MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION SHILLONG

Front Block Left Wing, 1st Floor, New Administrative Building,
Lower, Lachumiere, Shillong, Meghalaya 793001

Order on Case No. 36 of 2023

Petition for approval of True Up of Distribution Business of Meghalaya Power Distribution Corporation Ltd (MePDCL) for FY 2022-23

Coram

Shri. Chandan Kumar Mondol, Chairman

Shri. Ramesh Kumar Soni, Member (Law)

Petitioner:

Meghalaya Power Distribution Corporation Ltd. (MePDCL)
Lum Jingshai, Short Round Road,
Shillong – 793 001

Order
(Dated: 18.10.2024)

The Government of Meghalaya has notified the Power Sector Reforms Transfer Scheme 2010 leading to restructuring and unbundling of erstwhile Meghalaya State Electricity Board (MeSEB) into four entities. Accordingly, Meghalaya Power Distribution Corporation Limited has started functioning as a segregated commercial operation utility independently for power Distribution in the state of Meghalaya with effect from 1st April 2013.

The Commission, in exercise of the powers vested in it under Sections 61 and 62 of the Electricity Act (EA), 2003 and all other powers enabling it in this behalf, and after taking into consideration the submissions made by MePDCL, suggestions/objections received from the stakeholders upon public consultation process, and upon considering all other relevant material herein, has already issued Order for the true-up of Distribution Business for FY 2021-22 dated 13.11.2023.

The Commission in exercise of functions vested vide Regulation 17 of MSERC Multi Year Tariff Regulations 2014 being read along with its subsequent amendments had approved Aggregate Revenue Requirement (ARR) for FY 2022-23 in its order dated 25.03.2022.

Further in accordance with the applicable regulatory provisions set out vide regulation 14 of the MSERC Multi Year Tariff Regulations, 2014 being read along with its subsequent amendments specifies the following:

> *"The Generating Company or Transmission Licensee or Distribution Licensee shall file an Application for Truing up of the previous year and determination of tariff for the ensuing year, within the time limit specified in these Regulations."*

The Petitioner herein being MePDCL has filed petition for True-Up of Distribution Business for the FY 2022-23 along with audited statement of accounts on 29th November 2023.

This Commission had admitted the Petition provisionally on 01.12.2023, with a direction to MePDCL that an abstract of the Petition should be published in two consecutive issues in local dailies in Khasi, Jaintia, Garo and English. The Petitions were registered as under:

- MSERC Case No. 32/2023: MYT for Fourth Control Period FY 2024-25 to FY 2026-27 for MePDCL and Determination of Tariff for the FY 2024-25 of MePDCL.
- MSERC Case No. 36/2023: Truing up of Distribution Business for the FY 2022-23.

The Regulation-11 of MYT Regulation 2014 stipulates that the Commission shall undertake true-up of the previous year's expenses and revenue approved with reference to Audited Statement of Accounts made available subject to prudence check including pass through of impact of uncontrollable factors (if any).

Further, the Commission taking into consideration all the facts, additional information/data and after prudence check of the claims as per the MYT Regulations, approves the true up orders for FY 2022-23 and the detailed analysis is presented subsequently in this order.

The Commission notifies that the impact of true up gap/surplus shall be appropriated in the next Tariff Order.

Sd/-	Sd/-
Ramesh Kumar Soni, **Member (Law)**	**Chandan Kumar Mondol,** **Chairman**

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1. Background and Brief History

1.1. Background

1.1.1. The power distribution in the state of Meghalaya is carried out by Meghalaya Electricity Power Distribution Corporation Limited (MePDCL), a wholly owned subsidiary of Meghalaya Energy Corporation Limited (MeECL).

1.1.2. The Power Supply Industry in the state of Meghalaya has been under the governance of erstwhile Meghalaya State Electricity board (MeSEB) since 21st January 1975. The Government of Meghalaya has notified the Power Sector Reforms Transfer Scheme 2010, leading to restructuring, and unbundling of erstwhile Meghalaya State Electricity Board (MeSEB) into four entities. After notification of amendment to the Power Sector Reforms Transfer Scheme by the State Government on 1st April 2012, the un-bundling of MeECL into MePDCL, MePGCL and MePTCL came into effect.

1.1.3. Accordingly, Meghalaya Power Distribution Corporation Limited (MePDCL) (*herein referred to as "Petitioner"*) has started functioning as a segregated commercial operation utility independently for power distribution in the state of Meghalaya with effect from 1st April 2013.

1.1.4. The Meghalaya State Electricity Regulatory Commission (*herein referred as "MSERC"/"Commission"*) is an independent statutory body constituted under the provisions of the Electricity Regulatory Commissions (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.

1.1.5. In exercise of the powers vested vide Regulation 16 of MSERC Multi Year Tariff Regulations, 2014, the Commission had approved Multi Year Aggregate Revenue Requirement (ARR) & Distribution Tariff for MePDCL vide Tariff Order dated 25.03.2021. The Aggregate Revenue Requirement and Distribution Tariff for the year FY 2022-23 was further revised vide order dated 25.03.2022 in Case no. 29 of 2021.

1.2. Facts about this Case

1.2.1. The Petitioner, in compliance with the Regulation 11.2 of the Meghalaya State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2014 along with its subsequent amendments has filed its application for Trueing Up of Distribution Business for FY 2022-23 dated 29.11.2023.

1.2.2. This Commission dated 01.12.2023 had admitted the Petition provisionally directing MePDCL to publish abstract of the Petition in two consecutive issues in local dailies in Khasi, Jaintia, Garo and English.

1.2.3. Subsequently on 07.12.2023 and 08.12.2023 abstract of the Petition were published in The Shillong Times- Shillong Edition, U Nongsain Hima and Salantini Janera, inviting objections/suggestions from stakeholders within 30 (thirty) days from the date of publication.

1.2.4. This Commission on 22.02.2024 and 23.02.2024 published notices for Public Hearing in the daily locals viz Shillong Times, Shillong & Tura Edition, Nongsain Hima and Salantini Janera.

1.2.5. On 20.03.2024, in compliance of the due regulatory procedures public hearing of the submitted application for Trueing Up of Distribution Business for FY 2022-23 dated 29.11.2023 was conducted including the Petitioner and the stakeholders.

1.2.6. This Commission had received objections/suggestions from BIA, during the process of evaluating the submitted application for Trueing Up of Distribution Business for FY 2022-23 dated 29.11.2023. The Petitioner has accordingly submitted its replies / responses to the issues raised by the stakeholders during the process which has been noted by this Commission.

1.2.7. Subsequently, due to the pronouncement of model code of conduct on account of the Lok Sabha Elections, issuance of Orders of the subject matter was upheld. The Commission dated 05.06.2024 issued the Order for Trueing Up of Distribution Business for FY 2022-23.

1.2.8. Subsequently, on 01.08.2024 in pursuant to the Order dated 23.07.2024 of the Hon'ble High Court of Meghalaya in WP(C) 217 of 2024, this Commission admitted the revised application of the Petitioner provisionally and notice for rehearing of the application for Trueing Up of Distribution Business for FY 2022-23 were issued.

1.2.9. On 23.08.2024, the Commission had recalled its earlier True Up Order for MePDCL for the year FY 2022-23.

1.2.10. On 03.09.2024, this Commission again issued publication of notice for rehearing of the application for Trueing Up of Distribution Business for FY 2022-23.

1.2.11. On 04.10.2024, due consultative process was followed through public hearing of the submitted application for Trueing Up of Distribution Business for FY 2022-23 were concluded and the Petitioner and the stakeholders were directed for submission of the objections / suggestions.

1.2.12. This Commission has accordingly noted all replies / responses received within due date of 09.10.2024 from the Petitioner and the Stakeholders raised during the public consultation process. The Commission's analysis and ruling thereon are elaborated in the following sections.

1.2.13. Further, Regulation 11.5 of the Meghalaya State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2014 stipulates the following:

"11.5 The scope of the truing up shall be a comparison of the performance of the Generating Company or Transmission Licensee or Distribution Licensee with the approved forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges and shall comprise of the following:

a) a comparison of the audited performance of the applicant for the previous financial year with the approved forecast for such previous financial year, subject to the prudence check including pass-through of impact of uncontrollable factors;

b) Review of compliance with directives issued by the Commission from time to time;

c) Other relevant details, if any."

1.2.14. Further, the apportionment of MeECL expenses shall be regulated as per the Commission's previous notifications and directives subject to prudence check.

2. Suggestions/Objections Received, Response of MePDCL

2.1.1. Objections/ suggestions received from stakeholders has been placed under **Annexure-1.**

3. True Up of Distribution Business for FY 2022-23 for MePDCL

3.1. Introduction

3.1.1. The Petitioner submitted that it filled the true up Petition for FY 2022-23 as per the provisions of the Regulation 11 of the MSERC (Multi Year Tariff) Regulations, 2014 (herein referred as 2014 Tariff Regulations). The extract of the Regulation 11.5 of 2014 Tariff Regulations is as follows,

> *"The Scope of the truing up shall be a comparison of the performance of the Generating Company or Transmission Licensee or Distribution Licensee with the approved forecast of the Aggregate Revenue Requirement and expected revenue from tariff and charges and shall comprise of:*
>
> *a) **A comparison of the audited performance of the applicant for the previous financial year with the approved forecast for such financial year, subject to the prudence check including pass-through of impact of uncontrollable factors**.*
>
> *b) Review of the compliance with the directives issued by the Commission from time to time:*
>
> *c)Other relevant details."*
>
> ***<Emphasis added>***

3.1.2. Accordingly, the Petitioner has relied on the audited accounts of the FY 2022-23 for claiming most of the components of Aggregate Revenue Requirement. The detailed assumptions and methodology adopted by the Petitioner for various components of the ARR had been discussed in detail in the subsequent sections of its petition.

