



**Meghalaya State Electricity Regulatory Commission**

**Aggregate Revenue Requirement &  
Transmission Tariff For**

**FY 2020-21**

**For**

**Meghalaya Power Transmission Corporation Limited**

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## Abbreviations

A&G	Administration & General
ARR	Aggregate Revenue Requirement
APTEL	Appellate Tribunal For Electricity
CAGR	Compound Annual Growth Rate
CD	Contract Demand
CoD	Commercial Operation Date
CERC	Central Electricity Regulatory Commission
CGS	Central Generating Stations
CoS	Cost of Supply
CWIP	Capital Work In Progress
DE	Debt Equity
EHT	Extra High Tension
FY	Financial Year
GOM	Government of Meghalaya
GFA	Gross Fixed Assets
HT	High Tension
KV	Kilo Volt
KVA	Kilo Volt Amps
KVAh	Kilo Volt Ampere hour
KW	Kilo Watt
kWh	kilo Watt hour
LT	Low Tension
MVA	Million Volt Amps
MU	Million Unit
MW	Mega Watt
MYT	Multi Year Tariff
MeECL	Meghalaya Energy Corporation Limited
MePGCL	Meghalaya Power Generation Corporation Limited
MePDCL	Meghalaya Power Distribution Corporation Limited
MePTCL	Meghalaya Power Transmission Corporation Limited
MSERC	Meghalaya State Electricity Regulatory Commission
ROE	Return on Equity
SOA	Statement of Accounts
SLDC	State Load Despatch Centre

**MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION**  
**1<sup>ST</sup> Floor (Front Block Left Wing), New Administrative Building**  
**Lower Lachumiere, Shillong-793001**  
**East Khasi Hills District, Meghalaya**

**CASE NO. 03/2020**

In the matter of

Determination of Aggregate Revenue Requirement (ARR) and Transmission Tariff for FY 2020-21 and Open Access charges for Transmission of Power in the State of Meghalaya.

**AND**

Meghalaya Power Transmission Corporation Limited .....the Petitioner  
(Herein after referred to as MePTCL)

**Coram**

Shri P W Ingty, IAS (Retd)

Chairman

Shri R. Keishing

Member

**ORDER**

(Dated: 25.03.2020)

1. The Meghalaya Power Transmission Corporation Limited (herein after referred to as MePTCL) is a deemed licensee in terms of section 14 of the Electricity Act 2003 (herein after referred to as Act), engaged in the business of transmission of electricity in the state of Meghalaya.
2. As per the Regulation 6 of MYT Regulations 2014, the MePTCL has filed the Petition for determination of Aggregate Revenue Requirement (ARR) and Transmission Tariff & Open Access charges for FY 2020-21.
3. The Licensee shall file Regulatory accounts along with the petitions for ARR and Tariff and also for True up of the previous years. Licensee has filed Statement of Accounts for FY 2017-18 certified by Statutory Auditors. Commission considered the SOA for FY 2017-18 and the ARR elements have been computed taking into account expenses reported in the SOA of FY 2017-18 as per MSERC MYT Regulations 2014. The

assumptions for FY 2018-19 to FY 2020-21 considered based on the inflation rates notified by the Govt. of India wherever necessary.

4. In exercise of the powers vested under section 61 and section 64 (3) of the Electricity Act 2003 and MSERC MYT Regulations, 2014 (Notified on 15.09.2014) (herein after referred to as Tariff Regulations) and other enabling provisions in this behalf the Commission issues this order for approval of the ARR and determination of Transmission Tariff & Open Access charges for Transmission of electricity in the state of Meghalaya for FY 2020-21.
5. There has been a Gap in the incumbency of competent commission, the tariff petition for FY 2019-20 filed by the licensee was not registered. But the Licensee shall file true up petition with actual performance together with audited accounts and C&AG report for approval of the Commission.
6. Tariff Regulations specify that the Transmission licensee shall file ARR and Tariff petition in all aspects along with requisite fee as specified in Commission's fee, fines and charges Regulations on or before 30<sup>th</sup> November of the preceding year. Accordingly the MePTCL has filed petition on 29.11.2019 for determination of ARR and Transmission Tariff and Open Access Charges for FY 2020-21. Commission has admitted the petition on 09.12.2019 provisionally.
7. Regulation 19 of the Tariff Regulations, 2014 provides for giving adequate opportunity to all stake holders and general public for making suggestions/ objections on the Tariff Petition. Commission directed MePTCL to publish the ARR and Tariff Petition for FY 2020-21 in an abridged form as public notice in news papers having wide circulation in the state inviting suggestions/objections on the Tariff Petition.
8. MePTCL has published the Tariff Petition in an abridged form as public notice in various news papers and the ARR and Tariff petition was also placed on the website of MePTCL. The time limit for submission of suggestions/objections was fixed as 30 days from the date of publication of notice.
9. The Commission in order to ensure transparency in the process of Tariff determination and for providing opportunity to all the stake holders and general public inviting suggestions/objections on the Tariff petition and for convenience of the consumers and general public across the state, it is decided to hold a public hearing at the head quarters of the state on 05.03.2020. Accordingly the Commission held public hearing at Shillong as scheduled.
10. The Petition of MePTCL was also placed before the state advisory committee in its meeting held on 12.03.2020 and various aspects of the Petition were discussed by the committee. The Commission took the advice of the State advisory committee on the ARR and Tariff Petition for FY 2020-21 during the meeting of the Committee.

11. The Commission took into consideration the facts presented by the MePTCL in its petition and subsequent additional data, the suggestions/objections received from stakeholders, consumer organizations, general public response of the MePTCL to those suggestions/objections, the State Advisory Committee minutes, and commission's views.
12. The Commission taking into consideration all the facts which came up during the public hearing and meeting of the State Advisory Committee, approved ARR and Transmission tariff for FY 2020-21 as per the Regulations.
13. The Commission has reviewed the directives issued earlier in the Tariff Orders for FY 2013-14 to FY 2018-19 and noted that some of the directives are complied with and some are partially attended. The Commission has dropped the directives complied with and the remaining directives are consolidated and fresh directives are issued.
14. This Order is issued in 7 chapters as detailed below.
  - Chapter 1** : Introduction
  - Chapter 2** : Summary of petition for ARR & and Determination of Tariff for FY 2020-21.
  - Chapter 3** : Public Hearing process
  - Chapter 4** : Commission's Approach
  - Chapter 5** : Analysis of ARR and Determination of Transmission Tariff for FY 2020-21 & SUO-MOTO action for Final True up of Business for FY 2013-14 & FY 2014-15.
  - Chapter 6** : Transmission Tariff and Open Access Charges for FY 2020-21
  - Chapter 7** : Directives

The MePTCL shall ensure implementation of the order from the effective date after issuance of a public notice in such a font size which is clearly visible in two daily news papers having wide circulation in the state within a week and compliance of the same shall be submitted to the Commission.

This order shall be effective from 1<sup>st</sup> April, 2020 and shall remain in force till 31<sup>st</sup> March, 2021 or till the next Tariff Order of the Commission.

**Shri R. Keishing**  
Member  
MSERC

**Shri P W Ingty, IAS (Retd)**  
Chairman  
MSERC



## 1. Introduction

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### 1.0 Background

#### 1.1 Meghalaya Power Transmission Corporation Limited

The Government of Meghalaya has unbundled and restructured the erstwhile Meghalaya State Electricity Board with effect from 31<sup>st</sup> March, 2010 into the Generation, Transmission and Distribution businesses. The erstwhile Meghalaya state Electricity Board was transformed into four successor entities, viz,

1. Generation : Meghalaya Power Generation Corporation Limited (MePGCL)
2. Transmission : Meghalaya Power Transmission Corporation Limited (MePTCL)
3. Distribution : Meghalaya Power Distribution Corporation Limited (MePDCL)
4. Meghalaya Energy Corporation Limited (MeECL) a holding company.

The Government of Meghalaya issued further notification on 16<sup>th</sup> September, 2013 notifying the revised statement of assets and liabilities as on 1<sup>st</sup> April, 2010 to be vested in Meghalaya Energy Corporation Limited.

The Government of Meghalaya issued further amendment on 29.04.2015 notifying the revised statement of Assets & Liabilities as on 31.03.2012 to be vested in the MeECL and re-vested in unbundled successor entities viz MePGCL, MePTCL, MePDCL and MeECL (The Holding Company). The new entities have been functionalized with effect from 01.04.2013.

As per the said notification issued by the Government of Meghalaya a separate corporation “Meghalaya Power Transmission Corporation Limited” (MePTCL) was incorporated for undertaking Transmission Business.

#### 1.2 Meghalaya State Electricity Regulatory Commission

Meghalaya State Electricity Regulatory Commission (here in after referred to as “MSERC” or the Commission) is an independent statutory body constituted under the provisions of the Electricity Regulatory Commission (ERC) Act, 1998, which was superseded by Electricity Act (EA), 2003. The Commission is vested with the authority of regulating the power sector in the state inter alia including determination of tariff for electricity consumers.

A. The Meghalaya Power Transmission Corporation Limited (here after referred to as MePTCL or Petitioner) has filed its petition on 29.11.2019 under section 64 (2) of the Electricity Act, 2003 read with Meghalaya State Electricity Regulatory Commission MYT Regulations, 2014 for determination of Aggregate Revenue

Requirement for FY 2020-21 and determination of Transmission tariff and open access charges for FY 2020-21.

- B. There has been a gap in the incumbency of the competent commission. The Petition filed by the Licensee for approval of the ARR and Tariff order for FY 2019-20 was not registered. The Licensee was to implement the tariff orders passed on 31.03.2018 till 31.03.2020. The Licensee shall file true up petition for FY 2019-20 along with audited accounts and C&AG report for approval of the commission.

### 1.3 Admission of the Petition and Public hearing process

The MePTCL has submitted the current petition for determination of Aggregate Revenue Requirement (ARR) for FY 2020-21 and Transmission tariff and open access charges for FY 2020-21. The Commission undertook the technical validation of the Petition and admitted the Petition Provisionally on 09.12.2019.

### 1.4 Public Hearing on the application

In accordance with Regulation 19 of the MSERC Regulations, 2014, the Commission directed the MePTCL to publish the petition in an abridged form to ensure public participation.

MePTCL has issued the public notice, inviting objections/suggestions from the stakeholders and general public on the ARR and tariff petition filed by the licensee. The Notification published in the following news papers on the dates noted against each.

Sl. No	Name of News paper	Language	Date of Publication
1	The Shillong Times	English	20.12.2019 & 23.12.2019
2	U Mawphor	Khasi	20.12.2019 & 23.12.2019
3	SalantiniJanera, Tura Edition	Khasi	20.12.2019 & 23.12.2019
4	Chitylli	Jaintia	20.12.2019 & 23.12.2019

The Petitioner has also placed the public notice and placed in the website ([www.meecl.nic.in](http://www.meecl.nic.in)). The interested parties/stakeholders were asked to file their objections/suggestions on the petition within 30 days.

MePTCL/Commission received some objections/suggestions from Consumers/ consumer organizations. The Commission examined the objections/ suggestions received and fixed the date for public hearing on the petition. Communication was also sent to the objectors to take part in the public hearing process for presenting their views in person before the Commission. The Public hearing was conducted at Commission's office in Shillong as scheduled on 05.03.2020. The Commission also held meeting with State Advisory committee on 12.03.2020. Proceedings of meeting are given in Annexure-I

The names of consumers/consumer organizations those who filed their objections and the objectors who participated in the public hearing for presenting their views are given in the Annexure II.

The Objections/Suggestions on the main issues raised by the objectors in the written submission and also in the public hearing along with response of MePTCL and the Commission's views in brief are annexed in the chapter-3.

## **2. Summary of the Petition for Determination of ARR and Transmission Tariff for FY 2020-21**

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### **2.0 Background**

The power transmission in the state of Meghalaya is carried out by Meghalaya Power Transmission Corporation Limited (MePTCL), a wholly owned subsidiary of Meghalaya Energy Corporation Limited (MeECL). As stated earlier, MeECL was a bundled entity till 30<sup>th</sup> March 2010 carrying out the functions of generation, transmission and distribution. Thereafter, through 'The Meghalaya Power Sector Reforms Transfer Scheme 2010' and its subsequent amendments notified by the Government of Meghalaya, the independent unbundled entities, namely (i) Meghalaya Energy Corporation Limited (MeECL), the Holding Company; (ii) Meghalaya Power Generation Corporation Limited (MePGCL), the Generation Utility; (iii) Meghalaya Power Transmission Corporation Limited (MePTCL), the Transmission Utility; & (iv) Meghalaya Power Distribution Corporation Limited (MePDCL), the Distribution Utility, were formed. The individual entities commenced their independent commercial operations from 1st April 2013

### **2.1 Company Profile and Performance Overview**

The Company is a Transmission Licensee within the meaning of Section 2 (73) of Electricity Act 2003. Further, Section 42 and 43 of the Electricity Act 2003 prescribes the following major duties of the Transmission Licensee:

- To undertake transmission of electricity through intra- State transmission system.
- To build, maintain and operate an efficient, coordinated and economical intra-State transmission system.
- To comply with the directions of the Regional Load Despatch Centre and the State Load Despatch Centre.
- To comply with such technical standards, of operation and maintenance of transmission lines, in accordance with the Grid Standards, as may be specified by the Authority.
- To provide non-discriminatory open access to its transmission system for use by any licensee or generating company on payment of the transmission charges or any consumer as and when such open access is provided by the State Commission, on payment of the transmission charges and a surcharge thereon, as may be specified by the State Commission.

As per the Meghalaya Power Sector Transfer Scheme, MePTCL has been vested with the functions of transmitting power in the State of Meghalaya. The Business

Scope of the Company falls within the legal framework as specified in the Act and includes:

- Undertaking transmission of electricity through intra-State transmission system.
- Ensuring development of an efficient, coordinated and economical system of intra-State transmission lines for smooth flow of electricity from a generating station to the load centres.
- Discharging all functions of planning and co-ordination relating to intra-state transmission system with Central Transmission Utility, State Government, Generating Companies, Regional Power Committees, Authority and Licensees.
- To provide non-discriminatory open access to its transmission system for use by any licensee or generating company or any consumer as and when such open access is provided by the State Commission.
- Engaging in any business for optimum utilization of assets, with prior intimation to the State Commission

## **2.2 Aggregate Revenue Requirement (ARR) and Transmission Tariff for FY 2020-21**

The Meghalaya Power Transmission Corporation Limited (MePTCL) has submitted the Petition on 29.11.2019 seeking approval for Aggregate Revenue Requirement and Determination of Transmission Tariff for FY 2020-21. The MePTCL has projected the revenue requirement for the FY 2020-21.

The Commission has approved ARR of Rs 143.13 Cr for FY 2020-21 in its MYT order dated 31 March 2018. Now Net ARR for FY 2020-21 for determination of transmission tariff will be based on the approved ARR of FY 2020-21 and gaps of the previous years.

