Transmission Tariff determined by the Commission for FY 2013-14.

4. Motion hearing in the matter was held on 09th December' 2014. The petition was admitted and petitioner was directed to serve copies of the petition on all the respondents in the matter. Respondents were also directed to file their response, if any, on the petition by 24th December' 2014.

5. Subsequently, vide Commission's letter dated 1939 dated 9th December' 2014, the information gaps and the requirement of additional details/ data/ documents were communicated to the petitioner seeking its reply by 31st December' 2014.

6. In partial compliance with the above letter and the discussions held with the representatives of MPPTCL, the Asset-Depreciation Register of FY 2013-14 was submitted by MPPTCL on 9th December' 2014.

7. Vide letter No. 04-01/CRA-Cell/F-96/9450 dated 15th December' 2014, MPPTCL confirmed the service of the copies of petition to all the respondents in the matter.

8. Vide Commission's letter No. 159 dated 23rd January' 2015, MPPTCL was asked to publish the Public Notice on the gist of subject petition in newspapers in English and Hindi version.

9. The Public Notice was published on **29th January' 2015** in the following English and Hindi newspapers as given below:

1.	Indore	-	Swadesh (Hindi)
2.	Bhopal	-	Hindustan Times (English)
3.	Jabalpur	-	Danik Bhaskar (Hindi)

10. Subsequently, vide 04-01/CRA/F-96/1322 dated **20th February' 2015**, MPPTCL informed that it has received no comments/ suggestions in the matter from any of the stakeholders/public/respondents.

11. Public hearing in the matter was held on **24th February' 2015,** in court room of the Commission. The Commission received no comments/ suggestions in the matter from any respondent/ stakeholder. Only the representatives of MPPTCL appeared at the public hearing.

12. MPPTCL claimed the following in its petition.

(a) True up amount for FY 2013-14:

(Amount ₹ Crores)

S. No.	***Particulars***	***As per ARR approved by order dated 02.04.2013***	***As filed in this petition based on Audited Accounts***	***True-up Amount (Col. 4 – Col 3)***
1	***2***	***3***	***4***	***5***
1	*O&M Expenses*	*318.00*	*332.77*	*14.77*
2	***Terminal Benefits -***			
2(i)	*Cash expenses*	*677.00*	*939.93*	*262.93*
2(ii)	*Provisioning*	*0*	*61.24*	*61.24*
2	***Total -***	***677.00***	***1001.17***	***324.17***
3	*Depreciation*	*261.35*	*240.44*	*-20.91*

4.i.	*Interest on Loan & Bank Charges*	*102.91*	*112.28*	*9.37*
4.ii.	*Interest on Working Capital*	*46.97*	*54.01*	*7.04*
4.iii.	*Interest on Normative Loan*	*0*	*0*	*0*
4	***Total Interest***	***149.88***	***166.29***	***16.41***
5	*Return on Equity*	*265.19*	*261.34*	*-3.85*
6	*Taxes and Fee paid to MPERC*	*1.04*	*1.18*	*0.14*
7	***TOTAL -***	***1672.46***	***2003.19***	***330.73***
8	*Less Non-Tariff Income*	*-29.97*	*-14.16*	*15.81*
9	***GRAND TOTAL -***	***1642.49***	***1989.03***	***346.54***

(b) Sharing of True up amount:

The True-up amount is to be shared by the Discoms and SEZ; which is as follows;

S. No	***Customer***	***As per order dtd. 21.10.2013***		***As per This Petition***		***True up***
		Capacity Allocated	***Amount share***	***Capacity Allocated***	***Amount share***	***(₹Crores)***
		(MW)	*(₹Crores)*	*(MW)*	*(₹Cr.)*	
1	*MP Poorva KVVCL*	*3141.41*	*489.72*	*2882.06*	*593.23*	*103.50*
2	*MP Madhya KVVCL*	*3346.21*	*521.65*	*3069.68*	*631.85*	*110.20*
3	*MP Paschim KVVCL*	*4030.38*	*628.31*	*3693.50*	*760.25*	*131.94*
4	*MPAKVN for SEZ*	*18.00*	*2.81*	*18.00*	*3.71*	*0.90*
5	***TOTAL -***	***10536***	***1642.49***	***9663.24***	***1989.03***	***346.54***

(c) Transmission charges for non-conventional energy source based generating units connected on 132 kV or above voltage:

The Commission has approved the Transmission Charges for FY 2013-14 in respect of the above mentioned category by its order dated 2nd April 2013. During 2013-14 there was only one consumer of 16 MW capacity namely M/s KS Oil Mills, Morena. The Transmission charge for this category has been worked out on Energy Based Pooled for FY 2013-14 as given in the table hereunder;

S. No.	Particulars	Unit	Order 2013-14	True-up 2013-14
1	*Annual Fixed Cost as per Tariff*	*₹Crores*	*1642.49*	*1989.03*
2	*Transmission System capacity*	*MW*	*10536*	*9663.24*
3	*Transmission charges per MW per Annum*	*₹Lacs / MW*	*15.59*	*20.58*
4	*Capacity of Non-conventional Energy based Plants*	*MW*	*158*	*16*
5	***Total Pooled Capacity***	*MW*	*10694*	*9679.24*
6	*Pooled Cost Addition*	*₹ Crores*	*0*	*0*
7	*Total Pooled Cost*	*₹ Crores*	*1642.49*	*1989.03*
8	*Energy transmitted*	*MU*	*56437*	*50300*
9	*Energy generated by Non-conventional Energy based Plant at 20% CUF with MW capacity*	*MU*	*277.00*	*28.03*
10	*Total Energy Handled*	*MU*	*56714.29*	*50328.03*
11	***Transmission Charges per Unit***	*₹ / Unit*	*0.290*	*0.395*
			(Say 0.29)	***(Say 0.40)***
			Difference in paise	***0.11***

13. With the above submission, MPPTCL prayed the following:

"Approve the True-up of Annual Fixed Cost for year 2013-14, as mentioned in Para 12.1, and allow True-up amount to be recovered from the Distribution Licensees and other Long Term Open Access customers as per Para 12.2 and Transmission charges for Non Conventional Energy Source based Generating Units connected on 132 KV or above voltage as per Para 12.3."

14. Vide letter No. 04-01/CRA-Cell/F-96/9855 dated 30th December' 2014, MPPTCL sought 10 days' additional time for submission of its reply to the remaining issues identified and conveyed through Commission's letter dated 9th December' 2014.

15. Vide Commission's letter no. 31 dated 06th January' 2015, the petitioner was granted the time extension as sought and directed to submit the desired information by 10th January' 2015.

16. MPPTCL filed its reply on **08th January' 2015**, to the issues/ infirmities in this petition communicated to it by Commission's letter dated **09th December' 2014**. Issue-wise response filed by MPPTCL in its letter dated 08th January' 2015 is as given below:-

(i) **Issue:-** The original scope of work under each project indicating the competent authority from whom the approval was accorded for all works needs to be mentioned.

Response:- *"MPPTCL has submitted the list of the works capitalized in 2013-14 in Annexure-V of the petition and mentioned in a footnote therein that the estimates have been sanctioned by competent authorities. It is reiterated that there is a system for sanctioning of estimates, whereby an officer can only sanction those estimates that are within the financial sanctioning competencies of the post he is holding. The execution of any work is limited to the extent of these sanctioned estimates. Thus, all the works capitalized in 2013-14 have been sanctioned by competent authorities".*

(ii) **Issue:-** It needs to be mentioned whether the projects/ works shown as capitalized in FY 2013-14 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-II) Regulations, 2012.

Response:- *"The works capitalized in FY 2013-14 are new works only".*

(iii) **Issue:-** It is observed that 118 no. works completed during FY 2006-07 to FY 2011-12 are also capitalized in FY 2013-14. Detailed reasons for delay in capitalization of all such works and the consequential increase in IDC amount be submitted.

Response:- *"In regard to the delay in Capitalization it is begged to submit that the delay in capitalization of a part or whole of the works occurs due to a few unavoidable reasons such as;*

i. Delay in finalization of arbitration cases.

ii. Delay in finalization & issue of orders of compensation related to forest or farmers on account of cumbersome process and involvement of multiple authorities of Revenue / Forest Departments.

iii. Delay due to audit or court cases.

iv. *Delay in final accounting of the material consumed by the Contractor due to multifarious reasons like return of material to Stores, completion of Stores formalities, pilferage, wastage, damage etc.*

v. *Multiple agencies involved in execution.*

vi. *Court cases filed by Cultivators / owners of land / any other person against the compensation fixed by the Revenue authorities.*

It may kindly be appreciated that the reasons are due to certain unavoidable circumstances and are mostly not attributable to MPPTCL. The delayed capitalization is mostly for a part of work only and not for the whole work. The increase in IDC, if any, on account of such delay is mostly insignificant in view of it being a partial fraction of the total project cost. The effect of consequential increase in IDC, though insignificant, results in a relatively lower Tariff on account of;

(1) Postponed Depreciation to the extent of delayed capitalization,

(2) Decreased interest cost in revenue expenditure as in the event of timely Capitalization, the interest cost would have been booked in revenue expenditure &

(3) Lower Return on Equity.

However, it is to be submitted that efforts are made to capitalize major portions timely; the delayed part generally constitutes only a small portion of the total amount".