3.1.3. Further, Petitioner mentioned that the Commission vide order dated 25.03.2021 in Case No. 04 of 2021 allowed the Multi Year ARR for MePDCL including the ARR of FY 2022-23. The ARR for the year was further revised vide order dated 25.03.2022 in Case no. 29 of 2021- Aggregate Revenue Requirement and Distribution Tariff for FY 2022-23. Since, the Annual Statement of Accounts for FY 2022-23 had been audited and hence in terms of the provisions of Regulation 11 of the 2014 Tariff Regulations, MePDCL filled the true up Petition for FY 2022-23.

3.2. Regulatory Provision for Filing of True Up Petition

3.2.1. The Commission has notified the Meghalaya State Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2014 on 15thSeptember 2014 which is applicable for determination of tariff effective from 1 April 2015. Regulation 11 of the said Regulations lays down the general guiding principles for truing up and the provisions of the said Regulations are reproduced below for reference:

"11. Truing-Up

11.1 Where the Aggregate Revenue Requirement and expected revenue from tariff and charges of a Generating Company or Transmission Licensee or Distribution Licensee is covered under a Multi-Year Tariff framework, then such Generating Company or Transmission Licensee or Distribution Licensee, as the case may be, shall be subject to truing up of expenses and revenue during the Control Period in accordance with these Regulations.

11.2 The Generating Company or Transmission Licensee or Distribution Licensee shall file an Application for Truing up of the previous year and determination of tariff for the ensuing year, within the time limit specified in these Regulations:

11.3 Provided that the Generating Company or Transmission Licensee or Distribution Licensee, as the case may be, shall submit to the Commission information in such form as may be prescribed by the Commission, together with the Audited Accounts including audit report by CA&G, extracts of books of account and such other details as the Commission may require to assess the reasons for and extent of any variation in financial performance from the approved forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges

3.2.2. It is further stated that the amendment to Regulation 11.3 of the Meghalaya State Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2014 dated 15th June 2021 is as follows,

"Provided that the Generating Company or Transmission Licensee, as the case may be, shall submit to the Commission information in such form as may be prescribed by the Commission, together with the Audited Accounts including audit report by a Statutory Auditor appointed by C&AG, extracts of books of account and such other details as the Commission may require to assess the reasons for and extent of any variation in financial performance from the approved forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges."

11.4 Provided further that once the Commission notifies the Regulations for submission of Regulatory Accounts applications for tariff determination and truing up shall be based on the Regulatory Accounts.

11.5 The scope of the truing up shall be a comparison of the performance of the Generating Company or Transmission Licensee or Distribution Licensee with the approved forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges and shall comprise of the following:

a) a comparison of the audited performance of the applicant for the previous financial year with the approved forecast for such previous financial year, subject to the prudence check including pass-through of impact of uncontrollable factors;

b) Review of compliance with directives issued by the Commission from time to time;

c) Other relevant details, if any.

11.6 In respect of the expenses incurred by the Generating Company, Transmission Licensee and Distribution Licensee during the year for controllable and uncontrollable parameters, the Commission shall carry out a detailed review of performance of an applicant vis-a-vis the approved forecast as part of the truing up.

11.7 Upon completion of the truing up under Regulation 11.4 above, the Commission shall attribute any variations or expected variations in performance for variables specified under Regulation 12 below, to factors within the control of the applicant (controllable factors) or to factors beyond the control of the applicant (uncontrollable factors):

Provided that any variations or expected variations in performance, for variables other than those specified under Regulation 12.1 below shall be attributed entirely to controllable factors.

11.8 Upon completion of the Truing Up, the Commission shall pass an order recording:

a) the approved aggregate gain or loss to the Generating Company or Transmission Licensee or Distribution Licensee on account of controllable factors, and the amount of such gains or such losses that may be shared in accordance with Regulation 14 of these Regulations;

3.2.3. Commission vide order dated 25.03.2021 in Case No. 04 of 2021 has allowed the Multi Year ARR for MePDCL including the ARR of FY 2022-23. The ARR for the year was further revised vide order dated 25.03.2022 in Case no. 29 of 2021- Aggregate Revenue Requirement and Distribution Tariff for FY 2022-23. Since, the Annual Statement of Accounts for FY 2022-23 have been audited and hence in terms of the provisions of Regulation 11 of the Meghalaya State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2014 MePDCL is filing the true up Petition for FY 2022-23.

3.3. Physical Performance

3.3.1. The Petitioner submitted that there has been substantial growth in terms of the infrastructure and there has been substantial increase in the infrastructure which shows the Petitioner's commitment to improve the performance and cater to the growing demand of the consumers in an efficient manner.

3.3.2. The growth of infrastructure of the Petitioner is tabulated below,

Table 1: Growth in Infrastructure of MePDCL

S.No	Particular	UOM	2018-19	2019-20	2020-21	2021-22	2022-23
1.	Number of 33/11 KV Sub-Stations	Nos.	98	101	107	114	115
2.	Transformation Capacity of 33/11 KV Sub-Stations	MVA	486.58	600.33	641.88	634.45	625.75
3.	Length of 33 KV Lines	CKM.	2217.03	2332.93	2519.41	2630.655	2794.05
4.	Number of 11/0.4 KV Sub-Stations	Nos.	10381	11563	12436	12798	12951
5.	Transformation Capacity of 11/0.4 KV Sub-Stations	MVA	540815.27	773490.75	834374.54	889235	922714.50
6.	Length of 11 KV Lines	CKM.	15601.68	16810.05	17886.16	19687.60	19361.24
7.	Number of Distribution Transformers	Nos.	10381	11577	12495	12847	13173
8.	Length of LT lines	CKM.	20019.21	24928.55	27762.23	31758.38	32196.44

Commission's Analysis

3.3.3. The Commission notes MePDCL's submission in terms of Physical Performance highlights

3.4. Category Wise No. of Consumers, Connected Load and Energy sales for FY 2022-23

3.4.1. The Category wise number of consumers, connected load and Energy sales approved for True up of FY 2022-23 are as shown below,

Table 2: Approved No. of Consumers, Connected Load and Energy Sales for FY 2022-23

Sl. No	Category	No. of Consumers approved for FY 2022-23 (Number)	Connected Load approved for FY 2022-23 (MVA)	Energy Sales approved for FY 2022-23 (MU)
	LT Category	**6,81,146**	**946.47**	**700.77**
1	Domestic	392431	590.68	429.52
2	Commercial	37267	109.56	96.57
3	Industrial	784	9.90	7.40
4	Agriculture	22	0.12	0.20
5	Public Lighting	78	1.54	1.03
6	Water Supply	476	6.89	9.60
7	General purpose	2661	18.99	17.47
8	Kutir Jyoti	247426	208.64	138.78
9	Crematorium	1	0.15	0.18
	HT Category	**873**	**304.20**	**408.81**
1	Domestic	131	23.11	22.18
2	Water Supply	70	14.49	35.37
3	Bulk Supply	230	53.23	77.86
4	Commercial	230	27.59	30.96
5	Industrial	209	155.34	133.25
6	Ferro Alloys	3	18.91	109.20

Sl. No	Category	No. of Consumers approved for FY 2022-23 (Number)	Connected Load approved for FY 2022-23 (MVA)	Energy Sales approved for FY 2022-23 (MU)
	Special tariff	-	-	0.00
	EHT Category	**18**	**101.70**	**671.77**
1	Industrial	14	120.64	263.36
2	Ferro Alloys	4	65.40	408.41
3	Special tariff	-	-	0.00
	Total	**6,81,836**	**1,425.18**	**1,781.35**

3.5. *Availability of Energy*

Petitioner's Submission

3.1.1. The Petitioner submitted that it has two major sources for the long-term procurement of power i.e., power projects of MePGCL the state-owned generation company and the allocation of power from the Central Generating Stations of NEEPCO, NHPC, NTPC and OTPC. Further, the Petitioner mentioned that the most of the stations from which the Petitioner is having long term agreement for procurement of power are hydro power projects the availability from which is maximum during the monsoon period and during the winter season the availability from these sources go down and hence to cater to the demand of the state and ensure uninterrupted supply of power, MePDCL is bound to buy power from the short-term sources such as IEX/bilateral and swapping arrangements. The comparative statement of the energy availability from various sources as approved by the Hon'ble Commission in the tariff order and actual availability from these sources is tabulated below:

Table 3: Proposed Energy Available to MePDCL from various sources in FY 2022-23

S No	Source	Quantum Approved (MU)	Actual Availability (MU)
1	MePGCL	1293.49	1043.53
2	NHPC	40.28	36.87
3	NEEPCO	723.70	646.64
4	OTPC	436.79	517.23
5	NTPC	589.50	0.00
6	Solar Sources	39.42	
	Total Long Terms	**3123.18**	**2244.28**
1	Kreate Energy (Swapping)	0.00	281.55
2	Kreate Energy (IEX)	0.00	27.65
3	APPCL (Swapping)	0.00	85.74

S No	Source	Quantum Approved (MU)	Actual Availability (MU)
4	APPCL (Bilateral Purchase)	0.00	9.05
5	APPCL (IEX)	0.00	25.92
6	GMRTEL (Swapping)	0.00	92.16
7	Manikaran (Swapping)	0.00	64.80
8	Subheksha (Swapping)	0.00	52.09
10	DSM Intra-State	0.00	0.94
11	DSM Inter-State	0.00	20.83
	Total Short Term	**0.00**	**660.72**
	Grand Total	**3123.18**	**2905.00**

3.1.2. The Petitioner also submitted that, actual availability from the long-term sources has been 2244.28 MU against the 3123.18 MU approved by the Commission resulting in a gap of 878.90 MU and accordingly, to cover this gap the Petitioner has resorted to the short-term sources and has procured 660.72 MU of power from short-term sources.