## **2.3 Provisions of Law for Revision of Tariff**

- 2.3.1** Licensee has submitted that the Commission has notified the Meghalaya State Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2014 on 15<sup>th</sup> September 2014. It is submitted that the amended Regulation 1.4 of the Meghalaya State Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2014 states as under:

*1.4 “These Regulations shall be applicable for the determination of tariff in all cases covered under these Regulations effective from April 1, 2015 and onwards up to 31<sup>st</sup> March 2018 and also for the next MYT control period beginning from 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2021.”*

- 2.3.2** Regulation 6(b) of the said Regulations lays down the general guiding principles for revision of tariff and the provisions of the said Regulations are reproduced below for reference:

**“6 Accounting statement and filing under MYT**

*From the first year of the Control Period and onwards, the Petition shall comprise of:*

- i. Truing Up for previous years under Meghalaya State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2011 in accordance with these Regulations;*
- ii. Revenue from the sale of power at existing tariffs and charges for the ensuing year;*
- iii. Revenue gap for the ensuing year calculated based on ARR approved in the Tariff Order or MYT Order and truing up for the previous year;*
- iv. Application for revision of tariff for the ensuing year”*

**2.4 Submissions before the Commission**

Licensee Submitted the petition under section 61, 62 of the Electricity Act, 2003, MSERC Terms and MSERC (Multi Year Tariff) Regulations, 2014 for approval of Revision of tariff for FY 2020-21.

Licensee submitted that the Commission has approved ARR of Rs 143.13 Cr for FY 2020-21 in its MYT order dated 31 March 2018. Now Net ARR for FY 2020-21 for determination of transmission tariff will be based on the approved ARR of FY 2020-21 and gaps of the previous years.

**2.5 Total Gap to be recovered through Tariff in FY 2020-21 & Carrying Cost**

**2.5.1** Licensee submitted that the approved ARR as well as the gaps of previous year due to true up and review petition on true up order is to be cumulatively recovered through the tariff of FY 2020-21. The Licensee had filed the review petition on true up order for FY 2015-16 for which the orders are due from the Commission. The Commission on 18 Nov 2019 issued the transmission true up order for FY 2016-17 which will be adjusted in the Net ARR of FY 2020-21.

**2.5.2** Based on the above submissions, the gap due to true Up and review petition on true up orders which needs to be passed on in the tariff of FY 2020-21 is given below:

**Gaps to be passed on in Tariff Order of FY 2020-21**

S.No.	Particulars	Amount (in Rs Cr.)
1	Additional Claim as per Review Petition of True Up FY 2015-16 of MePTCL	67.09
2	Gap/(Surplus) from True up of FY 2016-17 of MePTCL	(0.74)

**2.5.3** From the above table, Sl No 1-2 petitions were filed by MePTCL, whose order was due from the Commission in the last financial year. The delay in order has affected the liquidity scenario in the Corporation for which it had to resort to short term

lending to meet its financial obligations. Thus, keeping this in mind, MePTCL is proposing a carrying cost on the above gaps based on the lending rate as on 01.04.2019. The carrying cost computation is given below:

#### Carrying Cost Calculation

(in Rs Cr.)

S.No.	Particulars	Amount
1	Additional Claim as per Review Petition of True Up FY 2015-16 of MePTCL	67.09
2	Gap/(Surplus) from True up of FY 2016-17 of MePTCL	(0.74)
3	Interest rate as on 01.04.2019 considered for carrying cost calculation (3)	13.80%
	<b>Carrying Cost due to delay in orders (sum of 1 &amp; 2 *3)</b>	<b>9.16</b>

## 2.6 Net ARR for FY 2020-21

Based on the above submissions for approved ARR and gaps of past years, the net Revenue Requirement for FY 2020-21 would be as shown below:

**Table 2.1: Net ARR for FY 2020-21**

(in Rs. Cr)

SI No	Particulars	Amount
1	Approved ARR of FY 2020-21	143.13
2	Additional Claim as per Review Petition of True Up FY 2015-16 of MePTCL	67.09
3	Gap/(Surplus) from True up of FY 2016-17 of MePTCL	(0.74)
4	Carrying Cost due to delay in orders	9.16
	<b>Net Revenue Requirement for FY 2020-21</b>	<b>218.64</b>

\*Before the issue of next tariff order, any further orders from Commission on the above gaps of past years for MePTCL shall be considered as applicable for adjustment in the Net ARR and determination of tariff for FY 2020-21.

## 2.7 Transmission Tariff for 2020-21

Licensee submitted Based on the request for change in ARR, the petitioner requests the Commission to revise the transmission tariff for FY 2020-21 as given below:

**Table 2.2 : Transmission Tariff for FY 2020-21**

Sl. No.	Particulars	FY 2020-21
1	Annual Transmission Charges (Rs. Lakhs)	21,863.63
2	**Total MW Allocation (MW)	368
3	Transmission Tariff (Rs / MW / Day)	16,277.27
4	*Energy Transfer (MU)	1207.2
5	<b>Transmission Tariff (Paise / Unit)</b>	<b>181.11</b>

\*Energy Transfer (MU): As per the approved Energy Balance in the Discom Business Plan for FY 2018-19 to FY 2020-21 Order dated 01.11.2017. The net power requirement at the state bus for sale of power within the state is 1207.2 MUs (also shown in the table below: abstract from the Table 3.21 of the order).

**Table 2.3 : Energy Transfer for FY 2020-21**

(in MUs)

Sl No.	Particulars	Calculation	FY 2020-21
1.	Power to be sold to consumers within the state	J	1062.34
2.	Transmission and Distribution Losses (%)	K	12.00%
3.	Net power requirement at state bus for sale of power within the state	$L=J/(1-K)$	1207.2

\*\* Total MW allocation = Total load allocation for MePDCL (320MW) + Total load allocation for Open Access (48 MW).

## 2.8 Prayer before the Commission

Licensee submitted that the Meghalaya Power Transmission Corporation Limited (MePTCL) humbly prays before the Commission to kindly approve the proposed tariff for implementation from 01.04.2020, based on the facts and circumstances as submitted above.



## 3. Public Hearing Process

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### 3.0 Public Hearing Process

**Section 64 (2) of electricity act 2003 mandates the distribution licensee to publish the Tariff petition in an abridged format in the leading newspapers inviting the objections/suggestions on the Tariff petition from the stakeholders.**

In pursuance of the publication of the Tariff petition in the leading newspapers, M/s Byrnihat Industries Association (BIA) has filed written suggestions/objections on the petition filed by the MePTCL seeking approval of ARR and Determination of Retail Tariff for FY 2020-21. The objections/suggestions by M/s. Byrnihat Industries Association (BIA) and the response of the licensee on the objections/suggestions and the Commission's views have been summarized under various sub-heads as given below.

### 3.1 Objections of BIA

Byrnihat Industries Association has filed written Suggestions/Objections pursuant to the petition filed by the MePTCL for revision of Tariff for FY 2020-21.

The BIA has submitted a comprehensive and detailed analysis of the instant petition, the objector has worked with expert consultant Mercados. A copy of the report prepared by the expert consultant, Mercados is annexed as Annexure A.

#### **(Para 1-2) MOST RESPECTFULLY SHOWETH:**

1. In pursuance of the admission order and the public notice issued pursuant thereto inviting objections and representations from the stake-holders in the State of Meghalaya, the Objector/ Respondent herein, M/s Byrnihat Industries Association ("**BIA**") is filing the present objections to the petition filed by the Meghalaya Power Transmission Corporation Limited (hereinafter referred to as '**MePTCL**') seeking revision of tariff for FY 2020-21. The Petition has been filed by MePTCL in terms of the Meghalaya State Electricity Regulatory Commission (Multiyear Tariff Frame Work) Regulations, 2014 (hereinafter '**MYT Regulations, 2014**') and Sections 62 and 64 read with Section 86 of the Electricity Act, 2003. MePTCL has filed the present petition based on approved ARR of FY 2020-21 in Order dated 31.03.2018 and pending adjustment of true- up of previous years and subsequent review petitions, to be filed by MePTCL.
2. The objector is an Association of industrial consumers in the Brynihat area in the State of Meghalaya. The Industrial consumers are few in number but at the same time contribute a substantial part of the revenue requirements of the electricity

utilities in the state. It is submitted that the industries have been set up in the State of Meghalaya based on the representations made on the sustained supply of electricity at competitive prices. The cost of electricity has however increased substantially over the years which have made the operation of industries in the State more and more unviable. In order to submit a comprehensive and detailed analysis of the instant Petition, the Objector has worked with expert consultant, Mercados. A copy of the report prepared by the expert consultant, Mercados, is annexed as **Annexure A**.

### **Response by MePTCL**

The licensee inherited a very old network from MeSEB which itself had inherited the network from Assam State Electricity Board (ASEB) in 1975. However, MePTCL has added significant network assets in previous few years in order to sustain the load growth and to provide reliable power transmission corridor to the state of Meghalaya. With improvement of transmission infrastructure in the past years, the Utility has been able to cater to infrastructure demand for reliable power supply in the state. The transmission business is in a better financial position compared its other subsidiaries of MeECL. Profit/(Loss) incurred by MePTCL in last 5 years is given below:

<b>Particulars</b>	<b>Profit/(Loss) INR Cr</b>
FY 2014-15	7.17
FY 2015-16	(8.36)
FY 2016-17	8.15
FY 2017-18	(13.84)
FY 2018-19 (Provisional)	4.19

The rapid expansion of transmission network in the recent past has resulted in increase in transmission charges component in cost of power purchased by Utilities. Further, the cost of the transmission business is also increasing due to maintenance of expanding network, pay increase of employees, inflation etc. The annual revision of tariff to bridge the gap of cost and tariff is essential to ensure financial sustainability of power companies and ensure reliable power supply. It is pertinent to note that MePTCL had not received any tariff revision this fiscal year and the tariff revision in MYT Order had reduced the net ARR by 37% for FY 2018-19. Inadequate cost recovery could hamper the finances of the transmission business and force the company go belly up in the future.

Keeping in mind the sustainability of the utilities and the overall energy sector of the state, the Commission is requested to approve an adequate tariff revision for MePTCL based on the tariff petition filed for FY 2020-21.

**Commission's Remark:** Noted

**(Para 3)**

3. For sake of convenience and ease of reference the objections have been divided into following major submissions:
  - A. Revenue Gap claimed for FY 2015-16
  - B. True-up of FY 2016-17
  - C. Carrying Cost
  - D. Transmission ARR for FY 2020-21
  - E. Transmission Tariff for FY 2020-21

**Response by MePTCL**

Matter of Record

**Commission's Remarks:** Noted

**(Para 4-6)**

**A. REVENUE GAP CLAIMED FOR FY 2015-16:**

4. MePTCL through its petition is seeking cumulative recovery of approved ARR as well as gaps of previous year due to true up and review petition on true-up order. MePTCL had filed petition seeking review of true-up order for FY 2015-16 the order of which is yet to be passed by this Commission. It is pertinent to mention that the said review has been done in absence of the Objector even though the Objector was a party of the tariff proceedings. Accordingly, it is prayed that copy of MePTCL's review petition be shared with the Objector and time be given to it file its submissions against the same.
5. It has claimed a revenue gap of INR 67.09 Crore for FY 2015-16 based on the aforementioned review petition, yet to be adjudicated by the Commission. It is pertinent to mention that the Commission while truing up FY 2015-16 had approved a surplus of INR 5.72 Crore vide Order dated 25.09.2018. But despite there being no stay on the said order MePTCL did not pass the gains on the consumer and is instead seeking to recover an amount not yet approved by the Commission. This approach of MePTCL is teeth of Regulations 11, 20 and 26 of MYT Regulations, 2014 which provide for passing of approved gains and losses in tariff consequent to truing up. The same has also been upheld by the Appellate Tribunal for Electricity ("Aptel") in its judgment dated 11.11.2011 passed in OP No. 01 of 2011 wherein it held as under:

*"57. This Tribunal has repeatedly held that regular and timely truing-up expenses must be done since:*

*(a) No projection can be so accurate as to equal the real situation.*

*(b) The burden/benefits of the past years must not be passed on to the consumers of the future.*

*(c) Delays in timely determination of tariff and truing-up entails:*

*(i) Imposing an underserved carrying cost burden to the consumers, as is also recognised by para 5.3 (h) (4) of National Tariff Policy.*

*(ii) Cash flow problems for the licensees.*

*58. A similar position is reflected in the tariff Regulations framed by various State 1st Respondents. These Regulations would stipulate that the approved gains and losses have to be passed through the tariff following the True-up.”*

6. Thus, it is submitted that the revenue gap, claimed by MePTCL, needs to be disallowed. Similarly even the carrying cost, claimed on such revenue gap, needs to be disallowed. Instead the consumers should be given carrying cost on the revenue surplus, approved by the Hon’ble Commission in September, 2018, but which is yet to be passed on to the consumers.

#### **Response by MePTCL**

Based on the availability of audited accounts and directives of the Commission, the Licensee filed the true up petition for FY 2015-16. The Commission notified the order on the same on 25th Sept 2018.

The Licensee clearly aggrieved by the impugned orders had filed the review petitions. The petition was filed in line with MSERC Regulations, which is given below for reference:

1) Clause 22 of MSERC (Multi Year Tariff) Regulations 2014 is reproduced below:

“22 Review of Tariff Order

22.1 All applications for the review of tariff shall be in the form of petition accompanied by the prescribed fee. A petition for review of tariff can be admitted by the Commission under the following conditions:

a) the review petition is filed within sixty days from the date of the tariff order, and / or

b) there is an error apparent on the face of the record

22.2 On being satisfied that there is a need to review the tariff of any generating company or the licensee, the Commission may on its own initiate process of review of the tariff of any generating company or the licensee. The Commission may also, in its own motion review any tariff order to correct any clerical error or any error apparent of the face of the record”

2) Clause 21 of MSERC (Conduct of Business) Regulations 2007, is reproduced below:

“21. Review of the decisions and orders of the Commission

(1) A person aggrieved by a decision or order of the Commission from which no appeal is preferred, or is not allowed to be preferred, can seek a review of the order if new and important facts which, after the exercise of due diligence, were not within his knowledge or could not be produced by him at the time when the order was passed or on account of some mistake or error apparent on the face of record or for any other sufficient reason, by making an application within 60 days of the date of the order”

Based on the above clauses, any person who is aggrieved by an order of the Commission has the right to seek a review on various grounds like submission of new information, clerical error or apparent error. The order on the above-mentioned petition is due from the Commission. Since the matter is under subjudice, the licensee has claimed the gaps filed in the review petitions for true up FY 2015-16. The claims of the Licensee were legitimate and hence the Licensee requests the Commission to consider the gap of Rs 67.09 Cr as per review petition as well as the carrying cost in net ARR of FY 2020-21.

Regarding the matter of public hearing, the licensee would like to submit that the review petition is filed only on the basis of clerical/inadvertent errors or on the basis of new information or facts which was not produced during the consideration of original petition, for support of the original claims. There is no specific provision for conducting public hearings for review petitions. As such, there may not be a need of a separate public hearing as no new methodology for calculation or new figures of claims are submitted in the review petition. This is also aligned with the industry practices followed in other states in case of review petitions.

**Commission’s Remarks:** Commission considers the review petition on the True up orders shall be dealt as per the Regulations.