(iv) **Issue:-** The scheduled date of commissioning of each project listed in Annexure V be submitted.

Response:- *"The scheduled date of commissioning of works as submitted in the approved plan for the works capitalized in FY 2013-14 are indicated in the Statement-I enclosed with this reply".*

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

Response:-"*The relevant details, concerning penalty, are also given in the Statement-I. As may kindly be seen therein, penalties are recovered as per the Contract Clause".*

(vi) **Issue:-** In some of the works, partial amount is shown as capitalized against its estimated amount. The reasons for partial capitalization of the estimated amount be submitted.

Response:- *"It is humbly submitted that, Capitalization of some part or whole of the works gets delayed due to the some unavoidable reasons as mentioned in Point (c) above. As a result of such circumstances only a part of the works may get capitalized. It is once again prayed that efforts are made by Transco to capitalize major portions timely".*

(vii) **Issue:-** It is mentioned in the petition that the works capitalized during FY 2013-14 are as per the 12th Capex Plan whereas, no reference is given against each work as provided by MPPTCL in its additional submission dated 19th February' 2014 in earlier true-up petition. All such references be submitted.

Response:- *"The reference of the approved Capex Plan of the relevant works capitalized in FY 2013-14 is submitted in Statement-I attached with this letter for your kind consideration".*

(viii) **Issue:-** The capitalized amount of some works at item No. 6, 163, 164, 165, 167, 170, 171, 173, 176, 179, 185, 203, 315, 318, 321, 322 and 342 are higher than the estimated amount. The reason for cost overrun along with scope of work be submitted.

Response:- *"Regarding the entries in S. No. 203, it is begged to submit that this is an estimate for replacement of A.C. Plant, against this estimate the old A.C. Plant was returned for an amount of ₹10.20 Lacs (indicated in S. No. 292 of Annexure-V of the Petition). On accounting of the same (₹74.77 – ₹10.20 = ₹64.57) it may be seen that the booked amount is well within the estimated costs i.e. ₹65 Lacs.*

The entry for S. No. 163, 176, 179 is related to augmentation of Transformer and in this case the negative entry for the outgoing element is to be incorporated. On accounting of the same, the booked value may come within the estimated cost, if not, then estimate shall be revised as per existing procedures.

The booking cost for S. No. 164 is within the 5% limits of the estimated cost. As far as the bookings for S. No. 6, 165, 173, 185 is concerned, if the final bookings go beyond 105% of the estimated cost, then as per procedures, the estimates shall be revised.

In the case of S. No. 167, 170, 171, 315, 318, 321, 322 & 342 it is to be submitted that the estimated amount indicated in Annexure-V was for a sub-part of the whole estimate only. The actual estimated amount have now been incorporated in Statement-I, it may now kindly be seen that the booked values are within the estimated costs.

It is to be reiterated that the capitalization of G-forms is in parts and the same may or may not occur in the same year for all parts and thus, do not present the actual picture of the bigger canvas. In this context it is also to be mentioned that generally the works completed within the sanctioned amount but in rare cases at the time of execution of work some additional works are required to be carried out as per site requirement, therefore cost overrun is observed. In these cases estimate are revised duly".

(ix) **Issue:-** In some of the works (S.No. 205 to 309), the estimated amount is not mentioned in the details. The estimate number of two or more works is same and the name of works are also not provided by MPPTCL. The aforesaid discrepancies need to be rectified.

Response:- *"The S. No. 205 to 263 pertains to direct booking and S. No. 266 to 309 pertains to withdrawal of assets, the details of these assets withdrawn are given in Statement-II. In case of surveyed-off vehicles, more than one vehicle were surveyed-off through the same estimate, thus multiple entries are depicted in the same estimate".*

(x) **Issue:-** In para 8.5 of the petition, it is mentioned that the assets of ₹23.75 Cr. have been withdrawn/de-capitalized during the year. The details like nature of assets, date of commissioning, and withdrawal, original cost, cost withdrawn /decapitalised along with reason of withdrawal and depreciation charged be submitted.

Response:- *"Regarding the Assets withdrawn, of worth ₹ 23.75 Crores, details in respect of (i) Name of Assets, (ii) Date of Withdrawal, (iii) Original Cost, and (iv) Cost Withdrawn are enclosed as Statement-II of this reply. The reasons for withdrawal are mentioned in the respective statements while the depreciation amount is given in Annexure-V of the petition, the same is submitted for the kind consideration of the Hon. Commission".*

(xi) **Issue:-** First proviso of Regulation 17.2 of MPERC (Terms and Conditions for determination of Transmission Tariff) (Revision-II) Regulations, 2012, provides that:

"Provided that prudent check of capital cost may be carried out based on the benchmark norms to be specified by the Central Commission from time to time."
"The capital cost incurred on each project is at par with the benchmark norms specified by CERC" is to be demonstrated by the petitioner.

Response:- *"The Capital cost of the projects is within the figures indicated in Investment Plan approved by Hon'ble MPERC. On its part, the Company carries out prudent checks of the Capital cost of projects through - its carefully prepared Schedule of Rates which facilitate working out the correct project costs, as also by way of working out the rate reasonability in every tender forming part of the project. Further, to the extent 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 has mostly been capitalized as indicated in Annexure-V of petition".*

(xii) **Issue:-** The net IDC of ₹ 37.47 Crores during the year as mentioned in Para 9.6 of the petition is appearing quite high. Draw Down schedule for calculation of IDC along with the reasons for high IDC amount be submitted.

Response:- *"In the context of IDC claimed during 2013-14 it is begged to submit that IDC for the year was ₹37.47 Crores. It consists of the Interest calculated on pro-rata basis on the disbursements received of the Loans pertaining to GoMP-TSP, GoMP-SCSP, GoMP- General etc. which bear a higher interest rate. It may please also be considered that IDC of FY 2012-13 was ₹60.20 Crores, and now for FY 2013-14 it is ₹ 37.47 Crores, i.e. a reduction of ₹22.73 Crores has occurred in FY 2013-14 from the previous year".*

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

Response:- *"O&M Expenses are based on the Norms fixed by the Hon'ble Commission and the same are worked out only on the completed works i.e. Lines in Ckt. KMs and number of bays. It is confirmed that CWIP are not considered for this purpose".*

(xiv) **Issue:-** Note 11 of the Annual Audited Accounts shows that short term **provision** for wage revision arrears for FY 2013-14 is ₹ 9.93 Cr. whereas, the long term provision for wage revision is ₹ 3.31 Cr. in the other Note 8 of the same Audited Accounts. In view of the aforesaid, it needs to be clarified whether the amount of wage revision filed in the petition is the actual amount paid to employees during FY 2013-14 or it is the provisioning.

Response:- *"In reference to the amount paid on account of Wage Revision Arrears for 2013-14 it is submitted that the actual amount paid to the employees amounts to ₹11.51 Crores. The amount still to be paid against wage revision is ₹ 13.24 Crores in the subsequent years; this amount only is indicated as provisioning in the accounts as Short Term provisioning of ₹ 9.93 Crores to be paid in 2014-15 & Long Term provisioning of ₹ 3.31 Crores to be paid in 2015-16 i.e. ₹ 9.93 +₹3.31= ₹ 13.24 Crores".*

(xv) **Issue:-** Details of the balance amount to be paid against wage revision be submitted.

Response:- *"As mentioned above, a balance amount of ₹13.24 Crores is to be paid as Wage Revision arrears in the next two years".*

(xvi) **Issue:-** Whether the wage revision amount claimed in the petition pertains to MPPTCL employees only or it includes the amount paid to SLDC employees also? be clarified.

Response:- *"In reference to the ₹ 11.51 Crores paid on account of Wage Revision Arrears for 2013-14, it is submitted that it includes the amount of SLDC also".*

(xvii) **Issue:-** In Form-TUT 8 of the petition, it is observed that the petitioner has mentioned the useful life of major transmission assets. The basis for ascertaining the life of each asset be submitted.

Response:- *"The useful life of major Transmission Assets as indicated in TUT-8 of the Petition is based on the Ministry of Power notification dtd. 29.3.1994 and MPSEB's DO No. 08-01/Vol/ 491 dtd. 23.10.2003. A copy of the chart showing the life of Assets is placed as Statement-III for reference".*

(xviii) **Issue:-** On perusal of the information filed for additional RoE, it is observed that the capitalized amount shown in Annexure VIII is much less than the estimated amount. It is also observed that some works already completed before 1st April' 2013 are also included in the list. The reasons for aforesaid observations along with modified

Annexure VIII indicating the date of issue of tender for each work for which additional RoE is claimed be submitted.

Response:- *"Regarding the observation made on Additional RoE, the following submissions are made for your kind consideration;*

- *The Addl. RoE is claimed for the qualifying Assets only against the G-Form capitalized in that particular year only. As mentioned earlier also, these G-Forms may be a part of the total project cost & may not reflect full or final cost. Thus if G-Forms capitalized are partial in nature the claim also is based on that portion only.*

- *Annexure-VIII of the petition has been prepared on the basis of date of enquiry i.e. date of issue of tender only".*

(xix) **Issue:-** It needs to be certified that all parts of the concerned unit/block /element have been completed within the specified time line.