3.1.3. Accordingly, the Petitioner requested the Commission to approve the total availability as shown in the table above.

Commission's Analysis

3.1.4. It may be observed that 250 MU short supplied from State owned Generating stations and 77.06 MU short supply from NEEPCO.

3.1.5. There was no supply from NTPC Bongaigoan for 589.50 MU as projected. Petitioner has not procured Energy from Solar sources approved for ARR at 39.42 MU.

3.1.6. Summing up of the above shortfall, petitioner has resorted to procure 170.12 MU bilaterally from power traders, IEX, DSM Interstate and Intrastate, while 490.60 MU procured in Swapping arrangement.

3.1.0. **Commission considers availability of power for 2905.00 MU for True up of FY 2022-23.**

3.2. Energy Sales

Petitioner's Submission

3.2.1. The Petitioner submitted that it has been operating four of its sub-divisions through distribution franchisee. The distribution franchisee is Input Based Distribution Franchisee in nature where in the input energy is being provided to the franchisee at the injection points of the four sub-divisions. The distribution franchisees are billed at the input energy provided to them at the injection point. Thus, Petitioner mentioned that, technically there is no distribution loss on the energy provided to the franchisee.

3.2.2. Accordingly, the Petitioner mentioned that the total energy sales in the state during FY 2022-23 has been 1718.83 MU which can be verified from the Audited Statement of Accounts, however, since after providing the input energy to the franchisee the losses in the respective sub-divisions is borne by the franchisee, MePDCL for the purpose of Petition has proportionately distributed the input energy provided to the franchisee into the consumer categories in proportion to consumption of each category in the area of franchisee. The detailed calculation has been submitted by the Petitioner in an excel model along with the Petition.

3.2.3. The Petitioner further added that the revenue from sale of power is also accounted in the statement of accounts in a similar manner. The revenue from the consumers is accounted separately and revenue from distribution franchisee is accounted separately. Those the method adopted for arriving at the sale to consumers is such so that there is parity between the audited accounts and the true up petition.

Table 4 : Proposed Comparison of Energy Sales to inside consumers in FY 2022-23

Sl.No.	Category	Energy Sales approved for FY 2022-23 (MU)	Actual Sales FY 2022-23 (MU)	% Variation
	LT Category	606.14	700.77	16%
1	Domestic	404.7	429.52	6%
2	Commercial	77.28	96.57	25%
3	Industrial	6.21	7.40	19%
4	Agriculture	0.78	0.20	-74%
5	Public Lighting	0.12	1.03	762%
6	Water Supply	12.76	9.60	-25%
7	General purpose	17.52	17.47	0%
8	Kutir Jyoti	86.55	138.78	60%
9	Crematorium	0.22	0.18	-16%
	HT Category	**475.44**	**408.81**	**-14%**
1	Domestic	25.15	22.18	-12%
2	Water Supply	33.35	35.37	6%
3	Bulk Supply	103.64	77.86	-25%
4	Commercial	27.87	30.96	11%
5	Industrial	150.58	133.25	-12%
6	Ferro Alloys	36.28	109.20	201%

Sl.No.	Category	Energy Sales approved for FY 2022-23 (MU)	Actual Sales FY 2022-23 (MU)	% Variation
7	Special tariff	98.57	0.00	-100%
	EHT Category	**465.8**	**671.77**	**44%**
1	Industrial	53.41	263.36	393%
2	Ferro Alloys	347.54	408.41	18%
3	Special tariff	64.85	0.00	-100%
	Total	**1547.38**	**1781.35**	**15%**

3.2.4. The Petitioner requested the Commission to approve the sales of FY 2022-23 as 1781.35 MU for the purpose of truing up and calculation of T&D losses and AT&C losses.

Commission's Analysis

3.2.5. The licensee has reported category wise sales for FY 2022-23 which amounted to 1718.83 MU vide note no. 24.1 of SOA as against actual sales after considering the explanation given in the petition, **the energy sales has been approved as 1781.35 MU**.

3.3. Energy sold to Others

Petitioner's Submission

3.3.1. The Petitioner submitted that it is heavily dependent on the hydro power projects for the power procurement. In the monsoon season there is surplus available with the Petitioner which is sold in short-term markets such as IEX/ Bilateral Sales and swapping arrangements. The details of the surplus short-term power sold in FY 2022-23 is tabulated below,

Table 5: Proposed Energy Sales to Others in FY 2022-23

S No.	Particular	MU
a. Sales on IEX and Bilateral		
1	GMR Energy (IEX)	1.33
2	Kreate Energy (IEX)	50.72
3	APPCL (IEX)	38.05
4	DSM Intra State	35.66
5	Kreate Energy (Bilateral)	20.25
	Sub-Total Sales	146.01
b. Details of Swapping		

1	Kreate Energy (Swapping)	290.99
2	APPCL (Swapping)	99.09
3	GMR Energy (Swapping)	29.23
4	Manikaran (Swapping)	58.25
5	SAPL (Swapping)	24.09
	Sub-Total Swapping	501.65
	Grand Total	**647.66**

Commission's Analysis

3.3.2. The Source wise sale of surplus power reported vide note no. 24.3 of Audited accounts found to be 647.66 MU.

3.3.3. The Sale of Surplus power as claimed in the petition for 647.66 MU is considered for True up of FY 2022-23.

3.4. Distribution Loss and Energy Balance

Petitioner's Submission

3.4.1. The Petitioner based on the availability of power in terms of MU and the sales in terms of MU depicted, computed the distribution losses for the state for FY 2022-23 and energy balance of the state for FY 2022-23 which are as follows,

Table 6: Proposed Computation of Distribution Losses for FY 2022-23

Sl. No.	Particulars	Calculation	True-Up for FY 2022-23 (Claimed)
1	Energy purchase from Eastern Region (ER)	A	0
2	Inter-State Transmission Loss in ER	B	1.80%
3	Net Power purchased from ER	C=A(1-B%)	0
4	Power purchase from CGS including Pallatana North Eastern Region (NER)	D	1200.74
5	Total Power at NER	E=C+D	1200.74
6	Inter-State Transmission Loss in NER	F	3%
7	Net Power available at state bus from external sources on long term	G=E*(1-F%)	1164.72
8	Power purchase from MePGCL	H	1043.53
9	Power purchase from other sources (both from outside & within the State) (incl.swap/UI/bilateral)	I	660.72
10	Power sold to others (both outside & inside the State) (incl.swap/UI/bilateral)	J	647.66
11	Net power available **at State Bus** for sale of power within the state	K=G+H+I-J	2221.32
12	State Transmission Loss %	L	4.00%

Sl. No.	Particulars	Calculation	True-Up for FY 2022-23 (Claimed)
13	State Transmission Loss MU	M=K*L	88.85
15	Sub-Transmission Loss and Aux Consumption (@4%)		88.85
16	Net power available of Discom for sale of power within the state	N=K-M	2043.62
17	Power sold to consumers within the state	O	1781.35
18	Distribution Losses	P=N-O	262.27
19	**Distribution Losses (%)**	Q=P/N	**12.83%**

3.4.2. The Petitioner would like to submit that the sub-transmission losses based on empirical studies done in house have been considered as 2% for the purpose of calculation of the T&D losses. Further, the Petitioner had also mentioned that it has several sub-stations, sub- division offices, head office, workshops etc. where substantial amount of energy is consumed. Hence, it has considered 2% of the input energy as auxiliary consumption for the purpose of calculation of T&D losses.

3.4.3. The Petitioner requested the Commission to approve the distribution losses of 12.83% for the FY 2022-23.

Commission's Analysis

3.4.4. The Commission observed that the petitioner MePDCL has projected sub transmission loss plus Auxiliary consumption at 4% over and above the State Transmission losses for 4% for computation of Energy Balance while projecting 12.83 % overall T&D losses vide table no.06 of True up petition for FY 2022-23.

3.4.5. The Commission had also observed that the petitioner has submitted that sub transmission losses based on empirical studies done in-house have been considered as 2% for the purpose of calculation of the T&D losses. Further, MePDCL has several sub-stations, sub-division offices, head office, workshops etc. where substantial amount of energy is consumed. Hence, MePDCL has considered 2% of the input energy as auxiliary consumption for the purpose of calculation of T&D losses. Thus, the Transmission and sub transmission losses projected for True up would amount becomes equal to 4+4 = 8 % in all for FY 2022-23, whereas the Commission had approved 3.70% Transmission loss in the business plan for FY 2022-23 as against the projected Transmission loss of 3.80 % considering the Transmission network addition contemplated for the control period FY 2020-21 to FY 2023-24.