**B. TRUE UP FOR FY 2016-17:**

**(Para 7)**

7. MePTCL in its petition has shown revenue surplus of INR 0.74 Crore from true- up of FY 2016-17. It is submitted that in addition the Commission may also allow carrying cost to the consumers on such revenue surplus. It is a settled principle of law that any deferred recovery of dues/entitlements involves time value of money and hence, such recoveries have to be made allowing the carrying cost irrespective whether the dues are to be paid to the consumers or to be recovered from the consumers.

**Response by MePTCL**

The Utility would like to submit that the total carrying cost of INR 9.16 Crore claimed by MePTCL in the tariff petition has been calculated on a revenue gap of INR 66.35 crore (INR 67.09 crore for review of true up FY 2015-16 less INR 0.74 crore for true up order FY 2016-17). Hence the revenue surplus of INR 0.74 crore is already considered in the calculation for total carrying cost.

The objection in this paragraph is also a stark contrast to its paragraph 8 (Carrying cost head) where the objector admits the calculation of carrying cost on 0.74 Cr surplus revenue as well. The claim of the objector in this paragraph is devoid of any merit and an attempt to mislead the Commission as well as public at large.

**Commission's Remarks:** The filing of the true up petition was delayed by the licensee along with the audit reports; carrying cost shall not be admissible.

### C. CARRYING COST:

#### (Para 8)

8. MePTCL in its petition has sought carrying cost of INR 9.16 Crore towards revenue gap of INR 66.35 Crore (INR 67.09 Crore less INR 0.74 Crore) for FY 2016-17. However, as mentioned above MePTCL is incorrectly claiming revenue gap when it has a revenue surplus of INR 6.46 Crore (INR 5.72 Crore for 2015- 16 and INR 0.74 Crore for 2016-17). Accordingly, the consumers are entitled to carrying cost computed as under:

**Table 3. 1: Carrying Cost as per Objector's Assessment**

Particulars	Units	Derivation	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Opening Surplus/(Gap) as on 1st April	INR Crore	A	0	5.72	6.46	6.46	6.46	6.46
Additions during the year	INR Crore	B	5.72	0.74	0	0	0	0
Closing Surplus/(Gap) as on 31st March	INR Crore	C=A+B	5.72	6.46	6.46	6.46	6.46	6.46
Applicable Interest Rate for Carrying Cost	%	D	14.75%	14.05%	14.05%	14.05%	14.05%	14.05%
Carrying Cost for the year	INR Crore	$E = \frac{(A+C)}{2} * D$	0.42	0.86	0.91	0.91	0.91	0.91
Total Carrying Cost on Revenue Surplus as per Objector's Assessment	INR Crore	4.91						

**Response by MePTCL**

At the outset, the Licensee would like to point out that the objector has also agreed in principle for recovery of carrying cost for the utilities given the delay in orders and pass through of the gaps. However, the methodology used by the objector for the calculations in the table seems to be erroneous.

Firstly, the review petitions were filed by Nov 2018 and the gaps due to the same had to be passed in the ARR FY 2019-20. Since there was no order for the review petition, the gap claimed by the licensee to be passed in FY 2019-20, will be now passed in the net ARR of FY 2020-21. The delay in recovery of gaps is reason for claim of carrying cost in the petition. Thus, the interest rate applicable for calculation of carrying cost will be the interest rate in FY 2019-20. However, the objector has used different interest rates for different years for calculation of carrying cost. The method of the objector clearly defies any logic.

Secondly as stated above, the order of the Commission is due on the review petitions. Given the fact that the costs claimed in the review petition by Utilities are legitimate and in line with MSERC MYT Regulations 2014, the licensee has claimed the same amount in the calculation of carrying cost and net ARR of FY 2020-21. BIA, in its objections, seems to have conveniently ignored the claims made by licensee in its review petitions which were filed in accordance with MSERC MYT Regulations 2014 and MSERC Conduct of Business Regulations.

Based on the above submission, the Licensee request the Commission to consider the carrying cost of INR 9.16 Cr as claimed in the net ARR of FY 2020-21.

**Commission's Remarks:** The filing of the true up petition was delayed by the licensee along with the audit reports; carrying cost shall not be admissible.

**D. TRANSMISSION ARR FOR FY 2020-21****(Para 9)**

9. MePTCL has claimed net revenue requirement of INR 218.64 Crore for FY 2020-21. The said has been claimed on the basis of approved ARR for FY 2020-21, alleged claim of revenue gap of INR 67.09 Crore for FY 2015-16, revenue surplus of INR 0.74 Crore for FY 2016-17 and carrying cost of INR 9.16 Crore. However, it is reiterated that there is a revenue surplus of INR 6.46 Crore (INR 5.72 Crore for 2015-16 and INR 0.74 Crore for 2016-17) on which the consumers are entitled to carrying cost of INR 4.91 Crore.

**Response by MePTCL**

As mentioned above, all the calculations for the carrying cost and the net ARR of FY 2020-21 has been done based on approved ARR of FY 2020-21, true up order FY 2016-17 and the gaps claimed in the review petition filed in Nov 2018. The costs

claimed in the review petition by Utilities are legitimate and in line with MSERC MYT Regulations 2014. The order on review petition on true up of FY 2015-16 order is still due from the Commission. Thus, the revenue surplus of INR 5.72 Crore for FY 2015-16 is not legitimate until the order of the Commission on the review petition is notified.

**Commission's Remark:** Commission shall consider the Gap/(Surplus) approved in the commission's order shall be appropriated in the ARR for FY 2020-21 as per the Regulations.

**(Para 10-12)**

10. Further, it is pertinent to mention that the Commission, in its Order dated 31.03.2018, approved transmission ARR of INR 143.13 Crore for FY 2020-21. The same was based on anticipated capital expenditure and consequent. However the actual capitalization for FY 2017-18 was only INR 12.72 Crore as opposed to INR 140.03 Crore, considered in MYT Order dated 31.03.2018. Thus, the actual GFA balance is INR 440.01 Crore for FY 2017-18. It is submitted that despite the capitalization actually achieved in the last three years, immediately preceding the MYT control period, the Commission considered extremely unrealistic levels of capital expenditure and consequent asset capitalization. This has led to determination of higher transmission tariff than what MePTCL is actually entitled to. It is pertinent to mention that while Return on Equity, Depreciation, Interest on Loan and Interest on Working Capital together constituted around 37% of Gross ARR, in transmission ARR approved for FY 2018-19, the same increased to 62% of the transmission ARR for FY 2020-21 on account of abnormal capitalization, considered by this Commission, during MYT control period.
11. Accordingly, it is prayed that the Commission may:
  - a. Immediately conduct true-up for FY 2017-18 and thereby consider GFA as per the audited accounts for FY 2017-18;
  - b. This closing GFA for FY 2017-18 should be considered as opening balance for the MYT control period of FY 2018-19 to 2020-21;
  - c. Direct MePTCL to submit audited accounts for FY 2018-19 and conduct truing up of transmission tariff;
  - d. Direct MePTCL to submit the actual capital expenditure for FY 2019-20 (April to December) and re-state the Transmission ARR based on the revised anticipated capital expenditure plan.
  - e. Direct MePTCL to submit the revised capital expenditure plan for FY 2020-21 and re-state the Transmission ARR based on the revised anticipated capital expenditure plan.



- f. In the interim, the Commission is urged to continue with the Transmission ARR approved in MYT Order dated 31.03.2018 for FY 2018-19 so that the consumers are not loaded with any cost not backed by documentary evidence, submitted by MePTCL.

12. Accordingly, the Net Transmission ARR for FY 2020-21 should be as under:

Particulars	Petitioner's Claim (INR Crore)	Objector's Assessment (INR Crore)
Approved ARR of FY 2020-21	143.13	66.86
Additional Claim as per True Up FY 2015-16 of MePTCL	67.09	-5.72
Gap/ (Surplus) from True Up Order of FY 2016-17 of MePTCL	-0.74	-0.74
Carrying Cost due to Delay in Orders	9.16	-4.91
Net Revenue Requirement for FY 2020-21	218.64	55.49

### Response by MePTCL

The licensee submitted the petition for approval of midterm review of Business Plan for 2nd Control Period FY 2018-19 to FY 2020-21. Based on the midterm review of Business Plan and audited accounts of FY 2017-18, provisional accounts of FY 2018-19, the Licensee was supposed to file the petition for midterm review of ARR for remaining control period.

However, the Commission in its letter No MSERC/MePTCL/Case No. 6 of 2019/2019/93 dated 12 Nov 2019 did not consider the petition for midterm review of Business Plan petition. As a result, the Licensee filed the petition for revision of tariff for FY 2020-21 based on ARR of FY 2020-21 as approved by the Commission in its order dated 31 March 2018 and pending adjustment of true up of previous years and subsequent review petitions filed by the utilities.

It is pertinent to note that the objector has requested the Commission to review the ARR of FY 2017-18 and FY 2018-19 based on actual data as per provisional accounts and carry true up of these years. It is important to note that this is in gross contradictions to the earlier submissions of the objectors as well as the past practices of the Commission under the new MYT Regulations 2014, wherein the true up of a particular year (in past years like FY 15-16, FY 16-17) was only done based on CAG audited accounts (and the objector had also strongly supported carrying out the true up exercise based on CAG audited accounts) and not based on provisional accounts. In this matter, the licensee had been requesting the Commission to allow true up based on statutory audited accounts or provisional account to avoid delay in recovery of legitimate cost but the same was not considered by the Commission. As such, it can be clearly seen that the objector is not uniform, consistent and justified in its claims on reducing the ARR amount and is not even following the MSERC

Regulations or past precedents set by the Commission in its previous tariff orders in the process.

The objector in the paragraph has tried to revise the projections of different heads affecting the ARR FY 2020-21 without understanding the principles of MYT as well MSERC MYT Regulations 2014. This also defeats the purpose of MYT whose objective is projection of ARR for the control period (3 years control period in case of Meghalaya). Once the ARR is approved by the Commission for the MYT control period, the consumer would have a fair idea of what to expect in the next three to five years and the transmission company would also be able to plan its business having known the likely tariff for the control period. This implies that the approved ARR for a particular year as per the MYT order along with gaps of past years will be used for the tariff determination for that year. This ensures that tariffs would not fluctuate beyond a certain bandwidth unless there are force majeure conditions.

There is also provision of mid-term review of the Business plan and ARR based on the updated financial information and capex plan. Since the mid-term review of Business Plan petition filed by Licensee was rejected by Commission, the licensee has used the approved ARR of FY 2020-21(as per the MYT order dated 31.03.2018) for tariff determination for FY 2020-21

Although objector has acknowledged the asset addition of the licensee in the past years in these paragraphs, it calls the level of capex and capitalization for control period as unrealistic. However, the objector has not given any data or justification to substantiate this claim of “unrealistic” capex and capitalization. Moreover, the capitalization and capital expenditure as filed in the Business Plan for control period FY 2018-19 were projections based on the ongoing and current schemes which are scheduled to be completed as per the timelines. The same has been acknowledged by the Commission and approved in the Business Plan order dated 31.10.2017.

Based on the above submission, the licensee requests the Hon’ble Commission to consider the approved value of Rs 143.13 Cr as ARR for FY 2020-21.

**Commission’s Remarks:** Commission considers the estimates for computation of ARR based on the Audited performance of the previous years. The Licensee has submitted statement of Accounts for FY 2017-18 certified by the Statutory Auditors. Commission shall consider the basis for computation of ARR considering the performance reported in FY 2016-17 and FY 2017-18 and assumptions for FY 2018-19 to 2020-21 shall be considered based on the inflation rates wherever necessary.

#### **E. TRANSMISSION TARIFF FOR FY 2020-21**

**(Para 9-11)**

9. MePTCL is seeking transmission tariff of INR 1.81/kWh which is one of the highest in the country. In comparison the transmission tariff of the neighbouring states is much lower as evident from the table below:

State	Year	ARR (INR Crs)	Quantum (MU)	Per unit tariff (Rs/kWh)	Source
Assam	FY20	366.03	9773.01	0.37	Page No. 106 of AEGCL Tariff Order dated 01.03.2019
Arunachal Pradesh	FY19	15.95	810.20	0.20	Page No. 39 of Department of Power, Arunachal Pradesh Tariff Order dated 7.06.2019
Meghalaya (Proposed)	FY21	218.64	1207.20	1.81	MePTCL Petition

10. It is reiterated that the high transmission ARR, approved in the MYT Order, was on account of unreasonably high capitalization considered by the Commission. Similarly, the Commission also considered energy handled at 3130.81 MU for FY 2018-19 (please see para 6.1 at page 65).

However, MePTCL in its petition has proposed energy to be handled, for FY 2020-21, at only 1207.2 MU. It is prayed that the Commission continue with the approved levels unless MePTCL is able to justify the change in figures. Accordingly, the allowable Transmission Tariff for FY 2020-21 is as under:

Particulars	Units	Derivation	MePTCL's Claim INR Crore	Objector's Assessment INR Crore
Annual Transmission Charges	INR Crore	A	218.64	55.49
Total MW Allocation	MW	B	368.00	368.00
Transmission Tariff	(Rs./MW/Day)	$C=A/(B*365)$	16,277.27	4,131.33
Energy Transfer	MU	D	1,207.20	3,130.81
Transmission Tariff	(Paise/Unit)	E	181.11	17.72

11. The above aspects may be taken into consideration. BIA craves leave to the add to the submission mentioned above and also to submit such material with the leave of the Commission as may be necessary in the truing up process. BIA also craves leave to make oral submissions in the public hearing to be conducted by the Commission.

### Response by MePTCL

As stated above, the capitalization and capital expenditure as filed in the Business Plan for control period FY 2018-19 were projections based on the ongoing and upcoming schemes which are scheduled to be completed as per the timelines. The same has been acknowledged by the Commission and approved in the Business Plan order dated 31.10.2017. The licensee is undertaking different capex works under schemes including NERPSIP, PSDF, State Planned Assistance and other central sponsored schemes like NESIDS etc with huge investment outlays and the capitalization figures were submitted based on the anticipated completion of various

planned and ongoing schemes. In case of any deviation from projections of capex and capitalization from the actual, the licensee shall true up the same along with the complete ARR based on the audited accounts as per MSERC Regulations. The different heads of ARR based on actual get revised in the true up petition and the gap/surplus of every year is claimed in the subsequent tariff petition.

The energy handled for FY 2018-19 and FY 2020-21 need not be the same. There is no direct correlation between the two. Rather energy handled for a particular year depends on the net power sale for the year at MePDCL periphery. It is not clear on why the objector has used the energy handled for FY 2018-19 as the energy handled for FY 2020-21. There is also no clarity on how the objector arrived at the approved ARR amount of Rs 66.86 Cr for FY 2020-21 (Objector Assessment column for approved ARR for FY 2020-21 in Para 12) when Commission approved ARR for FY 2020-21 is Rs 143.13 as per the MePTCL MYT order dated 31.3.2018

Moreover, in the MePTCL MYT Order dated 31.03.2018, the Commission has inadvertently miscalculated the energy handled within the state. As per the Distribution order for FY 2018-19 dated 31 March 2018, Energy Balance calculation (shown in the table below) by MSERC shows the net power requirement at MePDCL periphery for sale of power within the state according to the petitioner is 1217.19 MUs. However, the Commission has inadvertently taken energy handled as 3130.81 MUs for computation of transmission tariff which clearly undermines/under projects the transmission tariff. The Utility also filed a review against this component.