Response:- *"As desired, a certificate indicating that all parts of the concerned unit/ block/ element has been completed within the specified time line is placed as Statement–IV with this letter".*

(xx) **Issue:-** The petitioner has claimed the fee paid to MPERC/CERC as Regulatory fee during FY 2013-14. The details of fee paid to MPERC only for determination of tariff /true-up for FY 2013-14 be submitted.

Response:- *"The details of fee paid to MPERC / CERC in 2013-14 are given below for your kind consideration, please;*

S. No.	***Particulars***	***Transaction Mode***	***Amount ₹in Lacs***
1	*Fee paid to MPERC for filing of application for reallocation of Transmission capacity under MYT order for FY 2013-14 to 2015-16.*	*DD No. 261977 dtd. 25.6.2013*	*0.10*
2	*Fee paid to MPERC for adoption of tariff in respect of 400 KV Satpura-Ashta Transmission line.*	*DD No. 00000 dtd. 24.8.2013*	*0.10*
3	*Fee for submission of True up Petition for Transmission Tariff for 2012-13 at MPERC.*	*Electronic Transfer dtd. 14.11.2013*	*1.00*

S. No.	***Particulars***	***Transaction Mode***	***Amount ₹in Lacs***
4	*Fee for continuation of Transmission Tariff for 2014-15 at MPERC.*	*Electronic Transfer dtd. 25.02.2014*	*125.09*
5	*Difference for Fee for continuation of Transmission Tariff for 2014-15 at MPERC.*	*Electronic Transfer dtd. 29.03.2014*	*1.11*
		MPERC -	***127.4***
		Say -	***₹1.28 Crores***

In context to the above, it is to be submitted that the amount claimed in the petition under the head of fee paid to MPERC for 2013-14 has been wrongly mentioned as ₹1.18 Crores, it is requested that the same may kindly be read as ₹1.28 Crores".

(xxi) **Issue:-** The bad debts of ₹ 597.25 Cr. are shown as written off in Form TUT 10. Details of all such debts along with the reasons for considering these as bad debts and their impact on tariff be submitted.

Response:- *"An amount of ₹0.44 +₹596.81 = ₹597.25 Crores has been indicated in TUT-10 against miscellaneous loss/ write-off/ etc. The details of the same are as follows:*

(i) ₹ 0.44 Crores is written-off on account of obsolescence of survey reported tension and puller machines.

(ii) ₹596.81 Crores has been written-off as receivables from Discoms, this is as per the Energy Dept., GoMP Order No 5257/2014/13 dated 11/08/2014. A copy of the order is placed as Statement-V.

The above does not constitute as an element of the Annual Revenue required. As such, the same shall have no impact on the True-up Petition submitted, more so considering that the same is sacrifice of surplus earned by the Equity Holder (GoMP)".

(xxii) **Issue:-** The gross block of ₹5567.46 Crs. and ₹6216.82 Crs. as on 01/04/2013 and 31/03/2014 respectively are mentioned in para 10.5 of the petition whereas, the gross block of ₹ 5544.20 Crs. and ₹6193.23 Crs. as on 01.04.2013 & 31.03.2014 respectively is mentioned in Note 12 of the Audited Accounts. The reasons for difference in figures of the petition and those in the Audited Accounts be submitted and if required, reconciled statement be also submitted.

***Response:-** "The Gross Block as shown in Para 10.5 of the Petition deals with Normative loan; Here it is to be submitted that ₹5567.46 Crores are the closing figures of the True-up order dated 21.08.2014 (Page 21/ Para 22) for FY 2012-13; in line with the procedure used in the previous years the same has been utilized as base figures for determination of the normative loan component.*

The amount in Note-12 is after accounting of Consumer Contribution deferred income, a comparative tabulation is submitted hereunder for the kind perusal of the Hon. Commission. It may please be seen that in either way the component of normative loan comes out to be NIL :-

(Amount ₹ Crores)

	Interest on Normative Loan :	***As per Para 10.5 of Petition***	***As per Accounts***
a	*Gross Block of Assets as on 01.04.2013 (in Petition the closing figures os of True-up order has been taken)*	*5567.46*	*5544.20*
i	*Assets Capitalized in FY 2013-14*	*679.83*	*679.83*
ii	*Less Assets capitalized through Consumer contribution*	*30.45*	*30.45*
iii	*Deferred income*	*-*	*0.37*
iv	*Net Assets capitalized (i – ii)*	*649.38*	*649.01*
b	*Gross Block of Assets as on 31.03.2013 Net of Consumer Contribution (a + iv)*	*6216.8*	*6193.2*
c	*Gross Block of Assets (Average)*	*5892.15*	*5868.71*
d	*Maximum Qualifying Equity (30%) with 70:30 Debt : Equity ratio*	*1767.64*	*1760.61*
e	*Equity at the beginning of the year employed on Capitalized Works*	*1586.28*	*1586.28*
f	*Equity at the end of the year employed on Capitalized Works*	*1781.09*	*1781.09*
g	*Average Equity employed on Capitalized Works*	*1683.68*	*1683.68*
h	*Qualifying Equity*	*1767.64*	*1760.61*
i	*Normative Loan component (only if (g)>(h))*	*NIL*	*NIL*

Further, as desired by the Hon. Commission, an affidavit, a draft Public Notice in Hindi and English version is also enclosed".

17. On perusal of the response filed by the petitioner, the Commission observed that the response of the petitioner on certain issues was still lacking clarity. Vide Commission's letter dated 23rd January' 2015, the observations on the above response of MPPTCL were communicated and its response was sought by 10^{th} February' 2015.

18. Vide letter No. 04-01/CRA Cell/F-96/1112 dated 10^{th} February' 2015, MPPTCL submitted its point-wise reply. Issues-wise response submitted by M.P. Power Transmission Co. Ltd., Jabalpur is as below:-

(i) **Issue:** The reasons for delay in incorporating the negative entries for the outgoing element in case of augmentation work be explained. The details of all such works wherein the booking limit has crossed 5% of the estimated amount and the estimates were revised/ to be revised be submitted.

Response: *It is to be submitted to the Hon. Commission that all out efforts are being made to capitalize estimates regarding augmentation works in the minimum period of time. However, reasons such as incorporating final accounting of the material consumed by the Contractor, return of material to Stores, shifting of heavy equipments like the transformer, completion of Stores formalities etc. and involvement of multiple agencies in execution cause some delay.*

Also, it takes approximately 2-3 Months time to commission a new transformer. After commissioning of a new transformer, the old transformer is allocated to a new location, which takes another 3-4 Months to install. After shifting of the old transformer to new location, the store formalities are being done by concerned Divisions, which further takes approximately 2 Months & thus around 8-10 Months are required for preparing the final Annexure-'G' incorporating the negative entries for the outgoing element.

The details of 4 nos. works that have been capitalized in 2013-14 (apart from augmentation works), wherein the booking limit has crossed 5% of the estimated amount and the estimates were revised / to be revised are submitted as Submission-1 along with this letter.

(ii) **Issue:** It needs to be confirmed whether the penalty/ liquated damages imposed/recovered from the contractor/ vendor have been adjusted in the final capital cost claimed in the petition.

Response: *It is confirmed that the penalty / liquidated damages imposed / recovered from the contractor is deducted from the cost of the assets capitalized & claimed during the year.*

(iii) **Issue**: It is mentioned in the reply that the depreciation amount is given in Annexure V of the petition whereas, it is missing in the aforesaid Annexure. This needs to be clarified.

Response**:** *Regarding the mention in the reply that the depreciation amount is given in Annexure – V of the petition; it is submitted with profound regrets, that the "Annexure-V" has been mistakenly written instead of "Asset Depreciation Statement". A copy of the statement for FY 2013-14 is again enclosed herewith, for your kind perusal please.*

(iv) **Issue:** The written-off amount of ₹0.44 Crore on account of obsolescence of survey reported items is not observed in the Audited Account. Therefore, the head/ schedule wherein aforesaid amount is accounted for / recorded in the Audited accounted be informed.

Response**:** *The amount written-off on account of survey reported, obsolescence etc. items is depicted under the heading "miscellaneous" in the Note 26- Administrative and General Expenses.*

19. In para 2.2 to 2.7 and Annexure III of the petition, MPPTCL filed the Transmission Capacity of 9663.24 MW and its allocation among Discom and SEZ, which was subsequently corrected by MPPTCL on account of some reference error in its earlier submissions. In its additional submission dated **30th March' 2015**, MPPTCL filed the corrected Transmission Capacity of 9177.75 MW. Accordingly, the Transmission Capacity of 9663.24 MW filed in the original True-up petition has been corrected and revised to 9177.75 MW and same is considered in this true-up order.

TRUE-UP OF ARR FOR FY 2013-14

CAPITAL COST AND CAPITAL STRUCTURE

20. The petitioner filed a list of works completed during 01.04.2013 to 31.03.2014 with the petition. The aforesaid list contained a break-up of about 351 works capitalized during the year along with other work-wise details like particulars of work, estimated amount, date when work completed, amount capitalized and date of capitalization etc. A certificate by the Chief Financial Officer, MPPTCL Jabalpur certifying the following was also annexed with the petition:

*"It is certified that the works of EHV Lines and Sub-Stations amounting to **₹ 703.58** Crore have been capitalized in the Financial Year 2013-14 including assets funded through Consumer Contribution **₹ 30.82** Crore and withdrawal of **₹ 23.75** Crore is made from Gross Block on account of Augmentation, resulting net addition in the Gross Block of **₹649.01** Crore."*

21. Besides, MPPTCL filed the details of transmission lines and bays commissioned in FY 2013-14 (Annexure 4) of the petition in support of its O&M claims.