3.4.6. In view of the above, Commission directed the Petitioner to furnish the Authority and norms for claiming 8% Transmission and Sub Transmission losses for computation of Distribution loss and Energy balance beyond the approved Transmission losses of 3.70% in the Business Plan for FY 2022-23.

3.4.7. In reply of the Commission's query, the Petitioner submitted that the Ministry of Power, Government of India, Transmission Division vide Notification dated 01.09.2021 has stated that on an average the sub-transmission losses are at 4.8% on an average. However, MePDCL has considered only 2% as sub-transmission losses. The Copy of the same has been provided by the Petitioner. Moreover, the Petitioner confirmed that it will make efforts to meter the premises of several division and sub-division offices of MePDCL, workshops which use electric furnaces to ascertain the actual energy consumed by them and request the Commission to consider the 2% auxiliary consumption as claimed in the petition.

3.4.8. Further, the Petitioner submitted that it considered an intra-state transmission loss of 4% in place of 3.7% as approved by the Commission in the business plan of MePTCL based on the practice followed by Commission in all the previous true ups. However, in case the intra-state transmission losses are to be considered as 3.7%, the Inter-State transmission losses should also be considered at actuals instead of normative 3%. The actual average inter-state transmission losses as per the POSOCO for FY 2022-23 comes out to be 3.57%. The details of the week wise ISTS losses as reported by POSOCO and consequential impact on computation of T&D losses and energy balance had been shared by the Petitioner.

Table 7: Revised Proposed Computation of Distribution Losses for FY 2022-23

Sl. No.	Particulars	Calculation	True-Up for FY 2022-23 (Claimed)
1	Energy purchase from Eastern Region (ER)	A	0
2	Inter-State Transmission Loss in ER	B	1.80%
3	Net Power purchased from ER	C=A(1-B%)	0
4	Power purchase from CGS including Pallatana North Eastern Region (NER)	D	1200.74
5	Total Power at NER	E=C+D	1200.74
6	Inter-State Transmission Loss in NER	F	3.57%
7	Net Power available at state bus from external sources on long term	G=E*(1-F%)	1157.88
8	Power purchase from MePGCL	H	1043.53
9	Power purchase from other sources (both from outside & within the State) (incl.swap/UI/bilateral)	I	660.72
10	Power sold to others (both outside & inside the State) (incl.swap/UI/bilateral)	J	647.66
11	Net power available **at State Bus** for sale of power within the state	K=G+H+I-J	**2214.48**
12	State Transmission Loss %	L	3.70%
13	State Transmission Loss MU	M=K*L	81.94
	Sub-Transmission Loss and Aux Consumption (@4%)		88.58
14	Net power available of Discom for sale of power within the state	N=K-M	2043.96
15	Power sold to consumers within the state	O	1781.35
16	Distribution Losses	P=N-O	262.61
17	**Distribution Losses (%)**	Q=P/N	**12.85%**

3.4.9. Commission has considered the Intra-state Transmission losses for the Transmission network under MePTCL as 3.16% same as claimed by MePTCL in its True-up petition for FY 2022-23 and recomputed the Distribution Losses for FY 2022-23 as follows,

Table 8: Approved Computation of Distribution Losses for FY 2022-23

Sl. No.	Particulars	Calculation	True-Up for FY 2022-23 (Claimed)	True-Up for FY 2022-23 (Approved)
1	Energy purchase from Eastern Region (ER)	A	0	0
2	Inter-State Transmission Loss in ER	B	1.80%	1.80%
3	Net Power purchased from ER	C=A(1-B%)	0	0
4	Power purchase from CGS including Pallatana North Eastern Region (NER)	D	1200.74	1200.74
5	Total Power at NER	E=C+D	1200.74	1200.74
6	Inter-State Transmission Loss in NER	F	3.57%	3.57%
7	Net Power available at state bus from external sources on long term	G=E*(1-F%)	1157.88	1157.88
8	Power purchase from MePGCL	H	1043.53	1043.53
9	Power purchase from other sources (both from outside & within the State) (incl.swap/UI/bilateral)	I	660.72	660.72
10	Power sold to others (both outside & inside the State) (incl.swap/UI/bilateral)	J	647.66	647.66
11	Net power available **at State Bus** for sale of power within the state	K=G+H+I-J	**2214.48**	**2214.48**
12	State Transmission Loss %	L	3.70%	3.16%
13	State Transmission Loss MU	M=K*L	81.94	69.98
15	Sub-Transmission Loss and Aux Consumption (@4%)		88.58	0.00
16	Net power available of Discom for sale of power within the state	N=K-M	2043.96	2144.50
17	Power sold to consumers within the state	O	1781.35	1781.35
18	Distribution Losses	P=N-O	262.61	363.15
19	**Distribution Losses (%)**	Q=P/N	12.85%	16.93%

3.5. Energy Balance

Petitioner's Submission

3.5.1. The Petitioners have requested the Commission to allow the distribution losses of 12.83% for the FY 2022-23. Accordingly, the Energy Balance computed by the Petitioner for FY 2022-23 and submitted its revised table in the reply of Additional Information 8 vide dated 30.04.2024 as shown in the Table below:

Table 9: Proposed Computation of Energy Balance for FY 2022-23

Sl. No.	Particulars	Calculation	Quantity
1	Energy purchase from Eastern Region (ER)	A	0
2	Inter-State Transmission Loss in ER	B	1.80%
3	Net Power purchased from ER	C=A(1-B%)	0

Sl. No.	Particulars	Calculation	Quantity
4	Power purchase from CGS including Pallatana North Eastern Region (NER)	D	1200.74
5	Total Power at NER	E=C+D	1200.74
6	Inter-State Transmission Loss in NER	F	3.57%
7	Net Power available at state bus from external sourcess on long term	G=E*(1-F%)	1157.86
8	Power purchase from State generating stations within the state	H	1043.53
9	Power purchase from other sources (both from outside & within the State)	I	660.72
10	Net power available at state bus for sale of power within the state	J=G+H+I	2862.12
11	Total power sold	K	1781.35
12	**Distribution Losses (%)**	L	**12.85%**
13	T&D Losses in terms of MU	M = N - K	262.59
14	**Energy Requirement for sale by Discom within state**	N = K/(1-L)	**2043.94**
15	**Energy Requirement for sale within state at state bus**	O = N/(1-4%)	2214.45
16	Surplus Energy at state bus	P = J-O	647.67
17	Power sold to others at state bus (both outside & inside the State) (incl.swap/UI/bilateral)	Q	647.67
18	**Unaccounted Energy**	**R = P - Q**	**0.00**

Commission's Analysis

3.5.2. The Commission observes that the Petitioners have submitted the energy balance based on the actual average inter-state transmission losses as per the POSOCO for FY 2022-23 which comes out to be 3.57%, whereas the Intra-State transmission losses have been claimed as approved by the Commission in Business Plan Order for MePTCL.

3.5.3. Based on the approved Intra-state Transmission loss as 3.16% and considering the Inter-state Transmission loss equal to 52 weeks of average actual losses of FY 2022-23 i.e. 3.57% , Commission approves the energy balance for FY 2022-23 as shown in the below table,

Table 10: Approved Computation of Energy Balance for FY 2022-23

Sl. No.	Particulars	Calculation	Quantity
1	Energy purchase from Eastern Region (ER)	A	0
2	Inter-State Transmission Loss in ER	B	1.80%
3	Net Power purchased from ER	C=A(1-B%)	0
4	Power purchase from CGS including Pallatana North Eastern Region (NER)	D	1200.74
5	Total Power at NER	E=C+D	1200.74
6	Inter-State Transmission Loss in NER	F	3.57%
7	Net Power available at state bus from external sources on long term	G=E*(1-F%)	1157.88
8	Power purchase from State generating stations within the state	H	1043.53
9	Power purchase from other sources (both from outside & within the State)	I	660.72

Sl. No.	Particulars	Calculation	Quantity
10	Net power available at state bus for sale of power within the state	J=G+H+I	2862.14
11	Total power sold	K	1781.35
12	**Distribution Losses (%)**	L	16.93%
13	T&D Losses in terms of MU	M = N - K	69.98
14	**Energy Requirement for sale by Discom within state**	N = K/(1-L)	2144.50
15	**Energy Requirement for sale within state at state bus**	O = N/(1-3.16%)	2214.48
16	Surplus Energy at state bus	P = J-O	647.66
17	Power sold to others at state bus (both outside & inside the State) (incl. swap/UI/bilateral)	Q	647.66
18	**Unaccounted Energy**	**R = P - Q**	0.00

3.6. *Power Purchase Cost*

Petitioner's Submission

3.6.1. The Petitioner has strictly considered the Power Purchase as per the audited statement of accounts. Further, since the Commission has been disallowing the delayed payment surcharge on the power procurement bills, the same has not been considered in the power purchase. Also, the Petitioner added that the delayed payment surcharges billed by NTPC amounting to Rs. 85.07 Cr has been booked in the statement of accounts under the head power purchase expenses which has been excluded from the power purchase expenses claimed in the ARR. Further, an amount of Rs. 17.04 Cr pertaining to the energy bills of NHPC have been wrongly classified in the statement of accounts as delayed payment surcharge due to oversight. Since these expenses are legitimate expenses against the power purchased from NHPC the same has been included in the Power Purchase expenses in the ARR. The detailed statement of power purchase as submitted by the Petitioner is tabulated below:

Table 11: Proposed Power Purchase Expenses for FY 2022-23

S No	Source	Quantum Approved	Quantum Procured	Amount Rs. Cr	Per Unit Cost
A	**Long Term Sources**				
1	MePGCL	1293.49	1043.53	241.67	2.32
2	NHPC	40.28	36.87	17.04	4.62
3	NEEPCO	723.70	646.64	402.56	6.23
4	OTPC	436.79	517.23	149.07	2.88
5	NTPC	589.50	0.00	4.20	0.00
6	Solar Sources	39.42			
	Total Long Terms	**3123.18**	**2244.28**	**814.54**	**3.63**
B1	**Shot Term Purchase**				
1	Kreate Energy (IEX)	0.00	27.65	2.89	1.04
2	**APPCL (Bilateral Purchase)**	0.00	9.05	21.68	6.20

S No	Source	Quantum Approved	Quantum Procured	Amount Rs. Cr	Per Unit Cost
3	APPCL (IEX)	0.00	25.92		
4	DSM Intra-State	0.00	0.94	7.88	3.62
5	DSM Inter-State	0.00	20.83		
	Sub-Total Purchase from Short Term Sources		**84.39**	**32.44**	**3.84**
B2	**Power Swapped In**				
1	Kreate Energy (Swapping)	0.00	281.55	0.84	0.03
2	APPCL (Swapping)	0.00	85.74	0.26	0.03
3	GMRTEL (Swapping)	0.00	92.16	0.30	0.03
4	Manikaran (Swapping)	0.00	64.80	0.22	0.03
5	Subheksha (Swapping)	0.00	52.09	0.17	0.03
	Sub-Total Energy Swapped In		**576.34**	**1.78**	**0.03**
	Total Short Term	**0.00**	**660.72**	**34.23**	**0.52**
	Grand Total	**3123.18**	**2905.00**	**848.77**	**2.92**
	Transmission and Other Charges				
1	Transmission Charges MePTCL			73.49	
2	Transmission Charges PGCIL			103.11	
3	POSOCO Charges			1.21	
4	VAR Charges			0.54	
	Total Power Purchase Cost			**1027.11**	
5	Less RRAS Settlement			-0.27	
	Net Power Puchase Cost	**3123.18**	**2905.00**	**1026.84**	**3.53**

3.6.2. The Petitioner requested the Commission to allow the Power Purchase expenses of Rs. 1026.84 Cr. for FY 2022-23 and submitted the reconciliation as follows,

Table 12: Proposed Reconciliation of Power Purchase Expenses for FY 2022-23

Reconciliation of Power Purchase with Accounts	Amount (Rs Cr)
Power Purchase as Per Accounts	1113.24
Less: Surcharge	1.06
Less: NTPC Surcharge Included	85.07
Net Power Purchase Expenses	1027.11
Considered	1027.11
Difference	0.00

Commission's Analysis

3.6.3. Commission has checked the SOA as submitted by the Petitioner and verified the Power Purchase Cost. Accordingly, Commission determines the Reconciliation of Power Purchase cost with Audited Accounts as shown below,

Table 13: Approved Reconciliation of Power Purchase Expenses for FY 2022-23

Reconciliation of Power Purchase with Accounts	Amount (Rs Cr)
Power Purchase as Per Accounts	1113.24
Less: surcharge on power purchase	17.65
Less: Wheeling charges	
a) MePTCL Charges	73.49

Reconciliation of Power Purchase with Accounts	Amount (Rs Cr)
b) Outside party charges	103.56
Less: NTPC Surcharge Included	85.07
Add: Energy bill of NHPC wrongly added under DPS	17.04
Power Purchase Cost	**850.51**
Add: Transmission Charges (PGCIL)	103.11
Add: Transmission Charges (MePTCL)	73.49
Less RRAS Settlement	-0.27
Net Power Purchase Cost	**1026.84**

3.6.4. **Commission approves Power Purchase cost at Rs. 1026.84 Crore with an adjustment of RRAS Settlement Cost of Rs 0.27 Cr for True up of FY 2022-23 as claimed by the Petitioner**.

3.7. Gross Fixed Assets (GFA)

Petitioner's Submission

3.7.1. The Petitioner has considered the opening GFA equal to the closing GFA for FY 2021-22 as considered by the Commission in the order dated 21/11/2023 in Case No. 01 of 2023 for Truing Up of Expenses for FY 2021-22. The addition and deletion have been considered as per actuals based on the audited statement of accounts. The GFA submitted by the Petitioner for FY 2022-23 is shown in the table below:

Table 14: Proposed Gross Fixed Asset for FY 2022-23

Particular	Amount (Rs Cr)
Opening GFA	1010.19
Addition During the Year	483.59
Deletion During the Year	0.00
Closing GFA	1493.78

Commission's Analysis

3.7.2. In line with the Commission's approach in previous true-up orders, the closing Gross Fixed Assets (GFA) as approved in the True-Up Order for FY 2021-22, amounting to Rs. 1,010.19 Crore for the has been considered as the opening balance for FY 2022-23. The Petitioner reported addition of Rs. 483.59 Crore during the FY 2022-23 and no Disposals/ Deduction has been considered for FY 2022-23 as per SOA. The Commission allows the same the opening and closing GFA for the year, consistent with the Statement of Accounts submitted by the petitioner. The asset wise breakup for True up order of FY 2022-23 is given below.

Table 15: Approved Gross Fixed Asset for FY 2022-23

(Rs. Cr)

Sl No	Particulars	Value of Assets at the beginning of the year (01.04.2022)	Additions during the year	Disposals and/ or Deductions during the year	Asset Value at the end of the year (31.03.2023)
1	Land	1.86	0.17	-	2.03
2	Buildings	13.60	31.68	-	45.28
3	Plant and Equipment	106.16	118.35	-	224.52
4	Furniture and Fixtures	0.99	-	-	0.99
5	Vehicles	0.69	-	-	0.69
6	Office equipment	2.20	1.62	-	3.81
7	Others	-	-	-	-
8	Hydraulic Works	0.09	-	-	0.09
9	Other Civil Works	3.04	-	-	3.05
	Lines and Cable Network	881.56	331.77	-	1,211.14
10	**Total**	**1,010.19**	**483.59**	**-**	**1,491.60**

3.7.3. **Commission approves Closing GFA as Rs. 1,491.60 Crore for True up of FY 2022-23 for MePDCL.**

3.8. Grant Adjustment and Funding Pattern

Petitioner's Submission

3.8.1. The Petitioner submitted that the accounting of the grants in the Audited Accounts is governed by the India Accounting Standard (Ind AS 20). The relevant extract of Indian Accounting Standard 20 is specified below:

> ***"A government grant is not recognised until there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the grant will be received. Receipt of a grant does not of itself provide conclusive evidence that the conditions attaching to the grant have been or will be fulfilled."***

3.8.2. Accordingly, the Petitioner mentioned that the above extract of the Indian Accounting Standard 20 clearly states that the Petitioner has to account for the grants received even if the asset against the grant is not capitalized. Hence, the Petitioner submitted that the consideration of entire grants in the statement of accounts against the Gross Fixed Assets would not be a correct methodology. Further the basic accounting equation that implies that the assets are equal to liabilities can be fulfilled only when the Commission considers the GFA and CWIP on the asset side and the Grants, Equity and loans borrowed on the liability side. In view of the above the Petitioner projected the Opening and Closing Grant and the apportionment of the same in GFA as described in Para 3.9.1.

Commission's Analysis

3.8.3. As per the extant MSERC MYT Tariff Regulations 2014, any grant obtained for execution of the project shall not be considered for the purpose of computation of the capital structure for calculation of Debt & Equity and there after Depreciation & Return on Equity.

3.8.1. In this regard, Commission had asked the petitioner to share the audited certificated of actual year wise grant received and the utilization thereof across various projects under the heads of GFA and CWIP along with a detailed amortization schedule of the capitalized grants on a yearly basis, to ensure that the components of the tariff structure can be determined more transparently and unambiguously.

3.8.2. In response to the above requirement of the Commission, the petitioner has only been able to submit their estimate of the grant utilization in the additional capitalization executed in the current year under consideration i.e. for FY 2022-23. In reply of the Commission's query, the Petitioner vide dated 09.10.2024, submitted the following details,

Table 16: Proposed Additional Capitalization funded through Grant for FY 2022-23

Financial Year	Additional Capitalization Claimed in FY 2022-23 (Rs Cr)	Additional Capitalization funded through Grant (Rs Cr)	Additional Capitalization funded through Equity (Rs Cr)	Additional Capitalization funded through Debt (Rs Cr)
FY 2022-23	483.59	368.12	5.65	109.82

3.8.3. Due to lack of additional data at this stage with the Commission to ascertain the exact amount of grant across each of the operational projects, for the current context Commission has decide to follow the following principle to determine the tariff components:

Step-1: Opening Grant:

For individual projects that have been commissioned, the Commission has taken the opening grant for the current year i.e. FY 2022-23 as the closing grant considered by Commission in its True up order for FY 2021-22, subject to a maximum of the closing GFA for the respective project as has been approved by Commission in its True up order for FY 2022-23.

Step-2: Additional Grant Capitalization:

The current year addition of grant through additional capitalization, has been considered to be equivalent to what has been submitted by Petitioner as part of additional submission, with the restriction that the net depreciation (i.e., post adjustment of yearly Grant amortization value from the yearly gross depreciation value calculated considering the total GFA) is never negative.