**Approved Energy Balance in Distribution Order (Table 5.7 of the order)**

Sl. No.	Particulars	Calculation	FY 2018-19 (Approved)	FY 2019-20 (Approved)	FY 2020-21 (Approved)
1	<b>Total Availability at MePDCL Periphery</b>	<b>A</b>	<b>3105.67</b>	<b>3105.67</b>	<b>3105.67</b>
2	Intra State Transmission loss at 4%	$B=A*4\%$	124.23	124.23	124.23
3	<b>Total energy available for the Sale in the State</b>	<b>C=A-B</b>	<b>2981.45</b>	<b>2981.45</b>	<b>2981.45</b>
4	Power to be sold to consumers within the state (including ASEB)	D	1015.62	1038.36	1062.35
5	Transmission & Distribution Losses (%)	E	16.56%	12.19%	12.00%
6	Net power requirement at state bus for sale of power within the state	$F=D/(1-E)$	1217.19	1182.51	1207.22

Thus, based on the above submissions, the net power sale at MePDCL (not the energy available) periphery will be the energy handled for MePTCL for the year. Thus, based on the above approved table, the licensee has considered the energy handled at 1207.22 MUs in the MePTCL tariff petition for FY 2020-21.

**Commission's Remark:** Commission shall consider the ARR based on the data provided by the licensee as per the Regulations.

**ANNEXURE - T**

**List of Participants in the Public Hearing on Tariff Petition for FY 2020-21 of MePTCL**

**Date: 05.03.2020 | Venue: MSERC Conference Hall | Time: 12:00 Noon**

**Present :**

1. Mr. P. W, Ingty, IAS (Retd), Chairman, MSERC.
2. Mr. R. Keishing, Member MSERC.
3. Mr. J.B. Poon, Secretary, MSERC.
4. Mr. E. Slong, Consultant (T), MSERC.
5. Mr. P. A. Sawian, Consultant (F), MSERC.

**MeECL/MePTCL**

1. Shri. M.K. Chetri, Addl. Chief Engineer T&T, I/c Chief Engineer (Transmission) MePTCL.
2. Shri. G. S. Mukherjee, Company Secretary MeECL
3. Shri. E. L. Shallam, Superintending Engineer (Elect)-IMePTCL
4. Shri. F. Kharshiing, Superintending Engineer SLDC, MePTCL
5. Shri. A. Shabong, Sr. Accounts Officer MePTCL
6. Shri. K.A. Sohtun, Assistant Accounts Officer MeECL
7. Shri. Piyush Lohia, PWC
8. Shri. Sanket Samantray, PWC

**Byrnihat Industries Association (BIA)**

1. Mr. S. S. Agarwal, Secretary BIA.
2. Mr. U. Aggrawal, Pioneer Carbide Pvt. Ltd.
3. Mr. R. Bajaj, BIA.
4. Mr. B. Mittal, BIA.
5. Mr. P.K. Mishra, BIA.
6. Mr. S. Dhuri, Consultant BIA.
7. Mr. R. Singh, BIA.
8. Ms. R. Singhal, Advocate BIA.

## **4. Approach of the Commission**

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### **4.0 Commission's Approach**

The Tariff petition was filed under MSERC (Multi Year Tariff) Regulation 2014. Under Section 61 of Electricity Act 2003, the Commission has to specify terms and conditions for determination of tariff and in doing so it shall be guided by the following:

- The principles and methodology specified by CERC for determination of Generation, Transmission and Distribution tariff.
- Business of generation, transmission and distribution are to be conducted on commercial principles.
- The factors which encourage development, competition efficiency, good performance and optimum investments.
- Safeguarding consumers interest and at the same time recovery of the cost of electricity in a reasonable manner.
- Principles regarding efficiency in the performance.
- Multiyear tariff principles based on efficiency target.
- Tariff should reflect cost of supply progressively.
- Promotion of generation from renewable energy.
- National Electricity Policy and Tariff policy.

National Electricity Policy prescribes that there is a need for ensuring recovery of charges from consumers to make the power sector sustainable. A minimum level of support may be required to make the electricity affordable for consumers of the very poor section. Consumers below poverty line may receive a special support in terms of tariff which is cross subsidized. It also says that existing cross subsidies should also be corrected to tide inefficiencies and losses. The Act requires all consumers to be metered within two years' time and TOD meters for high end consumers with a minimum load of 1 MVA shall also be encouraged.

Regarding transmission and distribution losses, the policy prescribed that State Government would prepare a 5 year plan with annual milestone to bring down T & D losses expeditiously. Continuation of present level of losses would not only pose a threat to the power sector but also jeopardise the growth of the economy as a whole. Similarly electricity policy envisages encouragement of energy conservation

and demand side management. Periodic energy audits are mandated for power intensive industries and encouragement of solar water heating system.

Keeping in view the intent of Electricity act, National Electricity Policy and National Tariff Policy, the Commission has framed tariff Regulations for generation, transmission and distribution business.

#### **4.1 Background**

This Chapter shall deal with the approach adopted by the Commission while determining the ARR for FY 2020-21 and transmission tariff for the State of Meghalaya for FY 2020-21. The Commission has notified MSERC (Multi Year Tariff) Regulations 2014 on 15.09.2014. These Regulations are applicable for determination of tariff from 01.04.2015. These Regulations shall be applicable to generating company MePGCL, transmission licensee MePTCL (including SLDC) and distribution licensee MePDCL. The Commission has tried to adhere to its MYT Regulations for determination of ARR and the tariff for FY 2020-21. While deciding the ARR, the Commission also kept in mind the provisions notified in National Tariff Policy and Electricity Act 2003. The Commission has also tried to make a Balance between the interest of users of transmission system and transmission utility. The power sector in the State and in the North Eastern Region is growing and therefore it would be reasonable to consider the action plan to allow such projects which are initiated, started or sanctioned through some schemes. It is being done in order to protect the interest of common man. The Commission is also concerned that there is no power interruption because of fault in transmission system or due to capacity constraints. The Validation of expenses could not be done in the absence of audited records of transmission utility up to FY 2018-19 as mandated. However, the Licensee has submitted the un-audited SOA for FY 2017-18. Commission has carefully examined the actual expenses and Revenue of the transmission utility. Accordingly, the Commission has validated the ARR on the basis of inflation rates for FY 2018-19 to FY 2020-21 and actual of un-audited results with reference to SOA for FY 2017-18.

In this chapter, the Commission is dealing with the Regulations prescribed in MSERC MYT Regulations 2014. The Regulations prescribes the following:

#### **4.2 General Guiding Principles**

The ARR shall be based on the actual performance for the previous years up to FY 2018-19 & the Transmission tariff shall be determined based on the following records.

- (a) Business plan for the control period FY 2018-19 to FY 2020-21.
- (b) Fore cast of ARR for FY 2020-21 as per the actual performance of previous years up to FY 2018-19.

- (c) Truing up of previous years up to FY 2018-19.
- (d) In accordance with Regulations the licensee has filed and petition for approval of ARR and tariff for the ensuing year FY 2020-21.

#### 4.3 Business Plan

As per Regulation 8, all utilities shall have to file a business plan for the control period of three financial years starting from 01.04.2018. The Regulation provides that the licensee shall file, demand projection, capital investment plans, financing plan and fiscal targets. It is also required that capital investment plan shall show separately the ongoing projects that will be spilled over into the ensuing year and that has commenced in the control period but may be completed within or beyond the control period. In accordance with Regulation the Commission shall only consider those investment plans which will be provided with relevant technical and commercial details.

In accordance with the Regulations the licensee have filed business plan for FY 2018-19 to FY 2020-21 projecting various existing and new projects. The Licensee filed the capital expenditure to be spent during the control period. In accordance with the Regulations the Commission has considered and approved the business plan in the matter of capital expenditure on the ongoing projects and for the new projects separately. The Commission has considered those investment plans which have already started up to the FY 2018-19 and the additional information submitted on 10.01.2020 by the Licensee as called for by the Commission.

#### 4.4 Specific Trajectory

Regulation 10 provides that the Commission shall stipulate a trajectory for the variables which shall include O & M expenses, transmission capacity, plant load factor, transmission losses and performance efficiency. In accordance with Regulation the Commission has considered to set trajectory for entire control period on transmission losses, performance efficiency, and availability factor in the tariff order.

#### 4.5 Truing Up

Regulation 15 (4) of MSERC Regulations 2011 specifies that, *the Commission may undertake **Suo-moto** truing up of the ARR of previous year, if the Licensee fails to make an application for Truing up of the ARR of previous Years.*

Regulation 11 of MYT Regulations 2014 provides *for filing of truing up petition of previous years together with the audited accounts including audit report by C&AG. The scope of truing up shall be a comparison of the performance of the company with the approved ARR and revenue from tariff. The petition shall comprise of the following*



- *A comparison of audited performance of the Licensee for the previous financial year with the approved forecast for such year subject to prudence check including pass through of impact of uncontrollable factors.*
- *Review of compliance of directives issued by the Commission from time to time.*
- *Any other relevant factors.*
- ***Commission considers SUO-Moto action for True up for FY 2013-14 & FY 2014-15 in the absence of the petitions.***

#### **4.5.1 Current Petition**

- a) The Licensee has filed petition for approval of ARR and determination of tariff for FY 2020-21.
- b) As per the Regulation 15 (3) of MSERC Regulations 2011 and Regulation 11(2) of MSERC MYT Regulations 2014, the Licensee shall file petition for true up for previous year performance together with audited Accounts and C&AG report along with tariff petition for ensuing year.
- c) Commission in the Circumstances does not agree with the projections made in the petition in the absence of the audited accounts for ARR and tariff for the ensuing year FY 2020-21.
- d) Commission finalized the ARR and tariff for ensuing year considering the un-audited SOA for FY 2017-18, wherever applicable and processed order in the absence of audited results for comparison of the projections and ensured to release tariff order on time.

#### **4.6 Financial Principles**

##### **Capital Cost and Capital Structure**

The capital cost shall include the actual expenditure on the date of commercial operation subject to prudence check. The cost of the project should be reasonable as per the efficient technology and any delay in execution of the project causing cost and time overrun may not be approved by the Commission. Similarly, the assets not put to use shall be excluded from the capital cost. *Regulation 28 provides that capital cost of the existing and new projects shall not include any assets which have created from any grant received from either Central or State Government which does not carry any liability of repayment for the purpose of computation of interest on loan, return on equity and depreciation.* In accordance with the Regulation the Commission has allowed the return on equity on the projects which are completed and do not carry assets created from grants where no repayment of liability exists. The Commission has also considered measures which are necessary for good governance while allowing return on it. The investment made prior to and up to 31st

March immediately preceding the date of the notification of the Regulations shall be considered on the basis of audited accounts or approvals already granted by the Commission. In this proceeding the Commission has allowed the opening values of the assets as per the transfer schemes and allowed addition of assets for projects which have already taken up up to FY 2018-19 after verifying the status of projects as per the information made available to the Commission. However, the Commission shall make suitable corrections as per the audited records as and when made available.

#### **4.7 Additional Capitalization**

Regulation 29 prescribes *the additional expenditure within the original scope of work actually incurred after the date of commercial operation and up to the cut-off date may be admitted by the Commission subject to prudence check and issue of completion certificate.*

#### **4.8 Debt Equity Ratio**

Regulation 27 provides *for debt equity ratio for projects which are declared under commercial operation. However, any grant obtained for execution of the project shall not be considered as a part of capital structure and equity should be determined accordingly.* Regulation 27 also prescribes that for the purpose of determination of tariff, debt-equity ratio in the case of existing, ongoing as well as new projects commencing after the date of notification of these Regulations shall be 70:30. Where equity employed is more than 30%, of the capital cost the amount of equity for the purpose of tariff shall be limited to 30% and the balance shall be treated as loan. Where actual equity employed is less than 30%, of the capital cost the actual equity employed shall be considered. The Commission may, in appropriate case, consider equity higher than 30% for the purpose of determination of tariff, where the transmission licensee is able to establish to the satisfaction of the Commission that deployment of equity more than 30% is in the interest of general public. The debt and equity amounts arrived at in accordance with Regulations shall be used for calculating interest on loan and return on equity. The Commission has also taken a view that after segregation of MeECL, there are no independent financial transactions and there is apparently no change in the functioning of these Corporations as an independent entity.

#### **4.9 Return on Equity**

Regulation prescribes that Return on equity shall be computed on the equity base determined in accordance with Regulation 31 and shall not exceed 14 %. Provided that in case of projects commissioned on or after 1-4-2010, an additional return of 0.5 % shall be allowed if such projects are completed within the time line specified in

Appendix --- II of CERC (Terms and Conditions of Tariff) Regulations, 2009 (Refer Annexure-2)

- i. Provided that an additional return of 1.5 % shall be allowed if such projects are completed within the original sanctioned project cost without any cost overrun.
- ii. Provided that equity invested in a foreign currency may be allowed a return up to the prescribed limit in the same currency and the payment on this account shall be made in Indian Rupees based on the exchange rate prevailing on the due date of billing.

The transfer scheme dated 29.04.2015 provides amendment to the original transfer scheme of 2010 where in it is mentioned that all assets and liabilities shall stand transferred from MeECL to MePTCL as on 01.04.2012. However, the transfer value of assets and liabilities shall be regulated as per Regulation-27 for the purpose of Return on Equity.

#### **4.10 Interest and Finance Charges on Loan Capital**

Regulation 32 provides that interest shall be computed on the outstanding loans after taking into account the schedule of loan repayment, terms and conditions of loan agreement and lending rates as defined therein. The Regulation provides that no interest on finance charges shall be allowed on the projects which are not completed. The interest and finance charges attributable to Capital Work in Progress shall be excluded. The transmission licensee shall make every effort to swap loans as long as it results in net benefit to the users. The costs associated with such swapping shall be borne by the beneficiaries. The changes to the loan terms and conditions shall be reflected from the date of such swapping and benefit shared between the beneficiaries and the licensee in a ratio 50:50. MePTCL has claimed normative interest for loan capital in FY 2020-21. Since the Regulation provides the interest charges for outstanding loans, the Commission has considered repayment of loans to the extent of depreciation allowed and the interest has been worked out accordingly. However, MePTCL is free to file the petition for claiming the interest on loan actually availed in the control period. The Commission shall consider the same at the time of truing up.

#### **4.11 Depreciation**

Regulation 33 prescribes that Depreciation expenses for the purpose of tariff determination shall be computed in the following manner:

- (a) The asset value for the purpose of depreciation shall be the capital cost of the assets as admitted by the Commission where:

The opening asset's value recorded in the Balance Sheet as per the Transfer Scheme Notification shall be deemed to have been approved, subject to such modifications as may be found necessary upon audit of the accounts, if such a Balance Sheet is not audited. Consumer contribution or capital subsidy/ grant etc shall be excluded from the asset value for the purpose of depreciation.