Capital cost – *(₹ in Cr.)*

S No.	*Particular*	*Total Assets*
1	*Capital cost as on 31.3.2013 as admitted vide Order dated 21.08.2014*	*5567.46*
2	*Capital expenditure during FY 2013-14 based on audited accounts*	*703.58*
3	*Works capitalized through Consumer Contribution*	*(-)30.45*
4	*Addl. works kept in abeyance if any*	*0*
	Less assets de-capitalized during the year	*(-)23.75*
5	*Net Capital expenditure during FY2013-14*	*649.38*
6	*Total capital cost as on 31.3.2014*	*6216.84*

Funding of capital cost – *(₹ in Cr.)*

S. No.	***Particular***	***Assets***	***Equity***	***Loan***
1	*Opening capital cost as on 01.04.2013 as per true-up order for FY2012-13*	*5567.46*	*1586.28*	*2122.65*
2	*Add Capitalization during the year (considering normative 70 - 30 debt - equity ratio)*	*649.38*	*194.81*	*454.57*
3	*Closing capital cost as on 31.03.2014*	*6216.84*	*1781.09*	*2577.22*

22. Commission's analysis:-

On perusal of the contents in the petition with regard to the 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 **para 16 to 18** of this order.

23. As per the certificate of the Chief Financial Officer, MPPTCL, Jabalpur, the assets of **₹30.82** Crore were funded through consumer contribution and withdrawal of **₹23.75** Crore was made from the gross block on account of Augmentation. Accordingly, a net addition of **₹649.01** Crore (out of total capitalized amount of **₹703.58** Crore in FY 2013-14) is shown in the certificate. Accordingly, an amount of **₹ 649.01 Crore** for the assets capitalized during FY 2013-14 is considered in this order as given below:

Capital Cost:

Sr. No.	**Particular**	**Unit**	**Total Assets**
1	Admitted capital cost as on 31.3.2013 vide true-up order for FY 2012-13dated 21-08-.2014	₹ Cr.	5567.46
2	Additional Capital expenditure during FY13-14 as per audited accounts filed by the petitioner	₹ Cr.	703.58
3	Less works capitalized through consumer contribution(30.45+0.37)	₹ Cr.	30.82
4	Less assets de-capitalized during the year as per audited accounts	₹ Cr.	23.75
5	Net Additional Capital expenditure during FY13-14 considered in this order (2-3-4)	₹ Cr.	649.01
6	Total closing capital cost as on 31.3.2014 (1+5)	₹ Cr.	6216.47

(₹ in Cr.)

S. No.	Particular	Assets	Equity	Loan
1	Opening capital cost as on 01.04.2013 as per true-up order for FY2012-13	5567.46	1586.28	2122.65
2	Add Capitalization during the year (considering normative 70 - 30 debt - equity ratio)	649.01	194.70	454.31
3	Closing capital cost as on 31.03.2014	6216.47	1780.98	2576.96

24. As per provisions under MPERC (Terms & Conditions for Determination of Transmission Tariff)(Revision-II) Regulations, 2012, the Commission has considered that the source of funding corresponding to the assets addition is 70% from loan and 30% from Equity as per normative debt- equity ratio. Thus, GFA addition of ₹ **649.01 Crore** is considered to be funded from a loan of ₹ **454.31 Crore** and Equity of ₹ **194.70 Crore** as mentioned above.

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

ANNUAL FIXED COST

25. The Annual Fixed Cost (AFC) of a Transmission System consists of the following components:

(i) Return on Equity.
(ii) Interest and Finance Charges.
(iii) Depreciation
(iv) Operation and Maintenance Expenses.
(v) Terminal benefits.
(vi) Interest on working capital
(vii) Non-tariff Income.

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

(i) Return On Equity:

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

The MPERC (Terms & Conditions for Determination of Transmission Tariff) (Revision-II), Regulations, 2012 notified on 14th December 2012 provide that;

i *The Return on Equity shall be computed in rupee terms on the paid up Equity Capital …*

ii *The Return on Equity shall be computed on pre-tax basis at the base rate of 15.5% to be grossed up for tax ...*

In the Tariff order dtd. 02.4.2013, Hon'ble Commission has allowed the RoE at the base rate of 15.5% on average Equity of ₹ 1710.90 Crores employed on completed Capital Works, amounting to ₹265.19 Crores for FY 2013-14.

Equity infused during 2013-14:

The Balance Sheet incorporated in Audited Accounts for FY 2013-14, provide for following figures for Equity;

(i). Equity held on 31.03.2013 - ₹2375.64 Crores

(ii). Equity held on 31.03.2014 - ₹2375.64 Crores

No equity has apparently been infused during the year.

Qualifying Equity for RoE:

Eligible Equity for claim of RoE in line with the approach adopted by Hon'ble Commission in True up order for FY 2011-12 is worked out taking opening figures as per the True-up order for FY 2012-13, the same is tabulated as hereunder;

S. No.	Particular	Unit	Amount for FY 2013-14
1	Opening Equity in FY 2012-13 (closing equity of previous year's : as per True-up order)	₹Cr.	1586.28
2	Equity addition due to capitalization considered during the year	₹Cr.	194.81
3	Closing Equity in FY 2013-14	₹Cr.	1781.09
4	Average Equity in FY 2013-14	₹Cr.	1683.68
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	₹Cr.	260.97
9	Additional RoE from FY09-10 to FY13-14 in respect of projects completed within specified time limit	₹Cr.	0.37
10	Total return on equity	₹Cr.	261.34

Regarding the above it is also to be submitted that, keeping in tune with the approach of Hon. 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/ 2013, 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 2013-14. 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 2013-14 and which were completed from the year 2009-10 to 2013-14 are shown in Annexure-VIII attached with this Petition. For other works claim will be lodged in subsequent True-up, on Capitalization of works. 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**	**₹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
	A Total -	**0.245**

Table B – From works capitalized in FY 2013-14:

(i)	Value of G-forms of qualifying works	₹ 77.88 Crores
(ii)	Equity employed with 70:30 ratio	₹ 23.36 Crores
(iii)	0.5% Additional RoE	₹ 0.12 Crores
	(B) Claim lodged this Year =	**₹ 0.12 Crores**

Total of (A) + (B) = ₹0.245 +₹00.12 Crores =₹ 0.365 Crores

Say ₹0.37 Crores

The certificate of works completion and capitalization by (F&A) is given in Annexure-V.

27. Provisions under Regulations:

The provisions in Clause 23 of MPERC (Terms & Conditions for determination of Transmission Tariff) (Revision-II) Regulation, 2012 provide that,

"Return on equity shall be computed on pre-tax basis at the base rate of 15.5% to be grossed up as per this Regulation
Provided that in case of Projects commissioned on or after 1st April, 2013, an additional return of 0.5% shall be allowed if such projects are completed within the timeline specified in Appendix-I.

Provided further that the additional return of 0.5% shall not be admissible if the project is not completed within the timeline specified above for reasons whatsoever.

Rate of return on equity shall be rounded off to three decimal points and be computed as per the formula given below:

Rate of pre-tax return on equity = Base rate / (1-t)
Where ' t' is the applicable tax rate in accordance with clause 23.4 of this Regulation.

Illustration.-

(i) In case of the Transmission Licensee paying Minimum Alternate Tax (MAT) @ 20.1% including surcharge and cess:
Rate of return on equity = 15.50/ (1-0.201) = 19.38%

(i) In case of the Transmission Licensee paying normal corporate tax @ 33.99% including surcharge and cess:
***Rate of return on equity = 15.50/ (1-0.3399) = 23.481%**"*

28. Commission's Analysis:

The information gaps/ infirmities regarding this issue were communicated to the petitioner and the petitioner's response on all such issues have been discussed in **para – 16 to 18** of this order.

29. MPPTCL claimed an additional return of 0.5% on the Equity of such projects which were completed within the time limit specified in Appendix 1 of the Regulations. It is observed from the reply filed by MPPTCL that the details of projects completed within the time limit specified in Appendix I of MPERC (Terms and Conditions for determination of Transmission Tariff) Regulation, 2012 have been submitted as

Annexure VIII. The aforesaid details are for 58 works having total capitalized amount of ₹ **77.88** Crores. The petitioner also furnished certificates of the concerned officers certifying that the aforesaid works were completed within the specified time limit. The additional return on Equity of ₹ **0.37 Crores** as claimed is considered in this true-up order.