Step-3: Closing Grant:

The Closing value of capitalized grant in individual commissioned asset is calculated by adding the opening grant as considered in step-1 & additional grant as considered in step-2 above.

Step-4: Additional Debt & Equity Capitalization:

The balance amount of additional capitalization in the present year after adjustment of the current year additional grant capitalization, shall be split into debt and in the ratio of 70% & 30% respectively.

3.8.4. The grant fund considered by Commission is tabulated below;

Table 17: Approved Grant Adjustment for FY 2022-23

Sl No	Particular	True up for FY 2021-22 (Approved by Commission) (Rs Cr)	True-Up for FY 2022-23 (Approved by Commission) (Rs Cr)
	Gross Fixed Asset (GFA)		
1	Opening GFA	1007.4	1010.19
2	Addition to GFA	2.95	483.59
3	Deduction from GFA	0.16	0.00
2	Closing GFA	1010.19	1491.60
3	Average GFA	1008.80	1250.90
	Grant		
4	Opening Grant	1006.98	1010.19
5	Add Cap funded through Grant		368.12
6	Closing Grant	1186.79	1,378.31
7	Average Grant	1096.89	1194.25
8	**Addition of fresh loan for current year add-cap (Sl No.2- Sl No.3)*70%**	**-**	**80.83**
9	**Addition of fresh equity for current year add-cap (Sl No.2- Sl No.3)*30%**	**-**	**34.64**

3.8.5. Since the closing grant in commissioned assets for FY 2021-22 cannot be more than the approved closing GFA, so according the same is restricted to Rs 1010.19 Cr instead of Rs 1186.79 cr. And the same is thereafter used as opening grant for FY 2022-23.

3.8.6. **Commission considers an average capitalized grant of Rs 1194.25 Cr. for the True Up order of FY 2022-23.**

3.9. Depreciation

Petitioner's Submission

3.9.1. The depreciation has been computed as per the methodology adopted by Hon'ble Commission in the previous true ups. Further the opening balance of GFA has been considered as per the GFA approved by Hon'ble Commission in the order dated 21/11/2023 in Case No. 01 of 2023 in true up of 2021-22. The calculation of depreciation is tabulated below.

Table 18: Proposed Calculation of Depreciation of 2022-23

Asset Details	As on 1st April 2022 (Rs Cr)	Additions (Rs Cr)	Disposals / deductions (Rs Cr)	As on 31st March 2023 (Rs Cr)	Average GFA (Rs Cr)	Depreciation Rate	Depreciation (Rs Cr)
Land	1.86	0.17	0.00	2.03	1.94	0.00%	0.00
Buildings	13.60	31.68	0.00	45.28	29.44	3.34%	0.98
Plant and Equipment	106.18	118.35	0.00	224.52	165.35	5.28%	8.73
Furniture and Fixtures	0.99	0.00	0.00	0.99	0.99	6.33%	0.06
Vehicles	0.69	0.00	0.00	0.69	0.69	9.50%	0.07
Office equipment	2.20	1.62	0.00	3.81	3.00	6.33%	0.19
Others							
Hydraulic Works	0.09	0.00	0.00	0.09	0.09	5.28%	0.00
Other Civil Works	3.05	0.00	0.00	3.05	3.05	3.34%	0.10
Lines and Cable Network	881.56	331.77	0.00	1211.14	1046.35	5.28%	55.25
Total	**1010.20**	**483.59**	**0.00**	**1491.60**	**1250.90**		**65.39**
Rate of Depreciation							**5.23%**
Average Grants in GFA	615.77						
Depreciation on Grants							32.19
Claim of Depreciation							**33.20**

3.9.2. The Petitioner requested the Commission to allow the depreciation of Rs.33.20 Cr as for FY 2022-23.

Commission's Analysis

3.9.3. Commission observed that the Petitioner has claimed the depreciation of Rs. 33.20 crore after adjusting the average grant of Rs. 615.77 Crore which is basically adjusted grant in proportion to GFA and CWIP based on Closing GFA approved in previous True-Up Order dated 13.11.2023.

3.9.4. As per the Regulation 33 of MSERC Regulations 2014:

"33.1 For the purpose of tariff determination, depreciation shall be computed in the following manner:

a) The asset value for the purpose of depreciation shall be the historical cost of the assets as approved 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.***

....

c) The salvage value of the assets shall be considered at 10% and depreciation shall be allowed upto maximum of 90 % of the capital cost of the asset.

Depreciation shall be calculated annually as per straight-line method at the rates specified in CERC (Terms and Conditions of Tariff) Regulations, 2009 as may be amended from time to time.

Provided that land is not a depreciable asset and its cost shall be excluded from the capital cost while computing the historical cost of the asset

....."

<Emphasis added>

3.9.5. Accordingly, the Commission observed that the Govt. Grants and contributions are infused under the Additional Capitalization during the year FY 2022-23 is Rs 368.12 Cr and Opening Grant available with the licensee has been considered as Rs 1010.29 Cr Govt, as detailed out in Paragraph 3.9.5 of this order. Based on the asset wise Depreciation Rate, the Commission determined the Gross Depreciation over 90% of the Average Asset. Moreover, the Commission computed the Amortization of "Consumer contribution and Grants" on the basis of the calculated 'Weighted Average Rate of Depreciation' as 5.07% for FY 2022-23 and deducted 90% of Amortization of Grants from the Gross Depreciation and Accordingly, the Net depreciation approved for FY 2022-23 is as follows;

Table 19: Approved Computation of Depreciation for FY 2022-23

Asset Details	Opening GFA (Rs Cr)	Additions (Rs Cr)	Retirements (Rs Cr)	Closing GFA (Rs Cr)	Average GFA (Rs Cr)	90% of GFA (Rs Cr)	Depreciation Rate	Amount of Depreciation (Rs Cr)
Land	1.86	0.17	0.00	2.03	1.95	0.00	0.00%	0.00
Buildings	13.60	31.68	0.00	45.28	29.44	26.49	3.34%	0.88
Plant and Equipment	106.16	118.35	0.00	224.52	165.34	148.81	5.28%	7.86
Furniture and Fixtures	0.99	0.00	0.00	0.99	0.99	0.89	6.33%	0.06
Vehicles	0.69	0.00	0.00	0.69	0.69	0.62	9.50%	0.06
Office equipment	2.20	1.62	0.00	3.81	3.01	2.71	6.33%	0.17
Others								
Hydraulic Works	0.09	0.00	0.00	0.09	0.09	0.08	5.28%	0.00
Other Civil Works	3.04	0.00	0.00	3.05	3.04	2.74	3.34%	0.09
Lines and Cable Network	881.56	331.77	0.00	1211.14	1046.35	941.72	5.28%	49.72
Total	**1010.19**	**483.59**	**0.00**	**1491.60**	**1250.90**	**1124.06**		**58.85**
Average assets				1250.90				
Rate of Depreciation							5.24%	
Opening Grant	1010.19							
Grant Capitalized during the Year		368.12						
Closing Grant				1378.31				
Average Grants in GFA					1194.25			
90% of Average Grant in GFA						1074.82		
Less : Depreciation on 90% of Avg Grants and contributions								56.27
Net Depreciation for the year								2.58
(+) 1/3rd Dep on MeECL assets								0
Net depreciation for FY 2022-23								**2.58**

3.9.6. **Commission approves Depreciation as Rs. 2.58 Crore for True up of FY 2022-23 for MePDCL.**

3.10. Return on Equity

Petitioner's Submission

3.10.1. The Petitioner submitted that it calculated the return on equity in line with the provisions of Regulation 27 of the 2014 Tariff Regulations and the capital structure presented in the paragraph 3.9.2 of this order. The calculation of Return on Equity as submitted by the Petitioner is tabulated below,

Table 20: Proposed Return on Equity for FY 2022-23

Particulars	Amount (Rs Cr)
Opening Equity	127.59
Closing Equity	190.12
Average Equity	158.85
Rate of Return on Equity	14%
Return on Equity	22.24

Commission's Analysis

3.10.2. Commission observed that the Petitioner has claimed the Return on Equity of Rs. 22.24 crore which is basically based on Apportionment methodology the Petitioner followed on its Capital Structure and the proportion of Opening GFA as approved in previous True-Up Order dated 13.11.2023.

3.10.3. The Return on Equity shall be computed as per Regulation 31 read with Regulation 27 of Meghalaya State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2014. The relevant Regulations 33 is reproduced as under,

> *"33.1* ***Return on equity shall be computed on the equity base determined in accordance with regulation 27 and shall not exceed 14%.***
> *…."*
>
> ***<Emphasis added>***

3.10.4. Further, Regulation 27 of the Meghalaya State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2014 states the following,

> *"**27 Debt-Equity Ratio***
>
> *27.1 For a project declared under commercial operation on or after 1.4.2015, if the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan;*
>
> *Provided that where equity actually deployed is less than 30% of the capital cost, the actual equity shall be considered for determination of tariff.*

Provided further that equity invested in foreign currency shall be designated in Indian rupees on the date of each investment.

Provided any grant obtained for execution of the project shall not be considered as a part of capital structure for the purpose of debt-equity ratio.