- (b) For new assets, the approved/accepted cost for the asset value shall include foreign currency funding converted to equivalent rupee at the exchange rate prevalent on the date of foreign currency actually availed but not later than the date of commercial operation.
- (c) Depreciation shall be calculated annually as per straight-line at the rates specified in Appendix – II of CERC (Terms and Conditions of Tariff) Regulations 2009 (Refer Annexure-II) of these regulations: Provided that land is not a depreciable asset and its cost shall be excluded from the capital cost while computing the capital cost of the asset. The salvage value of the asset shall be 10% and the depreciation shall be allowed up to a maximum of 90 % of the capital cost of the asset.

The Commission has tried to work out the assets in use on the basis of records submitted by the licensee and allowed depreciation on the completed assets only. This should be kept in a separate reserve for meeting future commitments and to be validated at the time of truing up.

#### **4.12 Interest on Working Capital**

Regulation 34 provides calculation of interest on working capital for generation, transmission and distribution separately. For transmission licensee the working capital shall cover O & M expenses for one month, maintenance spare @ 1% of historical cost and receivable equivalent of two months of transmission charges. The rate of interest on working capital shall be SBI AR rate as on 01.04.2020. The Commission has followed the regulations.

#### **4.13 Operation and Maintenance Cost**

Regulation 69 prescribes a methodology of calculating O & M expenses which shall comprise of the following components:

- (a) Employee Cost
- (b) Repairs and Maintenance
- (c) Administration and General Expenses.

Regulation prescribes that the Licensee shall submit O&M expenses budget indicating the expenditure under each head of account showing actual of the last financial year, estimates for the current year and projections for the next financial year. The norms for O&M expenses on the basis of circuit kilometres of transmission lines, transformation capacity and number of bays in substations shall be the criteria

for approval of the O&M expenses for the FY 2020-21 as per the CERC Regulations 2019.

Commission has considered O&M Expenses in this order based on the transmission network data submitted by the licensee on 10.01.2020 and the O&M Expenses allowed for FY 2020-21 considering the actual reported in SOA for FY 2017-18 and escalated at the inflation rates notified by the Govt. of India for FY 2018-19 to FY 2020-21.

#### **4.14 Income Tax**

*Regulation 35 prescribes that Income Tax on the Licensed business of the Transmission Licensee shall be treated as expense and shall be recoverable from users through tariff. However, tax on any income other than that of its Licensed business shall not be a pass through, and it shall be payable by the Transmission Licensee itself. The income tax actually payable or paid shall be included in the ARR. Any under recovery or over-recovery of tax on income shall be adjusted every year on the basis of income tax assessment under the Income-Tax Act 1961 as certified by the statutory auditor. Since there is no payment of Income Tax in FY 2016-17, the Commission is not allowing income tax in the ARR for 2020-21.*

#### **4.15 Computation of ARR:**

Regulation 65 prescribes that Aggregate Revenue Requirement shall comprise of the following:

- (a) Return on Equity as may be allowed
- (b) Interest on Loan capital
- (c) Operation and Maintenance expenses
- (d) Interest on Working Capital
- (e) Depreciation as may be allowed
- (f) Taxes on Income
- (g) Annual License Fee

The net annual revenue requirement of a transmission licensee shall be worked out by adjusting the following in the annual revenue requirement computed under the regulations:

- (a) Income from surcharge and additional surcharge from open access consumers if any,
- (b) Transmission and / or wheeling charges recovered from open access customers, if any

- (c) Authorized portion of Income / Revenue from other business engaged in by the Licensee for optimum utilization of assets, if any.

#### **4.16 Norms of Operation**

Regulation 70 prescribes that the norms of operation for the transmission licensee, subject to modifications thereof from time to time shall be as under:

- (a) Auxiliary Energy Consumption in the Sub-Station.

The cost of auxiliary consumption in the sub-station for the purpose of air-conditioning, lighting, and consumption in other equipment shall be borne by the transmission licensee and considered as part of Operation and Maintenance expenses under the head General and Administration Overhead.

- (b) Target Availability of the Transmission System for recovery of full transmission charges. The Normative Annual Transmission Availability Factor (NATAF) of the Transmission System shall be 98%. The Commission has allowed 98% as availability of transmission network.

#### **4.17 Payment of transmission charges by customers**

Regulation prescribes that a transmission licensee shall be allowed to recover its net annual revenue requirement for financial year through transmission charges as one or combination of the following charges:

- (1) Transmission charges which may consist of a fixed charge, demand charge and an energy charge or a combination of these;
- (2) Connectivity charge, which shall be levied to meet the cost of connecting the user customer to the licensee's transmission system;
- (3) Parallel operation charge shall be levied for Captive Power Plant if the plant is connected with the grid.
- (4) Transmission charges shall be calculated on a monthly basis.
- (5) Transmission charges shall be recovered from distribution licensees and open access customers.

The Commission has allowed recovery of annual transmission charges from single distribution licensee in the State in FY 2020-21. The charges to be paid for use of transmission system by open access consumers shall be determined for FY 2020-21.

#### **4.18 Transmission losses**

Regulation says that the Commission shall fix the norm for transmission losses based on the loss reduction plan provided by the licensee. The Commission shall make a periodical review of the reduction in transmission losses with reference to the norms fixed by it. In the case of failure to achieve the target for loss reduction, the

Commission will not allow the excess over the norm as a pass through. Only Transmission Losses fixed as provided for in clause (1) above shall be debited to energy account of customers of the transmission system. The Commission find difficulty in allowing transmission losses without energy audit at all interconnecting points in intra-state transmission lines. The transmission losses at north east grid are more or less same as allowed last year. Accordingly, the Commission is allowing transmission losses as allowed last year subject to verification from SLDC. On the basis of actual records, provision of Regulations, practices followed by this Commission in previous year, the Commission has determined the annual fixed charges for transmission licensee for FY 2020-21.

#### **4.19 Open access charges**

The Commission has determined the open access charges as per the Regulations for open access for FY 2020-21. The charges for open access need to be assessed and collected as per the Regulations and no open access shall be permitted for defaulters.

#### **4.20 Tariff Petition for FY 2019-20**

There has been a gap in the incumbency of the competent Commission. The Petition filed by the Licensee for approval of the ARR and Tariff order for FY 2019-20 was not registered. The Licensee was to implement the tariff orders passed on 31.03.2018, till 31.03.2020. The licensee shall file the true up petition for FY 2019-20 along with audited accounts and C&AG report for commission's approval.

#### **4.21 ARR for the FY 2020-21**

Commission considers the ARR and tariff orders are passed in the absence of audited results for FY 2018-19. The estimates are considered based on values of statement of accounts for FY 2017-18 certified by the statutory auditors, the assumptions as per the inflation rates for FY 2018-19 to FY 2020-21 are considered wherever necessary for the ARR.

## 5. Analysis of ARR and Determination of Transmission Tariff for FY 2020-21

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### 5.0 Tariff Regulations

Under Section 61 of Electricity Act 2003, the Commission has to specify terms and conditions for determination of tariff and in doing so it shall be guided by the following:

- The principles and methodology specified by CERC for determination of Generation, Transmission and Distribution tariff.
- Business of generation, transmission and distribution are to be conducted on commercial principles.
- The factors which encourage development, competition efficiency, good performance and optimum investments.
- Safeguarding consumers interest and at the same time recovery of the cost of electricity in a reasonable manner.
- Principles regarding efficiency in the performance.
- Multiyear tariff principles based on efficiency target.
- Tariff should reflect cost of supply progressively.
- Promotion of generation from renewable energy.
- National Electricity Policy and Tariff policy.

### 5.1 Back Ground

#### **Meghalaya Power Transmission Corporation Limited**

The Government of Meghalaya has unbundled and restructured the erstwhile Meghalaya State Electricity Board with effect from 31<sup>st</sup> March, 2010 into the Generation, Transmission and Distribution businesses. The erstwhile Meghalaya state Electricity Board was transformed into four successor entities, viz,

1. Generation : Meghalaya Power Generation Corporation Limited (MePGCL)
2. Transmission : Meghalaya Power Transmission Corporation Limited (MePTCL)
3. Distribution : Meghalaya Power Distribution Corporation Limited (MePDCL)
4. Meghalaya Energy Corporation Limited (MeECL) a holding company.



The Government of Meghalaya issued further notification on 16<sup>th</sup> September, 2013 notifying the revised statement of assets and liabilities as on 1<sup>st</sup> April, 2010 to be vested in Meghalaya Energy Corporation Limited.

The Government of Meghalaya issued further amendment on 29.04.2015 notifying the revised statement of Assets & Liabilities as on 31.03.2012 to be vested in the MeECL and re-vested in unbundled successor entities viz MePGCL, MePTCL, MePDCL and MeECL (The Holding Company). The new entities have been functionalized with effect from 01.04.2013.

As per the said notification issued by the Government of Meghalaya a separate corporation “Meghalaya Power Transmission Corporation Limited” (MePTCL) was incorporated for undertaking Transmission Business.

## **5.2 Methodology for filing of ARR FY 2020-21**

In accordance with the provisions of the MYT Regulations, 2014, MePTCL submitted petition for approval of ARR and Transmission Tariff for FY 2020-21. Based on restructured segregated accounts and the transfer scheme amended from time to time, MePTCL submitted that, Transmission Service Agreement (TSA) for transmission of power to MePDCL has been executed on 08th August 2013 and power under TSA is being supplied on cost plus basis. Therefore, MePTCL submits that transmission tariff for MePTCL be determined on cost plus basis. SLDC is a Strategic Business Unit (SBU) of MePTCL and does not maintain separate accounts. Therefore all assets, liabilities, expenditures etc. of SLDC are reflected in the accounts of MePTCL. The SLDC is functioning under Administrative control of Transmission utility, the ARR of MePTCL includes SLDC expenses and are shared by MePGCL and MePTCL equally.

For computation of the Annual Revenue Requirement, Annual Fixed Cost for the transmission system ARR needs to be separately computed. The revenues from other sources such as surcharge from open access consumers, wheeling charges and other authorized income are required to be adjusted in the ARR. MePTCL has submitted the ARR petition under section 62 and Section 64 of the EA 2003.

## **5.3 Regulatory Accounts**

The Licensee shall maintain and file Regulatory accounts along with Tariff Petition and True up petition based on the Regulatory accounts as mandated in Regulation 4.2 (c) of MYT Regulations 2014.

## **5.4 ARR for FY2020-21**

In accordance with the provisions of the MYT Regulations, 2014, the MePTCL submitted petition for approval of ARR for FY 2020-21 based on approved provisions in the MYT order dated 31.03.2018.

Licensee has submitted the SOA for FY 2017-18, the Commission has considered the ARR for the FY 2020-21 based on the actual performance for FY 2016-17 and FY 2017-18.

In the absence of the audited performance for FY 2018-19, Commission would consider the inflation rate over the audited performance for the FY 2016-17 and as per the SOA for FY 2017-18 certified by statutory auditors for computation of ARR of FY 2020-21.

## 5.5 Transmission Network details

The Licensee has Submitted the Transmission network data vide their letter dated 10.01.2020. The Network data validated in the ARR and Tariff order processed for FY 2020-21.

**Table 5.1 : Network Details of Transmission Lines and Sub Stations**

<b>Norms for Sub-Stations ( in Rs. Lakhs per bay)</b>	<b>Net Work Quantity</b>
400 KV	2
220 KV	4
132 Kv& below	32
<b>Total Sub Station bays</b>	<b>38</b>
<b>Norms for Transmission Lines</b>	
<b>A. Single Circuit</b>	
(i) Multi Circuit (Bundled conductor with Six or more Sub Conductors)	21.746
<b>Line with Conductor Six or more Sub conductors</b>	-
(ii) With four Sub Conductors	32.77
(iii) With Twin Triple Conductors	5.28
(iv) With Single Sub Conductor	13.49
<b>B. Double Circuit lines</b>	
(i) With four or more conductors	4.428
(ii) Twin Triple Conductors	226.84
(iii) Single Conductor	558.362
(iv) 132 KV Double Circuit	428.428
<b>Total Length of Lines A+B</b>	<b>1291.344</b>
<b>Transformation Capacity (MVA)</b>	
400/220 KV	630 MVA
220/132 KV	520 MVA
132/33 KV below	595 MVA
<b>Total Transformer Capacity</b>	<b>1745 MVA</b>

## 5.6 Normative Annual Transmission Availability Factor:

The Regulation 70.3 of the MYT Regulations, 2014, provides the norms of operation of MePTCL. The relevant regulation is reproduced below for ready reference: Target Availability of the Transmission System for recovery of full transmission charges. The Normative Annual Transmission Availability Factor (NATAF) of the Transmission

System shall be 98%. Based on the said regulation, the Normative Annual Transmission Availability Factor has been considered at 98%.

## 5.7 Transmission Loss Trajectory

It is submitted that majority of transmission lines and grid substations of MePTCL are utilized for transmission within the state operate at 132 KV level and are very old. In spite of significant capacity addition in last few years, there is still a substantial need for replacement and up gradation of assets to achieve loss reduction. At the same time substantial network addition is also required to support load growth and to ensure quality and reliable transmission of power within the state. The present transmission network is overloaded and has deteriorated over time, which is the main cause for technical losses. Moreover, transmission at 132 KV network leads to higher line losses as compared to transmission at higher voltage levels. The inhospitable terrain and remote load centres also create hurdles in adequate maintenance of transmission network, leading to higher losses. Based on internal Energy Audit conducted by the Energy Management Cell the average Transmission Losses for the period of November 2013 to October 2014 have been determined to be 5.51%. Therefore MePTCL currently estimates the loss level for FY 2014-15 as 5.51% only.

As the metering of transmission network needs to be upgraded in accordance with applicable Regulations/ Guidelines. MePTCL has taken up a project for replacement of existing interface meters with ABT meters and establishment of Central Data Centre for monitoring and energy audit. As the currently installed meters are old and of lower accuracy class, it is difficult to identify the area-wise, network asset wise or voltage level wise losses within the transmission system. Therefore MePTCL is currently not in a position to project the Transmission loss reduction trajectory during the first Control Period. MePTCL proposes that currently established level of losses be approved for the first Control Period, as highlighted in table below:

**Table 5.2 : Transmission Loss Trajectory**

Particular	FY 2014-15	FY 2015-16	FY2016-17	FY 2017-18
Transmission Loss (%)	5.51	5.39	5.18	4.67

MePTCL has embarked on a path of accelerated renovation, up gradation of network assets and assessment of loss reduction through various schemes which will aid in reduction of losses as well as maintain reliable power supply. Details of these schemes have been provided in the Capital Investment section of Business Plan.

**Commission Analysis:**

The MePTCL has stated that the transmission loss was at 5.51% to 4.67 % during the period FY 2013-14 to FY 2017-18. In view of the accelerated renovation and up gradation of the Network contemplated during the control period FY 2018-19 to FY 2020-21 there is a scope to reduce Transmission losses. However the Commission is not satisfied with the calculations and therefore at this stage without proper energy audit the present level of losses are continued to be allowed @ 4%. Since the level of losses in the transmission plays an important role while determining the open access charges etc., the projected transmission loss during the control period at 4% found to be acceptable.