30. In the last true-up order for FY 2012-13 the closing equity of FY 2011-12 was considered as equity employed on capital cost at the beginning of year. The equity infusion during FY 2011-12 was also considered only for the assets created and capitalized during that year. Similarly, the equity amount of ₹ **1586.28** Crores at the end of FY 2012-13 is considered as opening equity in this true-up order. The equity infusion of ₹ **194.70 Crore** during FY 2013-14 is considered as per preceding **para 23** of this order. Accordingly, the Return on Equity for FY 2013-14 is worked out as under:

Return on Equity:

Sr. No.	**Particular**	**Unit**	**Amount for FY 2013-14**
1	Opening Equity as on 01.04.2013(as per True up order of 2012-13- closing Equity of previous year)	₹ Cr.	1586.28
2	Addition due to additional capital expenditure during the year	₹ Cr.	194.70
3	Closing Equity as on 31.03.2014	₹ Cr.	1780.98
4	Average Equity	₹ Cr.	1683.63
5	Return on equity base rate	%	15.5
6	Tax rate actually paid during the year (No Tax Paid)	%	
7	Applicable Rate of return on Equity	%	15.5
8	**Return on equity**	₹ Cr.	**260.96**
9	Additional RoE from FY09-10 to FY13-14 in respect of projects completed within specified time limit	₹ Cr.	**0.37**
10	**Total return on equity worked out (8+9)**	**₹ Cr.**	**261.33**

31. In view of the above, the Commission allows the total Return on Equity of ₹ **261.33 Crore** including additional return on Equity of ₹ **0.37 Crore** in this order.

(ii) Interest and Finance Charges:

32. Petitioner's submission: The petitioner broadly submitted the following:

Hon'ble Commission under order dated 02.04.2013, allowed following Interest and Finance charges to MPPTCL for year 2013-14;

(i).	*Interest & Finance Charges*	*₹102.91 Crores*
(ii)	*Interest on Working Capital*	*₹46.97 Crores*
	TOTAL -	***₹149.88 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 ₹1313.21 Crores are indicated in the Balance Sheet and a liability of ₹5.53 Crores is indicated in the footnote as loan from MP Power Generating Company Ltd., making a total of ₹1318.74 Crores. Details of these are mentioned hereunder;

(Amount ₹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 2013-14 has been prepared and enclosed as Annexure-VI.

Weighted average rate of Interest:

Hon'ble Commission has desired that the Rate of Interest for each category of loans such as PFC, ADB, State Govt. etc. should be worked out by considering rate of interest of various loan installments applicable during the year. Accordingly, the computation *of interest for each category for **FY 2013-14** is done and enclosed as Annexures, details of which are tabulated hereunder;*

S. No.	***Loan Scheme***	***Weighted Average Rate of Interest***	***Details shown in Annexure***
1	*PFC Unsecured*	*11.97%*	*Annexure-X*
2	*PFC Secured*	*12.55%*	*Annexure-XI*
3	*ADB 1869*	*10.61%*	*Annexure-XII*
4	*State Govt. - General*	*14.98%*	*Annexure-XIII*
5	*Market Bonds*	*8.30%*	*Annexure-XIV*
6	*ADB 2323*	*1.60%*	*Annexure-XV*
7	*ADB 2346*	*1.60%*	*Annexure-XVI*
8	*TSP*	*15.07%*	*Annexure-XVII*
9	*SCSP*	*14.86%*	*Annexure-XVIII*
10	*GoMP JICA IDP-217*	*1.5%*	*Annexure-XIX*
11	*GoMP NABARD*	*10.5%*	*Annexure-XX*

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

Overall Weighted average Rate of interest for FY 2013-14:

As per Clause 24.5 of the Transmission Tariff Regulations notified on 14th December 2012;

"The rate of interest shall be the Weighted Average Rate of Interest calculated on the basis of the actual loan portfolio at the beginning of each year applicable to the project."

Accordingly, the Weighted Rate of Interest is worked out on the basis of the principal not due outstanding at the beginning of the year i.e. 01.04.2013, 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:-

(Amount ₹ in Lacs)

S. No.	***Particulars***	***Principal not due as on 01-04-13***	***Rate of interest (%)***	***Interest***
1	*PFC - Unsecured*	*9956.62*	*11.97%*	*1191.81*
2	*PFC - Secured*	*23812.14*	*12.55%*	*2988.42*
3	*ADB 1869*	*27885.01*	*10.61%*	*2958.60*
4	*General Loans*	*13958.41*	*14.98%*	*2090.97*

5	Market Bonds	761.59	8.30%	63.21
6	GoMP-ADB 2323	43307.08	1.60%	692.91
7	GoMP-ADB 2346	62179.43	1.60%	994.87
8	TSP	2380.00	15.07%	358.67
9	SCSP	3570.00	14.86%	530.50
10	GOMP JICA IDP-217	12334.78	1.50%	185.02
	TOTAL -	**200145.06**	**-**	**12054.99**

$$\textbf{Weighted Rate of Interest} = \frac{12054.99}{200145.06} \times 100$$

$$= \mathbf{6.0231\%}$$

Eligibility of Interest for FY 2013-14

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 31.03.2014 has been worked out in Annexure-VI, considering the actual loan repayments during each year. The repayment is deemed as equal to Depreciation being claimed in the True-up Petition for 2013-14.

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

In line with the approach & True up order for FY 2011-12 & also 2012-13, the interest claim for FY 2013-14 is worked out as hereunder:

(Amount ₹ Crores)

S. No.	Particular	Amount as per order FY 2012-13	Amount for FY 2013-14
1	Opening Loan	1685.09	1703.61
2	Loan addition for Capitalization considered during the year	221.76	454.57
3	Repayment equal to Depreciation during the year	203.24	240.44
4	Closing Loan	**1703.61**	**1917.74**
5	Average Loan	**1694.35**	**1810.67**
6	Weighted Average Rate of Interest as claimed in %	6.87	6.0231
7	**Interest on Loan**	**116.40**	**109.06**
8	Financing charges as per Audited Accounts	0.82	3.22
	Net Interest -	**117.22**	**112.28**

33. Provisions of Regulations:

Clause 24 of MPERC (Terms & Conditions for Determination of Transmission Tariff)(Revision-II) Regulations, 2012 provides that:

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

The normative loan outstanding as on 1.4.2013 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.3.2013 from the gross normative loan.

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

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

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

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

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

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

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

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

34. Commission's Analysis

The information gaps/ infirmities regarding this issue were communicated to the petitioner and the petitioner's response on all such issues has been discussed in detail in **para -16 to 18** of this order.

35. The worksheet for Interest During Construction (IDC) and IDC capitalized during FY 2013-14 is enclosed as Annexure-VII of the Petition as given below.

i.	*During the year interest capitalized with A/c head 10 (S. No. Q of Annexure-VII)*	-	*₹13.44 Crores*
ii.	*During the year interest capitalized with A/c head 14 (S. No. R of Annexure-VII).*	-	*₹ 24.03 Crores*
	NET IDC capitalized with Assets	-	***₹37.47 Crores***

Accordingly, the Commission has allowed ₹ **112.21** Crores against Interest and Finance charges for FY 2013-14 in this order as given below:

Interest on Loan :

Sr. No.	Particular	Unit	Amount for FY 2013-14
1	Opening Loan balance as on 01.04.2013	₹ Cr.	1703.61
2	Addition due to additional capital expenditure during the year	₹ Cr.	454.31
3	Repayment equal to depreciation during the year	₹ Cr.	240.44
4	Closing Loan balance as on 31.03.2014(1+2-3)	₹ Cr.	1917.48
5	Average Loan	₹ Cr.	1810.54
6	Wt. average rate of interest	%	6.02
7	**Interest on Loan**	**₹ Cr.**	**108.99**
8	Financing charges as per audited accounts	₹ Cr.	3.22
9	**Net interest allowed in this true-up order**	₹ Cr.	**112.21**

(iii) Depreciation:

36. Petitioner's submission:

Petitioner has broadly submitted the following:

Opening Balance Sheet:

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

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

Hon'ble Commission had directed the Petitioner to reconcile the Asset Register and work out the Depreciation during the year on the above. The details of this Asset Register was submitted during the Truing-up process of 2012-13 for perusal of the Hon'ble Commission. The Opening Gross Blocks and Net Blocks of the Asset Register *were reconciled & are 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 are final and reconciled with the accounts.*

The Asset Register has since been finalized and because of change in some base constituents some difference vis-à-vis the amount earlier claimed under Depreciation occurred. Impact of these yearly differences of accumulated depreciation has been incorporated in the submission made during the process of True-up for 2012-13; the same has been accepted by the Hon. Commission,

Depreciation for 2013-14 has been worked out on the basis of this reconciled Asset Register and GFA, Accumulated Depreciation & Net Fixed Assets as on 31.03.2013 as shown in the following table;

(Amount ₹ in Crores)

S. No.	**Date as on**	**Gross Fixed Assets**	**Accumulated depreciation**	**Net Fixed Assets**
1	**2**	**3**	**4**	**5**
1	31/05/2005	2932.75	1205.95	1726.80
2	31/03/2006	3092.47	1273.70	1818.77
3	31/03/2007	3341.55	1357.07	1984.48
4	31/03/2008	3575.99	1447.81	2128.18
5	31/03/2009	3954.13	1544.23	2409.90
6	31/03/2010	4544.60	1711.06	2833.54
7	31/03/2011	5045.92	1919.01	3126.91
8	31/03/2012	5309.90	2130.25	3179.65
9	31/03/2013	5616.62	2348.64	3267.98

37. ***Regulations on Depreciation:***

The Depreciation for the year 2013-14 has been calculated as per Clause 25 of the Regulations as reproduced hereunder;

(a) *The value base for the purpose of Depreciation shall be the Capital Cost of the Assets as admitted by the Commission.*

(b) *The approved / accepted cost shall include foreign currency funding converted to equivalent rupee at the exchange rate prevalent on the date of foreign currency actually availed.*

(c) *The salvage value of the Asset shall be considered as 10% and Depreciation shall be allowed up to maximum of 90% of the Capital Cost of the Asset.*

(d) *Land other than land held under lease shall not be a depreciable Asset and its cost shall be excluded from the Capital Cost while computing depreciable value of the Asset.*

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

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

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

(f) *In case of the existing Projects, the balance depreciable value as on 1.4.2013 shall be worked out by deducting the cumulative depreciation including Advance Against Depreciation as admitted by the Commission upto 31.3.2013 from the gross depreciation value of the assets. The rate of depreciation shall be continued to be charged at the rate specified in Appendix-II, till cumulative depreciation reaches 70%. Thereafter, the remaining depreciable value shall be spread over the remaining life of the asset such that the maximum depreciation does not exceed 90%.*

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

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

Asset Data Base for working out Depreciation:

The Petitioner has submitted Asset Register, matching the figures of the Final Opening Balance sheet and continued the same by maintaining the same Asset Database for working out Depreciation for a particular year. The salient features of the same are;

(i) The database is matched as per Final Opening Balance Sheet figures notified on 12th June 2008 in the position of 31.05.05.