……"

<*Emphasis added*>

3.10.5. The Commission has accordingly allowed a Return on Equity (RoE) at 14% on the normative equity, calculated based on the approved average GFA, excluding the average grants and contributions as outlined in para 3.9.2. The approved equity and RoE for FY 2022-23 are as follows,

Table 21: Approved Return on Equity for FY 2022-23

Particulars	Amount (Rs Cr)
Opening GFA	1,010.19
Addition	483.59
Retirements	-
Closing GFA	1,491.60
Average GFA	1,250.90
Less: Average Grants	1,194.25
Net Average Asset (not funded through grants)	56.65
Average 70% Debt component	39.65
Average 30% Equity component	16.99
Rate of Return on Equity (%)	14%
Return on Equity @ 14%	**2.38**

3.10.6. **Commission approves Return on Equity as Rs. 2.38 Crore for True up of FY 2022-23 for MePDCL**.

3.11. Interest on Loan

Petitioner's Submission

3.11.1. In view of the MYT Regulations 2014, the Petitioner submitted that since the Commission has restricted the equity to 30% of the GFA, the Petitioner considered the normative loan (70% of the GFA less grants in GFA and equity in GFA) as opening balance for the purpose of calculating the interest on loan.

3.11.2. Further, the Petitioner added that since the Commission has been considering the actual repayment of loan in the previous years, the total repayment made till date has been considered as cumulative repayment for arriving at net normative loan. The addition in the normative loan has been considered in proportion to the capitalization during the year and the repayment has been considered at actuals. The interest booked in the statement of account against each of the actual loan has been considered for the purpose of arriving at the weighted average rate of interest. This weighted average rate of interest has been used for calculating the interest on loan by multiplying it with the average normative loan. The other financing charges such as guarantee fees have been claimed as per actuals in the audited statement of account.

3.11.3. Accordingly, the Petitioner submitted that the Interest on loan has been computed as per the provisions of Regulations 27 and Regulation 32 of the 2014 Tariff Regulations. The weighted average rate of interest has been computed on the actual loans running as tabulated below,

Table 22: Proposed Computation of Weighted Average Rate of Interest for FY 2022-23

S No.	Details of Loan	Opening Balance	Fresh Drawl	Repayment	Closing Balance	Average Loan	Interest in 2022-23 as Per SOA	Rate of Interest
1	Restructured REC Loan	9.55	0	6.07	3.48	6.52	0.22	3.44%
2	PFC Loan R-APDRP A	33.89	0	0.00	33.89	33.89	3.05	9.00%
3	PFC Loan R-APDRP B	82.36	0	0.00	82.36	82.36	7.41	9.00%
4	PFC Loan IPDS	5.19	0	0.37	4.82	5.00	0.54	10.80%
	WAROI	**130.99**		**6.44**	**124.55**	**127.77**	**11.23**	**8.79%**

3.11.4. The calculation of interest on loans as submitted by the Petitioner is provided below:

Table 23: Proposed Computation of Normative Interest on Loan for FY 2022-23

Particular	Amount (Rs Cr)
Gross Normative Loan-Closing	297.71
Cumulative Repayment	85.94
Net Normative Loan-Opening	211.77
Addition	145.49
Repayment	6.44
Net Normative Loan-Closing	350.82
Average Normative Loan-Closing	324.26
Weighted Average Rate of Interest	8.79%
Interest on Loan	**28.49**
Other Financing Charges	8.16
Total Interest and Financing Charges	**36.65**

Commission's Analysis

3.11.5. As per the Regulation 32.1 and 32.2 of MSERC Regulations 2014:

*32.1 Interest and finance charges on loan capital shall be **computed on the outstanding loans, duly taking into account the schedule of loan repayment, terms and conditions of loan agreements**, bond or debenture and the lending rate specified therein.*

*Provided that the **outstanding loan capital shall be adjusted to make it consistent with the loan amount determined in accordance with regulation 27**.*

32.2 The interest and finance charges attributable to capital work in progress shall be excluded.

Provided that neither penal interest nor overdue interest shall be allowed for computation of tariff.

<Emphasis added>

3.11.6. Further Regulation 27 of the 2014 Tariff Regulations states that:

*"27.1 **For a project declared under commercial operation on or after 1.4.2015, if the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan**;*

Provided that where equity actually deployed is less than 30% of the capital cost, the actual equity shall be considered for determination of tariff."

<Emphasis added>

3.11.7. Accordingly, the Commission directed the Petitioner to submit Actual Loan Profile duly certified by Auditor in a specific tabular format and in response, the Petitioner submitted the below details,

Table 24: Proposed Actual Loan Portfolio for FY 2022-23

		As on 01.04.2022	During the Year				As on 31.03.2023
Sl.No.	**Particulars**	**Loan Outstanding (Rs)**	**Loan Withdrawal (Rs)**	**Principal due during the year (Rs)**	**Rate of Interest (%)**	**Interest accrued during the year (Rs)**	**Loan Outstanding (Rs)**
1	REC Reschedulement	95,500.14	-	77,289.29	8.00%	2,243.68	34,800.24
2	PFC 325crs	27,58,468.96		4,64,285.71	12.65%	3,10,242.01	21,78,111.82
3	PFC IPDS Loan	51,881.64		3,782.60	11.15%	5,399.85	48,161.64
4	PFC Atmanirbhar	55,06,775.00			9.50%	5,29,367.97	55,06,775.00
5	REC Atmanirbhar	55,06,775.00			9.50%	5,58,685.49	55,06,775.00

		As on 01.04.2022	During the Year				As on 31.03.2023
Sl.No.	**Particulars**	**Loan Outstanding (Rs)**	**Loan Withdrawal (Rs)**	**Principal due during the year (Rs)**	**Rate of Interest (%)**	**Interest accrued during the year (Rs)**	**Loan Outstanding (Rs)**
6	PFC RAPDRP Part A	1,21,940.00			9.00%	30,504.60	1,21,940.00
7	PFC RAPDRP Part B	10,40,624.00			9.00%	74,126.16	10,40,624.00
8	State Government Loan	17,54,458.10				30,134.37	17,54,458.10
	Total	**1,68,36,422.84**	-	**5,45,357.60**		**15,40,704.11**	**1,61,91,645.80**

3.11.8. In the previous True-up order dated 13.11.2023, Commission had quoted that,

"2.5.

….

Licensee has been projecting outstanding loans against the R-APDRP-A and R-APDRP- B schemes through the Audited accounts. The R-APDRP A&B Scheme provides that loans drawn were to be utilized to strengthen the network of the licensee and achieve the loss Reduction. As soon as the objective has been achieved the licensee should have submitted proposal for conversion of loans as Grant through the state government.

The Licensee has been utilizing the borrowed money under the R-APDRP-A&B schemes for the infra structural works contemplated to achieve loss reductions and network efficiency for the period FY 2015-16 to FY 2020-21 and Commission has been allowing interest cost in the True up process.

….

Commission considers that the Licensee has failed to submit the proposals for conversion of loans as grant through the State Govt. along with the project appraisals as envisaged in the sanction of funding by the Ministry of power, Govt. of India.

It is imperative that the interest so far allowed in the Tariffs as detailed in the statement shall be a surplus of approved True up ARR which could be considered claw back from the future interest liabilities.

Commission does not consider allowance of interest in the true up ARR against the outstanding loans availed from PFC for improvement of network efficiency to reduce the AT&C losses contemplated in the RAPDRP A&B projects."

3.11.9. In view of the above, Commission disallowed the interest on R-APDRP – A and R-APDRP – B loans for FY 2022-23. Additionally, Commission has disallowed the loan on account of Atmanirbhar Bharat Abhiyan Scheme for the Petitioner has not shared any relevant document w.r.t utilization of the same in the core Distribution Business.

3.11.10. In consideration of the above, Commission has approved the Weighted Average Rate of Interest based on the Actual Loan Portfolio submitted by petitioner as follows,

Table 25: Approved Computation of Weighted Average Rate of Interest for FY 2022-23

S No.	Details of Loan	Opening Balance (Rs Cr)	Addition during the Year (Rs Cr)	Repayment (Rs Cr)	Closing Balance (Rs Cr)	Average Loan (Rs Cr)	Interest Cost (Rs Cr)	Wt. Average Rate of Interest (%)
1	8% Restructured REC Loan	9.55	0	7.73	3.48	6.52	0.22	
2	9% PFC Loan R-APDRP A	12.19	0	0.00	12.19	12.19	0.00	
3	9% PFC Loan R-APDRP B	104.06	0	0.00	104.06	104.06	0.00	
4	12.65% PFC Loan / PFC 325crs	275.85	0	46.43	217.81	246.83	31.02	
5	11.15% PFC Loan IPD Scheme	5.19	0	0.38	4.82	5.00	0.54	
6	State Government loan Semi Annual Repayment	175.45	0		175.45	175.45	3.01	
	Total	**582.29**		**54.54**	**517.81**	**550.05**	**34.80**	**6.33%**

3.11.11. For calculation of the actual interest on loan admissible to Petitioner through ARR, Commission had considered the Approved Closing Loan Balance of the previous True-up order for FY 2021-22 as Normative Opening Loan Balance of FY 2022-23 i.e. Rs 107.43 Cr. and the Addition of loan equal to 70% of 'Net Addition to GFA' after deducting the 'Addition of Grant in GFA' during the Year as detailed out in Para 3.9.7 i.e. Rs 80.83 Cr. Further, the Normative Repayment of Loan during the year has been considered equivalent to the net Depreciation for the financial year of FY 2022-23 i.e. Rs 2.58 Cr. Accordingly, Commission computes the Normative Interest on Loan and approves Rs 12.74 Cr as shown in the table below,