**Thus the commission approves intra state transmission loss at 4% for FY 2020-21.**

**5.8 Approved ARR for FY 2020-21**

Commission had approved the ARR for FY 2020-21 at Rs.143.13 Crore in Multi Year Tariff Regime as detailed below:

**Table 5.3 : Approved ARR for the FY 2020-21****(Rs.Cr)**

Sl. No.	ARR Elements	Approved by MSERC
		FY 2020-21
1	Return on Equity	64.91
2	Interest & Finance charges	0.45
3	O & M Expenses	68.36
4	Interest on Working Capital	7.07
5	Depreciation	40.59
6	SLDC Charges	1.33
7	Provision for bad Debts	
8	<b>Total ARR</b>	<b>182.71</b>
9	Less: SLDC ARR	2.66
10	Less: Non-Tariff Income	36.92
11	<b>Net(ATC) ARR</b>	<b>143.13</b>

Regulation 65.2 specifies that *The Annual Transmission charges of the Transmission Licensee shall be determined by the Commission on the basis of an application for determination of Aggregate Revenue Requirement made by the Transmission Licensee in accordance with MYT Regulations 2014.*

Regulation 17.2 reads that –The Commission shall determine

*Transmission of electricity, in accordance with the terms and conditions contained in Chapter-5 of these Regulations.*

Regulation 18.3 reads, *Provided that the application shall be accompanied where relevant, by a detailed tariff revision proposal showing category-wise tariff and how*

*such revision would meet the gap, if any, in Aggregate Revenue Requirement for the respective year of control period.*

The Licensee has filed statement of accounts for FY 2017-18 certified by statutory auditors. The Licensee has filed transmission network details on 10.01.2020.

In the absence of the audited performance of the Licensee, Commission would consider the computation of ARR for the ensuing year FY 2020-21 based on the inflation rates over the audited performance of FY 2016-17 and SOA for FY 2017-18 certified by the statutory Auditors for computation of ARR for FY 2020-21.

## 5.9 Gross Fixed Assets as approved for Control Period

### Petitioner's Submission

MePTCL has projected GFA from the FY 2016-17 to FY 2020-21 and requested to approve the same as shown in the Table.

**Table 5.4 : Gross Fixed Assets Projected for control period**

(Rs. Cr)

Particulars	FY 2016-17 (Provisional)	FY 2017-18 (Estimated)	FY 2018-19 (Projected)	FY 2019-20 (Projected)	FY 2020-21 (Projected)
Opening GFA	434.49	438.82	580.85	1364.92	1474.84
Additional during the year	4.39	142.03	784.07	109.92	392.75
Retirements during the year	0.06				
Closing GFA	438.82	580.85	1364.92	1474.84	1867.59

### Commission's Analysis

MePTCL has commenced the maintenance of separate Books from FY 2013-14 onwards after restructuring of MeSEB. The opening GFA as per the books as on 31.03.2017 was Rs. 427.29 Crore. Licensee has submitted SOA for FY 2017-18 certified by statutory auditors, according to which a sum of Rs.12.72 Crore is shown as addition to the GFA as against Rs.140.03 Crore approved for FY 2017-18 which is 9.08 %. The GFA as on 31.03.2017 as per the SOA for FY 2017-18 certified by statutory auditors shall be Rs.440.01 Crore. In the absence of audited performance commission considers 10% of the projected addition for FY 2018-19 to FY 2020-21 shall be adopted for computation of ARR for FY 2020-21.

Commission therefore considers opening Gross fixed assets as on 31.03.2020 at Rs.528.25 Crore and closing GFA at Rs.567.26 Crore for computation of ARR for FY 2020-21 as detailed below.

**Table 5.5 : GFA approved for FY 2018-19 to FY 2020-21 (Revised)****(Rs. Cr)**

Particulars	FY2017-18	FY2018-19	FY2019-20	FY2020-21
<b>Addition Approved in MYT Order</b>	<b>140.03</b>	<b>172.76</b>	<b>709.58</b>	<b>390.14</b>
Opening GFA as per SOA for FY 2017-18	427.30	440.01	457.29	528.25
Additions during the year	12.72	17.28	70.96	39.01
Retirements during the year	-	-	-	-
Closing GFA	440.01	457.29	528.25	567.26

**Commission approves the GFA as shown in the above Table.**

#### **5.10 Return on Equity:-**

##### **Petitioner's Submission**

MePTCL has claimed Return on Equity for FY 2020-21 as approved in MYT Order.

**Table 5.6 : Return on Equity Computation Projected****(Rs. Crore)**

Sl.No	Particulars	FY 2020-21
1	Opening Equity 30% of GFA	434.95
2	Equity Added during the year 30% of GFA	117.04
3	Closing Equity	551.99
4	Average Equity	493.47
5	Less: Grants and Contributions	29.85
6	Net Equity	463.62
7	Return on Equity at 14%	64.91

##### **Commission's Analysis**

*As per Regulation 31 of MYT Regulations 2014 Return on equity shall be computed on equity base determined in accordance with Regulation 27 and shall not exceed 14%.*

*The Regulation 27 specifies with regard to Debt Equity Ratio that any grant obtained for execution of the projects shall not be considered as part of Capital Structure for the purpose of Debt equity Ratio.*

*Regulation 28.10 of MYT Regulations 2014 with regard to Capital Cost and Capital structure reads that any grant received from the centre or state government or any statutory body authority for execution of the project which does not carry any liability of repayment shall be excluded from the Capital Cost for the purpose of computation of interest on loan, return on equity and depreciation.*

The Licensee has projected Equity addition during the FY 2020-21 at Rs.141.90 Crore. Licensee has submitted SOA for FY 2017-18 certified by statutory auditors.

Commission considers the Equity Capital as detailed in the table below for computation of ARR for FY 2020-21.

As per Statement of Accounts submitted by the Licensee for the FY 2017-18, the grants and subsidies vide Note 10 and 8.4.1 is considered at Rs. 31.66 Crore. In the absence of audited performance, the grants and contributions available for FY 2017-18 shall be considered for computation of ARR for FY 2020-21.

Accordingly the Return on Equity is computed in the table below

**Table 5.7 : Approved Return on Equity for FY 2020-21**

(Rs. Cr)

Sl. No	Particulars	FY2020-21
1	Opening GFA	528.25
2	Closing GFA	567.26
3	Average GFA	547.76
4	<b>Less: Grants and Subsidies</b>	31.66
5	Net GFA	516.10
6	Equity 30% of GFA for FY 2020-21	154.83
7	<b>Return on Equity at 14 %</b>	<b>21.68</b>

**Commission considers Return on Equity at Rs. 21.68 Crore for ARR of FY 2020-21.**

#### **5.11 Interest and Finance Charges on Loan Capital**

##### **Licensee's Submission**

MePTCL has claimed Interest and Finance charges for FY 2020-21 as approved in MYT Order.

**Table 5.8 : Interest and Finance Charges (claimed) for control period**

Sl.No	Particulars	FY 2020-21
1	11.0% REC (for Keling Byrnihat) Opening Balance	4.44
2	Additions during the year	-
3	Repayment	0.63
4	Closing Balance	3.81
5	Average Loan	4.13
6	Interest Charges	0.45

##### **Commission's Analysis**

Interest and Finance Charges for the capital loans obtained shall be allowed in the ARR as per the Regulation 32 of MSERC MYT Regulations 2014.

The Loan schedule in the Format-7 projected by the licensee for the FY 2020-21 is as depicted in the table below.

**Table 5.9 : Schedule of Capital Loans projected for FY 2020-21**

(Rs. Cr)

Sl.No.	Source of Loan with Rate of Interest	FY 2020-21
1	11.0% REC (for Keling Byrnihat) Opening Balance	4.44
	Additions during the year	-
	Repayment	0.63
	Closing Balance	3.81
	Average Loan	4.13
	<b>Interest Charges</b>	<b>0.45</b>
2	11.75% loan advance from Holding Corporation Opening Balance	21.57
	Additions during the year	-
	Repayment	12.32
	Closing Balance	9.25
	Average Loan	15.41
	<b>Interest Charges</b>	<b>1.81</b>
3	State Government Loan-Opening Balance at 9.3%	127.27
	Additions during the year	60.55
	Closing Balance	187.84
	Average Loan	157.56
	<b>Interest Charges</b>	<b>14.67</b>
	<b>Total Interest Charges for FY 2020-21</b>	<b>16.93</b>

The Petitioner has not furnished details of loan agreement documents, MOU etc., along with petition.

The Interest Claimed for loan advance from Holding Corporation is not considered, since the loan availed to meet the cash gap of the licensee.

In the absence of audited performance up to FY 2018-19, commission considers the interest on loan capital based on the SOA for FY 2017-18 certified by the statutory Auditors. The addition of loan drawl and repayment of loan is not considered for FY 2018-19 to FY 2020-21.

The interest cost is allowed as per the Regulation 32 in the table below.

**Table 5.10 : Approved Interest on Loans for FY 2020-21**

Sl. No	Particulars	11% REC REC for BIA 400/220 KV	State Govt. Loan	Total	Weighted Avg Rate of Interest
1	Opening Balance 31.03.2017	6.34	40.61	46.95	-
2	Additions during the Year	5.71	0.52	6.23	-
3	Repayment Matured	-	-	-	-
4	Closing Balance	12.05	41.13	53.18	-
5	Average Loan	9.20	40.87	50.07	-
6	Rate of Interest	11.00%	9.31%	-	-
7	<b>Interest Payable</b>	<b>1.01</b>	<b>3.80</b>	<b>4.81</b>	<b>9.61%</b>
8	<b>Total Interest</b>	-	-	<b>4.81</b>	-



Commission considers interest charges at Rs. 4.81 Crore for ARR of FY 2020-21 provisionally.

## 5.12 O & M Expenses

### Petitioner's Submission

MePTCL has claimed O&M Expenses at Rs.68.36 Crore as approved in MYT Order for FY 2020-21.

**Table 5.11 : O&M Expenses Projected as approved in MYT Order**

(Rs.Cr)

Particulars	FY 2020-21
O&M Expenses	68.36

### Commission's Analysis

The O & M Expenses shall mean the total of the expenditure under the following heads, as per the MYT Regulation 69.4 of 2014.

- a) Employees Cost
- b) Repairs and Maintenance
- c) Administration and General Expenses

*The Regulation 69.3 Stipulates submission of Circuit Kms of Transmission lines, transformation Capacity and number of bays in the sub-station for approval of the Commission. The Commission shall verify the Budget estimates and Projections and allow the expenditure depending on its views about the reasonableness of the projections as specified in the Regulation 69.4.*

The Licensee was asked to submit updated Transmission network data to be considered for computation of the O&M expenses for ARR of FY 2020-21 as per the CERC Regulations 2019.

The Licensee has submitted the updated network data vide letter no. MePTCL/DT/T-21(Pt-VI)/2019-20/60 dated 10.01.2020.

Commission has computed the O&M expenses admissible based on the network data as per the CERC Regulations 35 (3) (a) and (b) of 2019 as detailed below.

**Table 5.12: Computation of O&M Expenses for FY 2020-21**

Norms for Sub-Stations ( in Rs. Lakhs per bay)	Rate per bay (in Lakhs)	Net Work Quantity	FY 2020-21 (Rs.in Lakhs)
400 KV	33.28	2	66.56
220 KV	23.30	4	93.20
132 Kv& below	16.64	32	532.48
<b>Total O&amp;M Charges for Sub Station bays (1)</b>		<b>38</b>	<b>692.24</b>

Norms for Sub-Stations ( in Rs. Lakhs per bay)	Rate per bay (in Lakhs)	Net Work Quantity	FY 2020-21 (Rs.in Lakhs)
<b>Norms for Transmission Lines (Rs. Lakhs per KM)</b>			
<b>A. Single Circuit</b>			
(i) Multi Circuit (Bundled conductor with Six or more Sub Conductors)	1.598	21.746	34.75
<b>Line with Conductor Six or more Sub conductors</b>			
(ii) 132 KV S/C line on D/C from Rangkon to Ampati	0.260	32.77	8.52
(iii) 132 KV NEIGRIHMs-RGIIM S/C line	0.260	5.28	1.37
(iv) 132 KV Lumshnong-Amit Cement S/C line	0.260	13.49	3.51
<b>B. Double Circuit lines</b>			
(i) With four or more conductors	1.368	4.428	6.06
(ii) Twin Triple Conductors	1.368	226.84	310.32
(iii) Single Conductor	1.368	558.362	763.84
(iv) 132 KV Double Circuit	1.368	428.428	586.09
<b>Total O&amp;M Charges for Length of Lines (A+B) (2)</b>		<b>1291.344</b>	<b>1714.46</b>
<b>Transformation Capacity (per MVA)</b>	<b>(Per MVA)</b>		
400/220 KV	0.371	630 MVA	233.73
220/132 KV	0.254	520 MVA	132.08
132/33 KV below	0.254	595 MVA	151.13
<b>Total O&amp;M Charges for Transformer Capacity (3)</b>		<b>1745 MVA</b>	<b>516.94</b>
<b>Grant Total (1+2+3)</b>			<b>2923.64</b>

Commission observed the actual O&M expenses for FY 2017-18 are less than the O&M expenses approved for FY 2016-17 at Rs.70.22 Crore.

Commission had approved O&M expenses for FY 2016-17 at Rs.56.24 Crore in the absence of Transmission network data, whereas licensee had claimed O&M expenses for FY 2016-17 at Rs.70.22 Crore in the true up petition which is 24.86% excess over the approved level for FY 2016-17.

The licensee had submitted in the true up petition for FY 2016-17 that, the increase in the O&M expenses was on account of terminal benefits and implementation of pay revision 2015.

Commission considered the excess O&M expenses incurred during FY 2015-16 and FY 2016-17 was a one time commitment.

The above analysis reveals that the O&M expenses projected for MYT period FY 2018-19 to FY 2020-21 found to be exorbitant, and commission had considered a 5% increase over the base year FY 2016-17 at Rs.56.24 Crore.

**As per SOA submitted for FY 2017-18 certified by the statutory auditors the actual O&M expenses reported to be Rs.39.12 Crore inclusive of 1/3<sup>rd</sup> MeECL cost.**

The O&M expenses reported in SOA for FY 2017-18 is at Rs.21.20 Crore and the 1/3<sup>rd</sup> share of MeECL employee cost as reported at (Rs.36.46 Crore) Rs.12.15 Crore shall be considered as actual for FY 2017-18. The Licensee has not filed SOA of MeECL for FY 2017-18. Licensee has reported R&M and Administrative General expenses at

Rs.5.77 Crore in the SOA for FY 2017-18 which includes Rs.1.15 Crore towards SLDC charges. Thus O&M expenses for FY 2017-18 amounted to Rs.39.12 Crore.

Commission considers escalation of O&M expenses from FY 2017-18 onwards shall be as per the inflation rates notified by the Govt. of India for computation of O&M expenses for FY 2018-19 to FY 2020-21. The inflation rate for FY 2019-20 and FY 2020-21 is not available, the inflation factor for FY 2018-19 is considered at 4.86 % for computation of FY 2019-20 and FY 2020-21. Thus O&M expenses are considered at Rs.45.11 Crore for FY 2020-21.

The O&M Expenses for MYT period FY 2018-19 to FY 2020-21 shall be as computed in the table below.