(ii) The works Capitalized during subsequent years have been entered in the data base till 31.03.2014.

(iii) The Depreciation rates after 31.05.05 have been taken as per Hon'ble MPERC's Regulations applicable from time to time.

(iv) Depreciation working formula is as per Straight Line Method of Depreciation

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

Updation in the Depreciation Model Software:

The reconciled Asset Register has been modified as per the provisions of the MYT Regulations in the following respect;

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

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

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

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

Addition of Assets during FY 2013-14:

Assets worth ₹703.58 Crores have been capitalized during the year and Assets of value ₹23.75 have been withdrawn, thus a net addition worth of ₹679.83 Crores have been Capitalized during year 2013-14. The list of Assets capitalized along with certificate is enclosed as Annexure–V.

It is to be mentioned here that, while capitalizing the Assets, MPPTCL's Accounts has adopted "Accounting Standard-16" (AS-16), which is obligatory on the part of the Company.

Depreciation against consumer's contribution works:

Hon'ble Commission has prescribed the procedure to account for the Depreciation on Assets formed under consumer's contribution. Hon'ble Commission also mentioned to review this since 31.05.2005, the date of Opening Balance Sheet transfer. As mentioned in Para 8.4(IV), no such Assets have been capitalized till 31.03.2010. Such Assets have been capitalized in FY 2010-11 onwards only. The Depreciation on these Assets have been computed as per other Assets. Thereafter, these Assets are tabulated separately in Depreciation Model and Depreciation charged on these has been subtracted from total Depreciation claim.

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

Depreciation for FY 2013-14:

*As per above procedure, the Depreciation (**excluding depreciation on assets formed under consumer's contribution**) for 2013-14, computed from Asset Register & Software model and comparison from previous year, is mentioned below;*

(Amount ₹ in Crores)

YEAR	***Gross Fixed Assets***			***Provision For Depreciation***			***Net Fixed Assets***	
	At the beginning of Year	***Addi-tion 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***
2012-13	*5309.90*	*306.71*	*5616.62*	*2130.25*	*218.40*	*2348.64*	*3179.65*	*3267.98*
2013-14	*5616.62*	*679.83*	*6296.45*	*2348.64*	*240.44*	*2589.08*	*3267.98*	*3707.37*

The category-wise details for FY 2013-14 are given in Format TUT-7 & 8.

True up of Depreciation for FY 2013-14:

(i)	*Depreciation claim as per Para 8.7 above*	***₹ 240.44*** *Crores*
(ii)	*Depreciation allowed in MYT order dated 02.04.2013*	***₹261.35*** *Crores*
	True-up Claim -	***(-) ₹ 20.91 Crores***

38. Provisions under Regulations:

Clause 25.1 of MPERC (Terms and Conditions for determination of Transmission Tariff) (Revision-II) Regulations, 2012, provides that,

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

a) The value base for the purpose of depreciation shall be the capital cost of the assets as admitted by the Commission

b) The approved/accepted cost shall include foreign currency funding converted to equivalent rupee at the exchange rate prevalent on the date of foreign currency actually availed.

c) The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset.

d) Land other than land held under lease shall not be a depreciable asset and its cost shall be excluded from the capital cost while computing depreciable value of the asset.

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

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

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

f) In case of the existing Projects, the balance depreciable value as on 1.4.2013 shall be worked out by deducting the cumulative depreciation including Advance Against Depreciation as admitted by the Commission upto 31.3.2013 from the gross depreciable value of the assets. The rate of Depreciation shall be *continued to be charged at the rate specified in Appendix-II till cumulative depreciation reaches 70 %. Thereafter, the remaining depreciable value shall be spread over the remaining life of the asset such that the maximum depreciation does not exceed 90 %.*

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

Commission's Analysis:

In view of the above reconciled Asset-Depreciation Register filed by the petitioner, the following depreciation for FY 2013-14 is allowed in this order:

Sr. No.	Particular	Unit	Amount for FY 2013-14
1	Closing Gross fixed assets as on 31.03.2014	₹ Cr.	6216.47
2	**Depreciation during the year**	**₹ Cr.**	**240.44**
3	Opening Cumulative Depreciation FY 2013-14	₹ Cr.	2348.65
4	Closing Cumulative Depreciation FY 2013-14	₹ Cr.	2589.09

(iv) Operation and Maintenance Expenses:

39. Petitioner's Submission:

The petitioner broadly submitted the following:

Hon'ble Commission has allowed O&M expenses of ₹318.00 Crores for FY 2013-14. This covers Employee Cost, A&G and Repairs & Maintenance Expenses during the year. It was however mentioned that if progress achieved is more than quantities considered in this order, higher amount of O&M will be allowed. The provision is based on the O&M Norms notified in the Transmission Tariff Regulation. The same is as hereunder;

Norms for O&M Expenses

S. No.	*Particulars*	*FY 2013-14*	*FY 2014-15*	*FY 2015-16*
	Lines	*Rs. Lakh / 100ckt km / annum*		
1.	*400 kV Lines*	*33.6*	*36.2*	*39.1*
2.	*220 kV Lines*	*27.0*	*29.2*	*31.5*
3.	*132 kV Lines*	*25.4*	*27.4*	*29.6*
	Bays	*Rs. Lakh / Bay / annum*		
1.	*400 kV Bay*	*15.5*	*16.7*	*18.0*
2.	*220 kV Bay*	*11.5*	*12.5*	*13.5*
3.	*132 kV Bay*	*10.9*	*11.8*	*12.7*

Hon'ble Commission while allowing O&M Expenses for the year 2013-14, considered the following length of EHV Lines and Bays as an average of the projected capacity as on 01.04.13 and 31.03.14. The O&M expenses for year 2013-14 have been allowed as ₹318.00 Crores, considering following parameters;

S. No.	Particulars	O&M Norms 2013-14 ₹in Lacs	Parameters taken for 2013-14	O&M Expenses allowed for 2013-14 (rounded to ₹In Lacs)
1	400 KV Line	33.60 /100 Ckt-KM	2887 Ckt-KM	970.00
2	400 KV Bays	15.5 /Bay	89 Nos.	1380.00
3	220 KV Line	27.00 /100 Ckt-KM	11406 Ckt-KM	3080.00
4	220 KV Bays	11.5 /Bay	497 Nos.	5716.00
5	132 KV Line (incl of 66 KV)	25.40 /100 Ckt-KM	14543 Ckt-KM	3694.00
6	132 KV Bays	10.90 /Bay	1556 Nos.	16960.00
			TOTAL -	**31800**

PROVISION FOR TRUE UP OF O&M EXPENSES -

Item 37 (Clause 37.1 & 37.2) of MYT Regulations notified on 14.12.2012 provides that true up of O&M expenses will depend on length of Lines and number of Bays. The relevant Clauses are reproduced hereunder;

*"**37.1** The O&M expenses comprise of employee cost, repairs & maintenance (R&M) cost and administrative & general (A&G) cost. The norms for O&M expenses have been fixed on the basis of circuit kilometers of transmission lines and number of bays in sub-station. These norms exclude pension, terminal benefits, incentive & arrears to be paid to employees, taxes payable to the Government and fee payable to MPERC. The Transmission Licensee shall claim the taxes payable to the Government, fees to be paid to MPERC & any arrears paid to employees separately as actuals. The claim of pension and terminal benefits shall be dealt as per Regulation 27.4."*

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 & O&M Expenses for FY 2013-14:

The average assets on the basis of actual progress made during the year and the allowable O&M expenses for FY-2013-14 based on approved norms, is worked out as under;

S. No.	***Particulars***	***Assets***			***Approved Norms for 2013-14***	***Amount (₹in Lacs)***
		As on 01.4.2013	***As on 31.3.2014***	***Average***		
1	*400 KV Line in Ckt-KMs*	*2448.13*	*2847.06*	*2647.60*	*₹33.60 Lacs/ 100 Ckt-KM*	*889.59*
2	*220 KV Line in Ckt-KMs*	*11332.97*	*11459.95*	*11396.46*	*₹27.00 Lacs/ 100 Ckt-KM*	*3077.04*
3	*132 KV Line in Ckt-KMs*	*14043.44*	*14702.76*	*14373.10*	*₹25.40 Lacs/ 100 Ckt-KM*	*3650.77*
4	*400 KV Bay in Nos.*	*85*	*94*	*90*	*₹15.50 Lacs/ Bay*	*1395.00*
5	*220 KV Bay in Nos.*	*491*	*508*	*500*	*₹11.50 Lacs/ Bay*	*5750.00*
6	*132 KV Bay in Nos.*	*1524*	*1661*	*1593*	*₹10.90 acs/ Bay*	*17363.70*
Total O&M Cost on the basis of Bays and Lines -						***32126.1***

