

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 MPPoKVVCL (East Discom) as the Distribution Licensee (P.No. 11/2021).

Order

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

Order dated: 06.12.2021

M.P. Poorv Kshetra Vidyut Vitran Company Ltd. (East Discom): Petitioner

Shri Ajay Dugad, GM 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 2698 Crore for the period 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:

PROJECTS PROPOSED UNDER THE SCHEMES	ST (N), TSP & SCSP	IPDS (GIS)	Scheme for reduction in DTR failure rate	SCADA enable & smart metering project	Scheme for replacement of stop/defective meters	Scheme for DTR Metering in predominant agricultural DTR	Implementation of IT Enabled Project under IPDS	Meter Data Management System	Meter Data Acquisition System	Total (FY 21 to FY 25)
Construction of 33/11 kV S/s (Nos)	74	4	0	0	0	0	0	0	0	78
SCADA 33/11 kV S/s (Nos)	0	0	0	250	0	0	0	0	0	250
33 kV Line (Km)	1,757	15	0	0	0	0	0	0	0	1,772
11 kV Line (Km)	4,983	15	0	0	0	0	0	0	0	4,998
PTR New & Augmentation (No.)	292	0	0	0	0	0	0	0	0	292
DTR New & Augmentation (No.)	31,193	0	0	0	0	0	0	0	0	31,193
LT Line with Cable (Km)	1,324	0	0	0	0	0	0	0	0	1,324
DTR metering /Smart metering (No.)	0	0	0	3,500	0	1,00,000	0	0	0	1,03,500
DTR renovation (No.)	0	0	68,400	0	0	0	0	0	0	68,400
Smart metering (No.)	0	0	0	3,76,116	0	0	0	0	0	3,76,116
Meter Data Management/Acquisition/IT Implementation	0	0	0	0	0	0	0	0	0	0
Meterization of stop/defective/un-metered Consumers and NSC-DLF (No.)	25,00,000	0	0	0	21,31,336	0	0	0	0	46,31,336
Proposed Financial Investment (INR Cr.)	1,517	25	256	481	185	200	20	9	5	2,698

3. Petitioner has submitted that projects will be funded through GoI/GoMP and other sources like PFC and KFW for which loan tie up has to be done. It is further stated that the sanction of the competent authority for aforesaid projects are yet to be received. 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)

Sr. No.	Name of Projects	Proposed Investment for the period FY-21 to FY-25	Type of funding and sharing (%)
1	Government schemes (ST(N), TSP, SCSP)	1517	GoMP (100%)
2	IPDS (GIS)	25	GoI Grant 60% and 40% PFC Loan
3	Scheme for reduction in Distribution Transformers Failure rate	256	GoMP 20% and Loan 80%
4	Scada Enablement and Smart Metering Project	481	GoMP 20% and KFW Loan 80%
5	Scheme for replacement of stop/ defective meters	185	GoMP (100%)
6	Scheme for DTR metering in pre- dominant Ag. DTR	200	GoMP (100%)
7	Implementation of IT Enabled Project under IPDS	20	GoI Grant 60% and 40% PFC Loan
8	Meter Data Management System	9	Company Owned Fund 100%
9	Meter Data Acquisition System	5	Company Owned Fund 100%
	Total Investment (Rs Crore)	2698	

4. The Petitioner in its submission has proposed following Distribution 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	29 %	26 %	23 %	20 %	17 %

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 estimated IRR as 7.53% and payback period of 10 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 23.09.2021. In subsequent development, the Commission held the review meeting on 29.09.2021 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 FY 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 comment 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 29.09.2021 in regard to revamping and renewing their proposed Capital expenditure plan in pursuit to the Central Govt’s scheme “RDSS” which aims to strengthening and digitalizing the Distribution sector through major fillip of reform-based linkage while achieving desired result of improving performance and corresponding trajectories. The schemes are reported to be under revision at various

stages by the petitioner along with requisite financial closure/ tie up with respective funding agencies which are yet to attained finality and approval/sanction of component authorities viz. State /Central Govt. In view of above, the Commission deemed it appropriate to consider the Capex scheme for FY 2020-21 & FY 2021-22 for Rs 751 Crore and Rs 845 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
Government schemes (ST(N), TSP, SCSP)	275	275	291	291
IPDS (GIS)	25	25	Nil	Nil
Scheme for reduction in Distribution Transformers Failure rate	102	102	153	153
Scada Enablement and Smart Metering Project	200	200	246	246
Scheme for replacement of stop/ defective meters	35	35	35	35
Scheme for DTR metering in pre-dominant Ag. DTR	80	80	120	120
Implementation of IT Enabled Project under IPDS	20	20	nil	nil
Meter Data Management System	9	9	nil	nil
Meter Data Acquisition System	5	5	Nil	Nil
Total (In Rs Crore)	751	751	845	845
Total Capex for FY 2020-21 & FY 2021-22 (In Rs Crore)	1596			

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 751 Crore for FY 2020-21** and **Rs 845 Crore for FY 2021-22** filed by the petitioner in subject petition on the condition that admissibility of such investment in ARR of True up for FY2020-21 & 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