**Table 5.13 : Computation of O&M Expenses for the FY 2020-21**

(Rs. Cr)

Particulars	FY 2017-18 (As per SOA) Incl. MeECL Cost	FY 2018-19 (Inflation rate at 4.86%)	FY 2019-20	FY 2020-21
O&M Expenses	39.12	41.02	43.01	45.11

**Commission considers O&M expenses for FY 2020-21 at Rs.45.11 Crore provisionally.**

## 5.13 Depreciation

### Licensee's Submission

MePTCL claimed the Depreciation for FY 2020-21 at Rs.40.59 Crore as approved in MYT Order for FY 2020-21.

**Table 5.14 : Depreciation for FY 2020-21 claimed as approved in MYT Order**

(Rs.Cr)

Sl. No	Name of the Asset	FY 2020-21
1	Opening GFA	1449.67
2	Additions during the Year	390.14
3	Retirements	-
4	Closing GFA	1839.81
5	Average GFA	1644.74
6	Average rate of Depreciation	4.67%
7	Depreciation allowed	76.81
8	Less: Amortisation grants as projected	36.22
9	Net Depreciation allowed for Tariff	40.59

**Commission Analysis:**

The Licensee has reported the opening GFA for the FY 2017-18 at Rs.427.29 Crore and closing GFA at Rs.440.01 Crore in the SOA certified by statutory Auditors.

The Licensee has reported addition of the assets at Rs.12.72 Crore as against projected addition of Rs.142.03 Crore as per SOA for FY 2017-18 certified by statutory auditors.

In the absence of the audited results for FY 2018-19 to FY 2020-21, commission considers 10% addition of the projected capitalization for the period FY 2018-19 to FY 2020-21 after adjusting the grants and contributions for computation of ARR and for FY 2020-21.

**Table 5.15 : The Gross Fixed Assets approved as detailed below****(Rs.Crore)**

Particulars	FY2017-18	FY2018-19	FY2019-20	FY2020-21
GFA Opening Balance	427.29	440.01	457.29	528.25
Additions (10% of Projected Capitalization in the MYT Petition)	12.72	17.28	70.96	39.01
Closing GFA	440.01	457.29	528.25	567.26

**Table 5.16 : Computation of Depreciation for FY 2020-21****(Rs.Cr)**

Particulars	FY 2020-21
Opening GFA (excl. Land)	524.15
Additions during the Year	39.01
Retirements	-
Closing GFA	563.16
Average GFA	543.66
90% of GFA	489.29
Average rate of Depreciation at FY 2017-18 level	4.68%
Depreciation computed	22.90
<b>Less:</b> Depreciation on grants as reported in FY 2017-18 (31.66*4.68%)	1.48
<b>Net Depreciation allowed for Tariff</b>	<b>21.42</b>

**Table 5.17 : Depreciation approved for FY 2020-21****(Rs.Cr)**

Particulars	FY 2020-21
<b>Claimed by MePTCL</b>	40.59
<b>Approved by MSERC</b>	21.42

**Commission approves Depreciation at Rs.21.42 Crore for FY 2020-21 provisionally.**

#### 5.14 Interest on Working Capital

##### Petitioner's Submission

MePTCL claimed the Interest on working capital for FY 2020-21 at Rs.7.07Crore as approved in MYT Order for FY 2020-21.

**Table 5.18 : Interest on Working Capital**

(Rs. Cr)

Sl. No.	Particulars	FY 2020-21 (Projected)
1	O&M Expense for 1 month	5.70
2	Maintenance spares 1% of historical cost escalated at 6%	15.37
3	Receivables for 2 months	29.27
4	Total Working Capital Requirement	50.34
5	<b>Interest on Working Capital at 14.05%</b>	<b>7.07</b>

##### Commission's Analysis

As per the Regulations 34 (2(i)), Interest on Working Capital shall be allowed, computed on the following elements for ARR (Annual Transmission Charges).

- O & M expenses for one month.
- Maintenance Spares at 1% of historical cost of assets escalated at 6 % from the date of Commercial operation.
- Receivables equivalent to two (2) months of Transmission charges calculated on target availability level (98%).

**Table 5.19 : Approved Interest on Working Capital for FY 2020-21**

(Rs. Cr)

Sl. No	Parameter	FY 2020-21
1	O & M Cost for one month (Excl. MeECL Cost) (Rs. 31.10 Cr /12 )	2.59
2	Maintenance spares at 1 % of historical cost escalated at 6%	5.60
3	Receivables at two (2) months equivalent of ATC at target availability level.	9.13
4	Total working capital Requirement	17.32
5	<b>Interest Cost at 13.80%</b>	<b>2.39</b>

**Commission approves Interest on Working Capital at Rs.2.39 Crore for the FY 2020-21.**

### **5.15 SLDC Charges**

#### **Petitioner's Submission**

MePTCL has submitted the SLDC charges to be incurred at Rs. 2.66 Crore for the FY 2020-21.

The Licensee has submitted that 50 % of SLDC Charges are to be met as part of Transmission expenses and requested to allow the SLDC charges in the ARR (ATC) for the FY 2020-21.

#### **Commission's Analysis**

The functions of MePTCL includes:-

- (a) To build, maintain and operate an efficient co-ordinate and economical Inter-state transmission system or Intra- state transmission system.
- (b) To comply with the directions of RLDC and SLDC.
- (c) To provide non- discriminatory open access to its transmission system use.

In order to operationalize the system, the state transmission utility should manage SLDC by providing necessary infrastructure and trained engineers to develop the SLDC as strategic centre and maintain separate set of books and file ARR and tariff petition.

Commission had in the tariff orders for FY 2013-14 specifically directed MePTCL to comply with the requirement. Licensee has not filed separate ARR for SLDC expenses.

As per Regulation 59, connectivity charges and SLDC charges shall be shared by the MePGCL for access of Transmission network provided for energy generated and supplied to the beneficiary. MePTCL has projected SLDC ARR at Rs.2.66 Crore for FY 2020-21.

**50% of the SLDC charges at Rs.1.33 Crore is considered as other income for FY 2020-21 from MePGCL.**

**Commission considers SLDC Charges as an element in the transmission ARR to incur the expenditure at Rs. 1.33 Crore for FY 2020-21 being the 50 % of SLDC ARR projected for Rs. 2.66 Crore.**

### **5.16 Suo-Moto True up of Business for FY 2013-14 and FY 2014-15**

Commission in its Order dated 30.03.2016 had clearly mentioned vide Para 1.6 of chapter 1; Approach of the Commission, that the true up orders passed for FY 2013-14 and FY 2014-15 shall be interim approvals subject to re-adjustment after filing of audited accounts certified by C&AG.

The Licensee had filed Review petition on 30.05.2016, against the provisional True up orders of the Commission dated 30.03.2016 seeking higher allowance of expenses on Return on Equity, Interest on working Capital and Depreciation etc., for the FY 2013-14 without filing audited accounts and C&AG audit report.

The Licensee had also filed Review petition seeking higher allowance for true up of FY 2014-15 on 30.05.2016 in respect of ROE, Interest on working capital and Depreciation etc., without the filing audited accounts and C&AG audit report.

Commission had disposed both the petitions considering the Regulatory implications and held that, the true up review orders for the FY 2013-14 and FY 2014-15 passed on 30.03.2017 are only interim approvals subject to re adjustment of Revenue gap/Surplus after filing of the petition along with audited accounts and C&AG audit report.

The Licensee (MePTCL) has not filed petition for final True up with C&AG audit report.

Thus there has been an omission on the part of the Licensee in filing of the applications for True up of the Business for FY 2013-14 & FY 2014-15 along with audited accounts after receipt of the C&AG audit reports as per the Regulations.

Regulation 15(4) specifies that, *the Commission may undertake **Suo-moto** truing up of the ARR of previous year, if the Licensee fails to make an application for Truing up of the ARR of previous Year.*

There has been a flaw in Regulation of Expenses without audited accounts and C&AG audit report on the business of the Licensee for the FY 2013-14 and FY 2014-15.

**The True up gap/surplus Adjustment.**

Commission considers to revisit into the provisional True up orders passed on 30.03.2016 and 30.03.2017 with reference to the audited accounts and C&AG audit reports of MePTCL and approve admissible expenses for final true up orders for FY 2013-14 & FY 2014-15.

While doing so Commission would be required to re consider and Regulate the expenses passed on 30.03.2016 & 30.03.2017 in respect of MePTCL provisional true up orders as per the Regulations for FY 2013-14 and FY 2014-15.

The Licensee has not filed final true up petition for the FY 2013-14 and FY 2014-15 for MePTCL till date as per the Regulations and Commission's Directions.

Commission in the Circumstances considers **Suo-moto** action to relook into the provisional True up orders passed on 30.03.2016 and 30.03.2017 for MePTCL, as admissible as per the MSERC Regulations in the absence of petitions of the Licensee.

**C&AG Report:**

The C&AG audit report for FY 2013-14 was received on 20.01.2017 by which date the provisional true up orders was issued on 30.03.2016. The C&AG audit report for FY 2014-15 was received on 08.09.2017 by which date the provisional true up order for FY 2014-15 was issued on 30.03.2017 and the final true up petition for MePTCL for FY 2013-14 and FY 2014-15 has not come up before the Commission.

Observations of C&AG audit Report for FY 2014-15 disclosed that Rs.0.30 Crore being the interest earned on fixed deposit (PNB) was not included in the other income vide note 17.

Thus there has been a flaw in Regulation of Expenses as admissible for the FY 2013-14 and FY 2014-15, upon which Commission considers the **Suo-Moto** true up action in the absence of petition from MePTCL after receipt of the C&AG report.

A Comparison of the ARR approved in the provisional true up orders and after receipt of C&AG audit reports for the FY 2013-14 and FY 2014-15 as admissible is drawn in the table below.

**Table 5.20: Comparison of Provisional True up & Final True Up on SUO-MOTO action**

(Rs.Cr)

Sl. No	Name of the ARR Element	Approved in Provisional True Up		Admissible with reference to Regulations at actual	
		FY 2013-14	FY 2014-15	FY 2013-14	FY 2014-15
1	Return On Equity	9.43	15.21	15.17	15.21
2	Interest on Working capital	2.15	3.12	2.54	3.19
3	Interest & Finance Charges				
4	SLDC Charges	1.31	1.17	1.31	1.17
5	O&M Expenses	49.54	59.13	49.54	59.13
6	Depreciation	13.55	16.77	13.48	16.67
7	Licensee Fee	0.04	-	-	-
	<b>Net Total</b>	<b>76.02</b>	<b>95.40</b>	<b>82.04</b>	<b>95.37</b>
8	Less: Non Tariff Income	4.45	5.92	4.45	1.71
9	Less: SLDC ARR	2.62	2.34	2.62	2.34
	<b>Net ARR</b>	<b>68.95</b>	<b>87.14</b>	<b>74.97</b>	<b>91.32</b>
10	Revenue from Tariffs	62.56	79.51	62.56	81.90
	<b>Revenue Gap / (surplus)</b>	<b>6.39</b>	<b>7.63</b>	<b>12.41</b>	<b>9.42</b>
11	Already Allowed Gap in FY 2017-18 Tariff orders			12.45	7.63
12	Balance to be Adjusted			(0.04)	1.79
13	<b>Net Gap</b>				<b>1.75</b>

**Net Gap of Rs. 1.75 Crore shall be appropriated in the ARR for FY 2020-21.**



**5.17 Non- Tariff Income****Petitioner's submission**

MePTCL has submitted that Non-Tariff Income is estimated at Rs. 36.919 Crore for the FY 2020-21 as per the table given below.

**Table 5.21 : Non-Tariff Income Projected for FY 2020-21****(Rs.Cr)**

SL No	PARTICULARS	FY 2020-21 (Projected)
1	Discount Received	0.044
2	Application Fee for SOA	0.000
3	Miscellaneous receipts	0.008
4	Income from Trading	0.008
5	Interest on overdue trade receivables	0.061
6	Interest Income	5.680
7	Revenue from Transmission & Operating Charges	24.888
8	Revenue from Other Charges	0.407
9	Other Income of MeECL Apportioned	5.822
	<b>Total</b>	<b>36.919</b>

The licensee requested to approve the Non –Tariff Income as estimated above for the FY 2020-21.

**Commission's Analysis**

The Licensee is entitled to recover wheeling Charges from open-access Consumers, application fee for short term open access, apart from trading income, Interest income, interest on over -due trade receivables etc.

**Commission considers Non – Tariff and Other Income at 36.92 for the FY 2020-21.**

**5.18 Total Gap to be recovered through Tariff in FY 2020-21 & Carrying Cost****Licensee's Submission**

Licensee submitted that the approved ARR as well as the gaps of previous year due to true up and review petition on true up order is to be cumulatively recovered through the tariff of FY 2020-21. The Licensee had filed the review petition on true up order for FY 2015-16 for which the orders are due from the Commission. The Commission on 18 Nov 2019 issued the transmission true up order for FY 2016-17 which will be adjusted in the Net ARR of FY 2020-21.

Based on the above submissions, the gap due to true up and review petition on true up orders which needs to be passed on in the tariff of FY 2020-21 is given below:

**Table 5.22 : Gaps to be passed on in Tariff Order of FY 2020-21****(Rs Cr)**

	Particulars	Amount
1	Additional Claim as per Review Petition of True Up FY 2015-16 of MePTCL	67.09
2	Gap/(Surplus) from True up of FY 2016-17 of MePTCL	(0.74)

From the above table, SI No 1-2 petitions were filed by MePTCL, whose order was due from the Commission in the last financial year. The delay in order has affected the liquidity scenario in the Corporation for which it had to resort to short term lending to meet its financial obligations. Thus, keeping this in mind, MePTCL is proposing a carrying cost on the above gaps based on the lending rate as on 01.04.2019. The carrying cost computation has been given below:

**Table 5.23 : Carrying Cost Calculation**

(in Rs Cr.)

S.No	Particulars	Amount
1	Additional Claim as per Review Petition of True Up FY 2015-16 of MePTCL	67.09
2	Gap/(Surplus) from True up of FY 2016-17 of MePTCL	(0.74)
3	Interest rate as on 01.04.2019 considered for carrying cost calculation (3)	13.80%
	<b>Carrying Cost due to delay in orders (sum of 1 &amp; 2 *3)</b>	<b>9.16</b>

**Commission's Analysis:**

The MePTCL had not filed final true up petitions for FY 2013-14 and FY 2014-15, as the true up orders issued on 30.03.2016 and 31.03.2017 was on provisional basis in the absence of C&AG audit reports. Commission has considered SUO-MOTO action for final true up of FY 2013-14 and FY 2014-15, and the resultant gap/surplus being now accommodated in the ARR of MePTCL for FY 2020-21.

Commission had not considered any review petition on the True up orders for FY 2015-16.

**The True up gap/surplus approved for FY 2015-16 and FY 2016-17 is appropriated in the ARR of FY 2020-21.**

**Carrying Cost:**

The carrying cost proposed by MePTCL in table no.2 of para 2.2.3 of the petition in question, commission would like to point out, the delay in filing the petitions along with C&AG audit reports was caused from the utility side. The Carrying cost if any to be recovered shall be chargeable to the licensee for the failure to file the true up petitions along with C&AG audit reports as per the schedule and Regulations.