Say ₹ 321.26 Crores

List of Lines and Bays added during 2013-14 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;

(Amount ₹ Crores)

S. No.	**Format No.**	**Particulars**	**Gross Amount**	**Less Capitalized**	**Less SLDC Expenses**	**Net Amount**
1	TUT-3	R&M Expenses	54.85	0.93	2.55	51.37
2	TUT-4	Employee Cost	287.82	54.38	7.71	225.73
3	TUT-5	A&G Expenses (MPERC fee ₹1.18 not incl. in Net Amt)	35.11	7.51	0.46	25.96
4	**TOTAL -**		**377.78**	**62.81**	**10.72**	**303.06**

Provision for Arrears:

Regarding the Arrears, Clause 37.1 of Regulations notified on 14.12.2012 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 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 and fees to be paid to MPERC & **any arrears paid to employees separately as actual**. The claim of pension and terminal benefits shall be dealt as per Regulation 27.4."*

Accordingly **₹ 11.51** Crores are being claimed as per actuals over & above the normative O&M claims.

True up of O&M Expenses:

Net True up of O&M Expenses for FY 2013-14 is tabulated hereunder;

S. No.	Particulars	Amount (₹ Crores)
1	O&M claim as per O&M Norms worked out in Para 6.4 above	321.26
2	O&M claim for Wage Revision payment s as per Para 6.6	11.51
3	Total O&M claim (1+2)	332.77
4	O&M Expenses allowed in Tariff order for FY 2013-14	318.00
5	True up amount of O&M Expenses (3-4)	14.77
Net True up Claim (O&M):₹ 14.77 Crores		

40. Provisions under Regulations:

Regulation 27.0 in MPERC (Terms and Conditions for determination of Transmission Tariff) Regulations, 2012 and its fourth amendment 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. Normative O&M expenses other than expenses on payment of arrears to employees on account of revision of pay scales of the employees in accordance with Sixth Pay Commission recommendations, as implemented by the State Transmission Utility at the commencement of the Tariff Period have been *escalated at the rate of 7.93% considering a weighted average of Wholesale Price Index and Consumer Price Index in the ratio of 60: 40.*

27.3 On examination of the details gathered from MPPTCL regarding transmission network parameters being considered for calculation of normative expenses and actual expenditure from FY 2007-08 to FY 2010-11 and the expenditure assessed by MPPTCL for FY 2011-12 (on account of non availability of the audited balance sheet for FY 2011-12) in respect of Employee expenses, Repair & Maintenance expenses and Administrative & 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 89.6% of the normative O&M expenses. The Commission has considered the actual expenses for FY 2010-11 as base figures, linked them with the parameters used for calculation of normative O&M expenses, multiplied it with annual escalation factor of 6.14% till FY 2012-13 (up to last control period) and thereafter @ 7.93 % to arrive at the normative O&M norms for the period of present control period of FY 2013-14 to FY 2015-16.

27.4 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.

27.5. 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.

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

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

The true up of O&M expenses will depend on length of lines and number of Bays as per Regulation 37. 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 27.4. 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 2013-14	FY 2014-15	FY 2015-16
	Lines	**₹Lakh / 100ckt km / annum**		
1.	400 kV Lines	33.6	36.2	39.1
2.	220 kV Lines	27.0	29.2	31.5
3.	132 kV Lines	25.4	27.4	29.6
	Bays	**₹Lakh / Bay / annum**		
1.	400 kV Bay	15.5	16.7	18.0
2.	220 kV Bay	11.5	12.5	13.5
3.	132 kV Bay	10.9	11.8	12.7

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 27.4.

42. Commission's Analysis:

The information gaps/ infirmities regarding this issue were communicated to the petitioner and the petitioner's response on all such issues have been discussed in detail in **para -16 to 18** of this order.

43. The actual line length in ckt-kms and number of bays as on 1st April 2013 to March 2014 as filed by the petitioner have been verified with the regular returns being filed by the Reporter of Compliance of MPPTCL. Based on the norms specified in MPERC (Terms and conditions for determination of Transmission Tariff) Regulation, 2012 and its amendments, the O&M Expenses are worked out to **₹321.26 Crores** for FY 2013-14 as given below:

S. No.	Particulars	Assets			Approved Norms for 2013-14	Amount (₹ in Lacs)
		As on 01.4.2013	As on 31.3.2014	Average		
1	400 KV Line in Ckt-KMs	2448.13	2847.06	2647.60	₹ 33.60 Lacs/ 100 Ckt-KM	889.59
2	220 KV Line in Ckt-KMs	11332.97	11459.95	11396.46	₹ 27.00 Lacs/ 100 Ckt-KM	3077.04
3	132 KV Line in Ckt-KMs	14043.44	14702.76	14373.10	₹ 25.40 Lacs/ 100 Ckt-KM	3650.77
4	400 KV Bay in Nos.	85	94	90	₹ 15.50 Lacs/ Bay	1395.00
5	220 KV Bay in Nos.	491	508	500	₹ 11.50 Lacs/ Bay	5750.00
6	132 KV Bay in Nos.	1524	1661	1593	₹ 10.90 Lacs/ Bay	17363.70
Total O&M Cost on the basis of Bays and Lines -						**32126.1**

Say ₹ 321.26 Crores

44. MPPTCL submitted that the amount of ₹11.51 Crores has been actually paid as arrears. It includes the amount of SLDC also. MPPTCL submitted that the amount of wage revision arrears to SLDC is also paid by MPPTCL therefore; this amount should be considered in the ARR of MPPTCL.

45. In view of the above, the following O&M expenses including the amount of wage revision is allowed in this order:

Sr. No.	Particular	Unit	Amount for FY 2013-14
1	Amount of wage revision filed & allowed	₹ Cr.	11.51
2	O&M expenses as per norms allowed in para 43	₹ Cr.	321.26
	Total O&M expenses including arrears	**₹ Cr.**	**332.77**

(v) Terminal Benefits:

46. Petitioner's submission: The petitioner broadly submitted the following:

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

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

Hon'ble Commission therefore in its order dtd. 02.04.2013; in Clause 3.63 has considered the Terminal Benefit and Pension expenses for FY 2013-14 on provisional basis on "Pay as you go" principles payable to the extent of ***₹677.00*** *Crores as allowed in the MYT order. The actual expenses for this period to be considered during the process of True up of Transmission Tariff for FY 2013-14.*

Terminal Benefits as per Audited Accounts:

The Audited Accounts of the MPPTCL, listed out the following expenses against Terminal Benefits for FY 2013-14 as compared to the previous year;

PARTICULARS	***AS AT 31.03.2014***	***AS AT 31.03.2013***
(A) CASH -		
Gratuity	*124.54*	*154.73*
Pension	*815.38*	*618.71*
Leave Encashment	*8.17*	*9.69*
TOTAL (A) -	***948.09***	***783.13***
(B) PROVISIONS -		
Gratuity	*8.04*	*5.96*
Pension	*43.08*	*43.32*
Leave Encashment	*1.22*	*0.64*
Provision for employees of MPPMCL	*10.12*	*8.51*
TOTAL (B) -	*62.46*	*58.43*
TOTAL (A+B) -	***1010.55***	***841.56***

True up for Terminal Benefits:

As per directive of Hon'ble Commission, the E.L. encashment on retirement is to be excluded from Terminal Benefit claims, and treated as Employee Cost. Accordingly, *only Pension, Gratuity are considered for claim of Terminal Benefits True-up for FY 2013-14. (Shown in Annexure-IX).*

The claim is given in the following table;

(Amount ₹ in Crores)

S. No.	**Particulars**	***Terminal Benefit Expenses***		
		Cash	***Provision***	***Total***
1	*Pension*	*815.39*	*43.08*	*858.47*
2	*Gratuity*	*124.54*	*8.04*	*132.58*
3	*Provision for employees of MPPMCL*		*10.12*	*10.12*
	TOTAL -	***939.93***	***61.24***	***1001.17***

True-up for FY 2013-14 is worked out hereunder;

(Amount ₹ in Crores)

S. No.	***Particulars***	***Cash***	***Provision***	***Total***
1	*Claim for the year*	*939.93*	*61.24*	*1001.17*
2	*Allowed in MYT order*	*677.00*	*-*	*677.00*
3	***True-up***	***262.93***	***61.24***	***324.17***

47. Provisions under Regulations:

MPERC (Terms and Conditions for determination of transmission tariff) (Revision-II) Regulation, 2012 provides as following:

> *"In the Principal Regulations, the Regulations 27.6 shall be substituted as under:*
>
> *27.6(a) The expenses towards pension and other terminal benefits in respect of all personnel of MPSEB/MPEB and its all successor entities who are entitled as per their service conditions for pension and other terminal benefits shall continue to be allowed in the Aggregate Revenue Requirement of MP Power Transmission Co. Ltd. of the respective tariff year during the control period.*
>
> *(b) The above expenses at (a) for each financial year shall be a pass through in the Aggregate Revenue Requirement of MP Power Transmission Co. Ltd. and permitted to the extent of the provisions made by the MP Power Transmission Co. Ltd. subject to prudence check by the Commission. This provisioning shall be subject to further review at the time of the true-up of the ARR of respective year and shall be allowed to the extent of actual payments made."*

48. Commission's Analysis:

The figures filed by MPPTCL have been tallied with the Audited Balance Sheet filed by it for FY 2013-14. Based on the information/ clarifications filed by the petitioner and the provisions under MPERC (Terms and Conditions for determination of Transmission Tariff) Regulations, 2012 and its amendment, an amount of ₹ 939.92 Crores for Terminal Benefits is allowed in this true-up order for FY 2013-14. The amount of provisioning under this head is not allowed by the Commission as per the approach adopted in the last true-up order. The details of Terminal Benefits allowed in this order are given below:

Sr. No.	Particular	Unit	Amount for FY 2013-14
1	Pension as per audited accounts	₹ Cr.	815.38
2	Gratuity as per audited accounts	₹ Cr.	124.54
3	Provisions	₹ Cr.	0.00
4	Annuity	₹ Cr.	0.00
5	**Total amount of terminal benefits**	**₹ Cr.**	**939.92**

(vi) Interest On Working Capital:

49. Petitioner's submission: Petitioner broadly submitted the following:

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

Working capital requirement for 2013-14

i.	*O&M expenses for one month (₹332.77 Crores / 12)*	*₹ 27.73 Crores*
ii.	*Maintenance spares @ 15% of the O&M expenses*	*₹ 49.92 Crores*
iii.	*Receivables equivalent to 2 months Transmission charges*	*₹ 331.51 Crores*
	Total Working Capital --	*₹ 409.15 Crores*
iv.	*Interest on working capital @ 13.20 % i.e. SBI's Base rate as on 01.04.2013 plus 3.5%*	*₹ 54.01 Crores*

True up of Interest & Finance Charges for FY 2013-14:

(Amount in ₹Crores)

S. No.	*Particulars*	*As allowed in Tariff order*	*As per this petition*	*True Up*
1	*Interest on loans*	*102.91*	*109.06*	*6.15*
2	*Bank charges as per Note 24 of audited accounts*	*0*	*3.22*	*3.22*
Total Interest & Finance charges -		***102.91***	***112.28***	***9.37***
3	*Interest on working capital*	*46.97*	*54.01*	*7.04*
			NET TRUE UP -	***16.41***

50. Provisions under Regulations

Clause 38.1 of MPERC (Terms and Conditions for determination of transmission tariff) (Revision-II) Regulation, 2012 provides as following:

"For each year of the tariff period, working capital shall cover the following:

(1) Maintenance spares @ 15% of the O&M expenses specified in Regulation 37.1;

(2) Receivables equivalent to two months of transmission charges calculated on Target Availability Level; and

(3) Operation and Maintenance expenses for one month."

Further, Regulation 28.1 provides that,

"Rate of interest on working capital to be computed as provided subsequently in these Regulations shall be on normative basis and shall be equal to the short term Prime Lending Rate of State Bank of India as on 01st April of that year plus 3.5%.. The interest on working capital shall be payable on normative basis notwithstanding that the Licensee has not taken working capital loan from any outside agency or has exceeded the working capital loan based on the normative figures."

51. Commission's Analysis:

As per norms under Regulations, the interest on working capital for FY 2013-14 is worked out and allowed in this true-up order as given below:

Interest on working capital:

Sr. No.	Particular	Unit	Amount for FY 2013-14
1	O&M expenses for one month	₹ Cr.	27.73
2	Maintenance spares @ 15% of the O&M expenses	₹ Cr.	49.91
3	Receivables equivalent to two months transmission charges	₹ Cr.	320.66
4	Total working capital	₹ Cr.	398.30
5	Applicable rate of interest on working capital (SBI base rate plus 3.5 i.e. 9.7 + 3.5 = 13.2%)	%	13.20%
6	**Amount of working capital**	**₹ Cr.**	**52.57**

(vii) Non-Tariff Income:

52. Petitioner's submission: The petitioner broadly submitted the following:

Other Income of ₹16.60 Crores is shown in Note 21 of Audited Accounts. This income has been bifurcated in two categories, as shown hereunder after excluding ₹ 0.37 Crores the Other Income of SLDC.

Charges not covered under Non-Tariff Income –

(Amount ₹in Crores)

i.	*Sale of Store's scrap being capital receipt. The scrap value of 10% is not allowed in Tariff in Depreciation*	*2.44*
ii.	*Delayed payment charges*	*0.00*
	TOTAL -	***2.44***
		Say ₹ 2.44 Crores

Charges to be covered under Non-Tariff Income –

(Amount ₹in Crores)

i.	*Interest Income*	*0.11*
ii.	*Application fees for Open Access*	*0.56*
iii.	*Hire charges for contractors etc.*	*1.39*
iv.	*Consultant services charges received*	*9.81*
v.	*Sale of Tender forms*	*0.61*
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*	*0.33*
x.	*Recovery of telephone charges*	*0.13*
xi.	*Other MISC receipts*	*1.54*
xii.	*Less : Income considered in SLDC's Account*	*-0.37*
	TOTAL -	***14.16***

Say ₹14.16 Crores.

Therefore, Non Tariff Income for FY 2013-14 is : ₹14.16 Crores.

53. Commission's Analysis:

In Note. 21 for "Other Income" in the Audited Financial Statements of MPPTCL for FY 2013-14, it is recorded that Miscellaneous Receipts of ₹ 16.60 Crore includes profit of ₹ 2.43 Crore on sale of scrap. Therefore, an amount of ₹ **16.59 Crore** is considered as Non-Tariff Income in this true-up order:

Sr. No.	Particular	Unit	Amount for FY 2013-14
1	**Net amount of non-tariff income**	₹ Cr.	**16.59**

54. True-up amount allowed for FY 2013-14 in this order:

Based on the analysis made in preceding paragraphs, the Commission has determined the true-up amount of **₹ 281.43 Crore** for FY 2013-14. This amount shall be adjusted in the bills of long term open access customers of MPPTCL in FY 2016-17. Details of true-up amount determined in this order are tabulated hereunder:

Sr. No.	Particular	Unit	Allowed in MYT order for FY2013-14	Allowed in this true-up order for FY 2013-14	True-up amount
1	Return on Equity	₹ Cr.	265.19	**261.33**	-3.86
2	Interest and finance charges on loan	₹ Cr.	102.91	**112.21**	9.30
3	Depreciation	₹ Cr.	261.35	**240.44**	-20.91
4	Operation and Maintenance expenses	₹ Cr.	318.00	**332.77**	14.77
5	Interest on working capital	₹ Cr.	46.97	**52.57**	5.60
6	Terminal benefits	₹ Cr.	677.00	**939.92**	262.92
7	Provisioning for terminal benefits	₹ Cr.	0.00	0.00	0.00
8	Fee paid to MPERC	₹ Cr.	1.04	1.27	0.23
9	Non-Tariff Income	₹ Cr.	-29.97	-16.59	13.38
	Total	**₹ Cr.**	**1642.49**	**1923.92**	**281.43**

55. In para 2.2 to 2.7 and Annexure III of the petition, MPPTCL filed the Transmission Capacity of 9663.24 MW and its allocation among Discom and SEZ, which was found incorrect due to some reference error. In its additional submission dated 30th March' 2015, MPPTCL filed the corrected Transmission Capacity of 9177.75 MW. Accordingly, the Transmission Capacity of 9663.24 MW filed in the original True-up petition has been corrected and revised to 9177.75 MW and same is considered in this true-up order.

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

S. No	Customer	As per order dtd. 21.10.2013		As per this order		True up
		Capacity Allocated	Amount share	Capacity Allocated	Amount share	
		(MW)	(₹ Crores)	(MW)	(₹ Cr.)	(₹ Cr.)
1	MP Poorva KVVCL	3141.41	489.72	2735.74	573.49	83.77
2	MP Madhya KVVCL	3346.21	521.65	2914.10	610.88	89.23
3	MP Paschim KVVCL	4030.38	628.31	3509.91	735.78	107.47
4	MPAKVN for SEZ	18.00	2.81	18	3.77	0.96
5	**TOTAL -**	**10536**	**1642.49**	**9177.75**	**1923.92**	**281.43**

57. The petitioner must take steps to implement this Order after giving public notice in accordance with clause 1.30 of MPERC (Details to be furnished and fees payable by licensee or generating company for determination of tariff and manner of making application) Regulations, 2004 and its amendment. The petitioner must also provide information to the Commission in support of having complied with this order. The Commission shall consider the additional transmission charges determined in this order for the Distribution Licensees/ Long term Open access customers of MPPTCL in their Annual Revenue Requirement for FY 2016-17 and accordingly directs that these charges as determined above be recovered in 12 equal instalments.

Ordered accordingly

(Alok Gupta)	(A.B.Bajpai)	(Dr. Dev Raj Birdi)
Member	Member	Chairman

Date:28th April' 2015

Place: Bhopal