The Licensee shall bear the impact of the carrying cost for recovery of the true up gap/surplus and made good to the beneficiaries honestly where ever surplus is resulted upon true up of the Business as per the Regulations.

**Commission does not consider carrying cost claimed by the licensee.**

**5.19 ARR for the FY 2020-21**

Commission after taking into consideration, the petition filed by the licensee, trued down values of FY 2016-17, Statement of Accounts certified by Statutory Auditors

for FY 2017-18, the objections raised by the stake holders, the response of the licensee and minutes of the public hearing and State Advisory Committee has computed the ARR for FY 2020-21 as per the Regulations as detailed in the table below:

**Table 5.24 : Approved ARR for the FY 2020-21**

(Rs.Cr)

Sl. No.	ARR Elements	Filed by MePTCL	Approved by MSERC
		FY 2020-21	FY 2020-21
1	Return on Equity	64.91	21.68
2	Interest & Finance charges	0.45	4.81
3	O & M Expenses	68.36	45.11
4	Interest on Working Capital	7.07	2.39
5	Depreciation	40.59	21.42
6	SLDC Charges	1.33	1.33
7	Provision for bad Debts	-	-
<b>8</b>	<b>Total ARR</b>	<b>182.71</b>	<b>96.74</b>
9	Less: SLDC ARR	2.66	2.66
10	Less: Non-Tariff Income	36.92	36.92
<b>11</b>	<b>Net(ATC) ARR</b>	<b>143.13</b>	<b>57.16</b>
<b>12</b>	SUO-MOTO True up for FY 2013-14 & FY 2014-15 Gap	-	1.75
<b>13</b>	True up (Surplus) for FY 2015-16	-	(5.72)
<b>14</b>	True up Gap/(Surplus) for FY 2016-17 Review order	-	(0.74)
<b>15</b>	<b>Total ARR</b>	<b>143.13</b>	<b>52.45</b>

## 6. Transmission Tariff and Open Access Charges

### 6.1 Computation of Transmission and Open Access Charges:

#### Petitioner's Submission

Based on the request for change in ARR, the petitioner requests the Commission to revise the transmission tariff for FY 2020-21 as given below:

**Table 6. 1 :Transmission Tariff for FY 2020-21**

Sl. No.	Particulars	FY 2020-21
1	Annual Transmission Charges (Rs. Lakhs)	21,863.63
2	**Total MW Allocation (MW)	368
3	Transmission Tariff (Rs / MW / Day)	16,277.27
4	*Energy Transfer (MU)	1207.2
5	<b>Transmission Tariff (Paise / Unit)</b>	181.11

#### Commission's Analysis

Regulation 71.3 reads -

*Transmission charges shall be recovered from distribution licensees and open access customers.*

Regulation 71.4 reads-

*Transmission charges payable by open access customers shall be decided by the Commission on annual basis depending upon the period of connectivity, load and transactions may allocate charges accordingly.*

The Licensee has submitted that the total MW allocation for MePDCL considered at 320 MW plus (+) total load allocation for open access 48 MW for computation of open access charges for FY 2020-21.

Commission considers computation of open access charges based on the submission of the licensee for computation of open access charges as 368 MW.

As per Regulation 74 of MYT Regulations 2014 specifies that-

*The fixed cost of the transmission system shall be computed on annual basis, in accordance with norms contained in these regulations, aggregated as appropriate, and recovered on monthly basis as transmission charge from the users, who shall share these charges in the manner specified.*

*The transmission charge (inclusive of incentive) payable for a calendar month for a transmission system or part thereof shall be*

*$AFC \times (NDM / NDY) \times (TAFM / NATAF)$  Where,*

*AFC = Annual fixed cost specified for the year, in Rupees*

*NATAF = Normative annual transmission availability factor, in percent*

*NDM = Number of days in the month*

*NDY = Number of days in the year*

*TAFM = Transmission system availability factor for the month, in % The transmission licensee shall raise the bill for the transmission charge (inclusive of incentive) for a month based on its estimate of TAFM.*

**Table 6. 2 : Determination of Transmission Tariff and Open Access Charges for FY 2020-21**

Sl.No	Particulars	Transmission ARR Projected	Approved by Commission
1	AFC Net ARR (Rs. Cr)	218.64	52.45
2	Average Load in (MW)	368	368
3	Energy Transfer (MU)	1207.20*	1207.20
4	Transmission Tariff (1/3)	1.81/kwh	0.43/kwh
5	Open Access Charges(1/2/365)	Rs.16277.55	Rs.3905/MW per day

*\* MU to be handled by MePTCL is considered as approved for MePDCL for the FY 2020-21.*

**The Commission has considered the Transmission ARR at Rs.52.45 Crore for FY 2020-21 and approves Transmission Tariff at Rs.0.43 Ps/kwh and open access charges at Rs.3905/MW/ per day as computed above.**

MePTCL shall recover the transmission charges and open access charges as approved in the above table from the beneficiaries. The above approved rates shall be applicable to all the open access Consumers. The recovery of charges from open access consumers shall be done strictly as per Regulation 21 of MSERC (Terms and Conditions of Open Access) Regulations, 2012. The transmission charges shall be payable on the basis of contracted Capacity/Scheduled Load or actual power flow whichever is higher, at the rate determined above. All other charges shall be as per the Regulations and the Commission's order issued from time to time. The Commission also directs MePTCL to recover the charges of previous period in the same manner as per the Orders and Regulations and show it in the final true up of the previous years.

## 7. Directives

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### 1. Filing of Tariff Petition for FY 2020-21

There has been a gap in the incumbency of the competent Commission.

The Petition filed by the Licensee for approval of the ARR and Tariff order for FY 2019-20 was not registered. The Licensee was to implement the tariff orders passed on 31.03.2018, till 31.03.2020. The Licensee shall render the Regulatory accounts for FY 2019-20 duly audited by C&AG for true up of business.

### 2. Regulatory Accounts

The Licensee shall maintain and file Regulatory accounts along with Tariff Petition and True up petition based on the Regulatory accounts as mandated in Regulation 4.2 (c) of MYT Regulations 2014.

### 3. Audited Accounts

The Commission directs the Licensee to get C&AG certificate of statement of accounts for FY 2017-18, FY 2018-19 and FY 2019-20 before filing of the next ARR Petition.

### 4. The MePTCL is required to maintain separate Account Books for SLDC and file the expenditure and income along with Transmission ARR without fail.

**Status: - MePTCL has not filed separate ARR for SLDC.** Licensee shall maintain separate books of accounts before filing next petition along with SLDC data.

### 5. MePTCL shall maintain Assets records and arrange for audit, post restructuring of the MeSEB.

**Status: - MePTCL has not complied with the directive.** Commission directs the Licensee to arrange for audit of books post restructuring of the MeSEB and retirement of assets values whose life term has been completed, shall be brought into books in order to reduce the cost and Tariff.

### 6. Open Access Procedure:

Commission directs the transmission company to study the open access procedure, evaluate the spare capacity, demand of the state while allowing NOC to Open Access consumers. MePTCL is directed to adhere to the Commission's Regulations and orders while recovering the charges from such Open Access consumers strictly.

While allowing open access, the STU shall ensure that the availability / capacity of the line on which open access shall take place is sufficient. In no case it should

hinder the power flow to the distribution licensee. It is further directed that STU, while computing the spare capacity in the Transmission lines, shall include the evacuation of power from new central generating stations that are being allocated to Meghalaya in the ensuing Tariff period. Any failure of the grid on account of over utilization of the present capacity by Open Access consumers shall be investigated and suitable action shall be taken to plug the Revenue loss.

7. STU shall also ensure the compliance of principles of Grid Code, CERC Regulations while allowing open Access and shall recover the charges as allowed by the Commission as per Regulations.

8. MePTCL has proposed transmission losses at 4%. Accordingly Commission adopted. In no case the transmission losses shall be allowed in excess of 4%. The Licensee shall ensure the network availability at 98% without any interruptions for the contracted capacity with the distribution Licensee. The losses are to be examined voltage wise by conducting energy audit.

9. **Fresh Directives**

The ARR for MYT period FY 2018-19 to FY 2020-21 was approved based on the projected business plan. The Licensee has not been presenting the audited accounts to the Commission as stipulated in the Regulations. The Commission is constrained to adopt the MYT ARR provisions for want of the audited financial statements up to FY 2018-19.

The Licensee has not disclosed the grants and contributions for implementation of the new investment for the MYT control period FY 2018-19 to FY 2020-21, whereas capitalization of assets has been projected for the entire value of proposed capital investment during the control period in the business plan. As the ARR is considered on the basis of estimates, Commission considers that the grants and contributions data may be made available during the course of project execution.

10. Huge investments are proposed for improving the transmission system during second control period and it is possible to reduce the losses below 4%. Smart meters shall be provided on both ends of each transmission lines and losses worked out on each line.

11. **Transmission system availability**

Transmission system availability is stated to be 98% without adequate data. Commission accepted the proposal. To assess the system availability MePTCL should maintain record of performance of each transmission line voltage wise by showing details of interruptions, break downs with duration.

Based on monthly reports maintained, system availability should be arrived and shown in the next tariff petition for accepting the system availability.

**Annexure-I**

**RECORD NOTE OF THE 22<sup>nd</sup> MEETING OF THE STATE ADVISORY COMMITTEE HELD  
ON 12<sup>TH</sup> MARCH 2020 AT THE MSERC CONFERENCE HALL, SHILLONG.**

**Present :**

**Members of the State Advisory Committee**

1. Shri P.W. Ingty, IAS (Retd), Chairman, Meghalaya State Electricity Regulatory Commission, Shillong.
2. Shri. R. Keishing, Member (Law), Meghalaya State Electricity Regulatory Commission, Shillong.
3. Shri. Praveen Bakshi, IAS , Secretary Food, Civil Supplies and Consumer Affairs, Government of Meghalaya
4. Dr. Anoop Singh, Coordinator, Centre for Energy Regulation (CER), C/o Associate Prof., Department of Industrial and Management Engineering, Indian Institute of Technology Kanpur, Kanpur – 208016.
5. Chief Engineer, PHE, Government of Meghalaya, Lower Lachumiere, Shillong- 793001
6. Shri. F. Marbaniang, Chief Engineer (PWD), Building.
7. CEO, Shillong Municipality, Shillong – 793001, Mobile: 9436115861
8. Shri. E N Marak, MCS (Retd) Matchakolgri, New Tura Araimile West Garo Hills, Tura - 794101. Mobile: 9436103643
9. Director Commerce & Industries, Shillong, Meghalaya.
10. Dr. (Mrs) M.P.R. Lyngdoh, (Retd), Principal, Shillong College, Shillong – 793003
11. Shri. Shyam Sunder Agrawal, CMD (Pioneer Carbide Pvt Ltd.), Byrnihat, Ri-Bhoi district, Meghalaya. Mobile: 7002162868 Email: [pioneercarbide@gmail.com](mailto:pioneercarbide@gmail.com)
12. Shri. Ramesh Bawri, President Confederation of Industries, Meghalaya, Bawri Mansion, Dhanketti
13. Shri. M. Marbaniang, Chairman, The Institution of Engineers (India), Meghalaya Centre, Barik Point, Lower Lachumiere, Shillong – 793001. Phone: 03642503203 Email: [iemeghalaya@gmail.com](mailto:iemeghalaya@gmail.com)
14. Director (E&M) HQ, Shillong Zone, SE Falls, Shillong-793011, Phone: 03642534847
15. Director (BD), 4 th Floor, TDI Centre, Jasela, IEX, New Delhi – 110025. Email ID: [rajesh.medirata@iexindia.com](mailto:rajesh.medirata@iexindia.com).
16. GM ( Commercial) NEEPCO, Demseiniong Shillong- 793003
17. Shri. J.B. Poon, Secretary, MSERC, Shillong.



Calling for the 22<sup>nd</sup> meeting of the State Advisory Committee (SAC) to order, the Chairman welcomed the members present. Chairman introduced the members and enlightened the purpose of the meeting as envisaged in the Electricity Act, 2003. The Chairman briefed the members present, the MSERC, MYT Regulations 2014 and implications of the Regulatory norms on each of the ARR component in the Tariff. Members of the Advisory Committee were informed that the Commission has admitted ARR petition for Distribution, Transmission and Generation on 29.11.2019. The utilities had published the salient features of the petition inviting objections and suggestions from all the stakeholders including general public on the ARR and Tariff Petition for the FY 2020-21.

**Views and suggestions given by some of the members**

- 1) Ramesh Bawri President *CII*, Meghalaya thanked the chairperson and highlighted emphasizing of 3 (three) points as indicated below.
  - (i) The Member objected to the increase of tariff to 45% as presented by MePDCL and requested the Commission not to pass such a huge burden to consumers of electricity in Meghalaya.
  - (ii) MeECL should look into their performances to increase the efficiency.
  - (iii) The Member stated that he has experienced that 50% of consumers of Meghalaya are not having meters to record consumption of electricity.
- 2) Mr. S. S. Agrawal CMD (Pioneer Carbide Pvt Ltd.), Byrnihat.
  - (i) The Member suggested that all the 3 utilities may be asked to submit their ARR petitions along with last year financial audited accounts i.e. for filing tariff petition for the financial year 2020-21, the audited accounts for the financial year 2017-18 should be submitted.
  - (ii) The voltage wise transmission loss figures should be submitted for the previous financial year i.e. for the tariff petition 2020-21, the transmission losses for the financial year 2018-19.
  - (iii) The actual true up figures against true up Orders of MSERC before filing their ARR petitions should be incorporated in their ARR Petitions. No review true up figures should be allowed to incorporate in the ARR petitions.
  - (iv) The filing of ARR figures in their tariff petitions should be within a limit of +/- 20% of the current year tariff for all categories of Consumers.
  - (v) The utility should be made compulsory to post, the filing of their petitions for ARR or true up or any other petitions on their website for its wide publicity.
  - (vi) The AT&C losses should be shown separately voltage wise transmission loss & voltage wise commercial loss.

- (vii) If the AT&C losses are not reduced in comparison to the previous year, the utility should file reasons for not able to reduce the losses.
  - (viii) The ABT meters can be made mandatory at 132 kv level to monitor the transmission losses to the individual feeders.
  - (ix) The Industrial consumers should be asked to draw short term excess power meant for selling outside the states @ 75% of existing power tariff to increase the revenue of the MePDCL and stop selling of excess power at a cheaper rate.
  - (x) A load factor rebate can be introduced to the Industrial consumers of MePDCL.
- 3) Mr. P. Bakshi, IAS, Secretary Food, Civil Supplies and Consumer Affairs, Government of Meghalaya requested the Commission to look into MeECL financial condition and try to salvage from losses.

The meeting ended with a vote of thanks by the Convenor.

Sd/-

Secretary, MSERC.

**Annexure-II**

**List of the Objectors in Public Hearing process**

**1. Name & Address**

**M/s Byrnihat Industries Association (BIA)**

**13th Mile, Tamulikuchi, Byrnihat,**

**RiBhoi District, Nongpoh,**

**Meghalaya-793 101.**

**2. Greater Shillong Crematorium & Mortuary Society**

**Shillong Electric Crematorium Complex**

**T.B. Hospital Road, Jhalupara, Shillong**

**Meghalaya**

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