Table 26: Approved Computation of Normative Interest on Loan for FY 2022-23

Particular	True-Up for FY 2022-23 (Claimed by Petitioner) (Rs Cr)	True-Up for FY 2022-23 (Approved by Commission) (Rs Cr)
Net Normative Loan-Opening	211.77	107.43
Addition	145.49	80.83
Repayment	6.44	2.58
Net Normative Loan-Closing	350.82	185.68
Average Normative Loan	324.26	146.56
Weighted Average Rate of Interest	8.79%	8.70%
Interest on Loan	28.49	**12.74**
Other Financing Charges	8.16	0.00

Particular	True-Up for FY 2022-23 (Claimed by Petitioner) (Rs Cr)	True-Up for FY 2022-23 (Approved by Commission) (Rs Cr)
Total Interest and Financing Charges	36.65	**12.74**

3.11.12. **Commission approves Interest and Finance charges at Rs. 12.74 Crore for True up of FY 2022-23.**

3.12. Operation and Maintenance Expenses

Petitioner's Submission

3.12.1. The Petitioner submitted that as per the settled practice followed by the Commission in past the operation and maintenance expenses have been claimed as per the audited accounts of FY 2022-23. The details of operation and maintenance expenses are tabulated below:

a. <u>Employee Expenses</u>

Employee expenses have been claimed as per the audited accounts. Petitioner further reiterated that the actuarial valuation for the FY 2022-23 has already been done and the terminal benefits have been accounted in the accounts as per the same.

Table 27: Proposed Employee Expenses for FY 2022-23

S No	Particular	Amount (Rs. Cr.)
1	Salaries and Wages	147.35
2	Gratuity Expenses	6.05
3	Leave Encashment Expenses	22.41
4	Pension Expenses	44.33
5	Contribution to PF	6.50
6	Apportionment of Employee Benefit of Holding Company	11.92
	Total	**238.56**
	1/3rd of Employee Expenses of MeECL	1.62
	Total	**240.18**

The Petitioner requested the Commission to allow the employee expenses of Rs. 240.18 Cr for FY 2022-23.

b. R&M Expenses

R&M expenses have been claimed as per the audited statement of accounts. The MeECL expenses have been apportioned in the three companies in equal proportion.

Table 28: Proposed R&M Expenses for FY 2022-23

S No	Particular	Actual in Rs. Cr.
1	Buildings	0.16
2	Plant and Equipment	1.64
3	Civil Works	0.04
4	Lines and Cables	4.07
5	Vehicles	0.11
6	Furniture and Fixtures	0.04
7	Office Equipment	0.22
	Total	**6.28**
	1/3rd of MeECL	0.34
	Total R&M Expenses	**6.62**

The Petitioner requested the Commission to allow the R&M expenses of Rs.6.62 Cr for FY 2022-23

c. A&G Expenses

In line with the claims of the employee expenses and R&M expenses the A&G expenses have also been claimed by the Petitioner as per the statement of accounts. The Petitioner has apportioned A&G expenses of MeECL in the three companies in equal proportion.

The Petitioner further submitted that the A&G expenses of MeECL also includes the penalty of Rs.1.21 Cr which has been excluded from the claim.

Table 29: Proposed A&G Expenses for FY 2022-23

S No.	Particular	Amount (Rs Cr)
1	Insurance Expenses	0.02
2	Rent, Rates and Taxes	0.09
3	Billing Software Expenses	4.12
4	Postage Expenses	0.15
5	Training and Conveyance	8.37
6	Printing and Stationary	0.38
7	Auditor's Remuneration	0.06
8	Consultancy Charges	0.31

S No.	Particular	Amount (Rs Cr)
9	License and Registration Charges	0.00
10	Technical Fees	0.02
11	Books and Periodicals	0.00
12	Fee and Subscription	0.00
13	Advertisement	0.19
14	Legal and Professional Charges	0.61
15	MSERC Fees	0.15
16	Electricity and Water Charges	0.53
17	Meter Reading Expenses	0.00
18	Franchisee Commission	0.84
19	Franchisee Transmission Loss	1.03
20	Discount Allowed	0.25
21	Stamp Duty	0.01
22	Bank Charges	0.13
23	GST Expenses	0.01
24	ROC Charges	0.01
25	Entertainment Expenses	0.01
26	Compensation for Injuries	0.13
27	Misc. Expenses	0.17
	Total	**17.60**
	1/3rd of MeECL Expenses	0.61
	Grand Total	**18.21**

The Petitioner requested the Commission to allow the A&G expenses of Rs.18.21 Cr for FY 2022-23

Commission's Analysis

a. **Employee Expenses**

3.12.2. Commission observed that the Petitioner had reported Employee benefit expenses at Rs.238.56 Crore vide note no.27 of SoA for FY 2022-23.

3.12.3. Commission considered the Employee Benefit Expenses for the Petitioner including the 1/3rd of share of Employee Benefit expenses of holding company as per note no. 23 of MeECL and **approved the Employee Expenses of Rs 240.18 Cr as on Actual Basis**.

b. R&M Expenses

3.12.4. Commission observed that the Petitioner had reported total R&M Expenses vide note no.30 of SoA of FY 2022-23 for MePDCL and note no.26 of SoA of MeECL for FY 2022-23. **Hence, the R&M expenses projected for True up of FY 2022-23 is Rs.6.62 Crore found to be admissible, and Commission approves the same on actual basis.**

c. A&G Expenses

3.12.5. Commission considered that as reported by Petitioner vide note no.30 of SoA for FY 2022-23, the A&G expenses projected for True up of FY 2022-23 at Rs.17.60 Crore includes **Franchisee Transmission loss for Rs.1.03 Crore which shall not be considered**.

3.12.6. Hence, Net Admissible A&G expenses shall be Rs.16.57 Crore for MePDCL and 1/3rd share of MeECL Adm General expenses as claimed in the petition for Rs.0.61 Crore is allowed for True up of FY 2022-23 and the Net A&G expense allowed is detailed in the table below,

Table 30: Approved A&G Expenses for FY 2022-23

Particulars	Amount (Rs.Cr)
A&G Expenses claimed by MePDCL	**17.60**
Less: Franchisee Transmission Loss	1.03
Add: 1/3rd A&G expenses of MeECL	0.61
Total A&G expenses	**17.18**

3.12.7. Accordingly, the O&M expense approved vis-à-vis claimed by the Petitioner is shown in the table below,

Table 31: Approved O&M Expenses for FY 2022-23

Particulars	Amount (Rs.Cr) (Claimed by Petitioner)	Amount (Rs Cr) (Approved by Commission)
Employee expenses	240.18	240.18
R&M Expenses	6.62	6.62
A&G expenses	18.21	17.18
Total O&M expenses	**265.01**	**263.98**

3.12.8. **Commission approves O&M Expenses at Rs. 263.98 Crore for True up of FY 2022-23.**

3.13. Interest on Working Capital

Petitioner's Submission

3.13.1. Petitioner submitted that Regulation 34.3 of the 2014 Tariff Regulation details out the methodology of the computation of the Interest on Working Capital for distribution business.

3.13.2. As per the Regulation 34.3.

"34.3 Distribution Business

(i) The Distribution Licensee shall be allowed interest on the estimated level of working capital for the Distribution Business for the financial year, computed as follows:

Operation and maintenance expenses for one month; plus

Maintenance spares at one (1) per cent of the historical cost escalated at 6% from the date of commercial operation; plus

Receivables equivalent to two (2) months of the expected revenue from charges for use of Distribution at the prevailing tariffs; minus

Interest shall be allowed at a rate equal to the State Bank Advance Rate"

3.13.3. In line with the provisions of the above Regulations, the Petitioner computed the interest on working capital which is tabulated below. The State Bank of India Advance Rate as on 01.04.2022 has been considered for the purpose of computation of the interest on working capital.

Table 32: Proposed Computation of Interest on Working Capital for FY 2022-23

S No.	Particular	Claimed for FY 2022-23 (Rs Cr)
1	O&M Expenses (1 month)	22.08
2	Maintenance Spares	5.73
3	Receivables (2 Months)	182.25
4	Total Working Capital Requirement	210.07
5	Rate of Interest	12.30%
6	**Interest on Working Capital**	**25.84**

Commission's Analysis

3.13.4. As per Regulation 34.3 of MYT MSERC Regulations 2014,

"The Distribution Licensee shall be allowed interest on the estimated level of working capital for the Distribution Business for the financial year, computed as follows:

- *Operation and maintenance expenses for one month; plus*
- *Maintenance spares at one (1) per cent of the historical cost escalated at 6% from the date of commercial operation; plus*
- *Receivables equivalent to two (2) months of the expected revenue from charges for use of Distribution at the prevailing tariffs; minus*

Interest shall be allowed at a rate equal to the State Bank Advance Rate (SBAR) as on 1st April of the financial year in which the Petition is filed."

3.13.5. Accordingly, the Commission computed the Interest on working capital as depicted in the table below,

Table 33: Approved Computation of Interest on Working Capital for FY 2022-23

Sl No.	Particulars	Approved for FY 2022-23 (Rs Cr.)
1	O&M expenses for 1 Month	22.00
2	Maintenance Spares at *1% of Opening GFA escalated at 6%	10.71
3	Receivables for 2 Months (Net ARR*2/12)	178.24
4	Total Working Capital	210.94
5	Interest Rate (%) (SBIAR as on 01.04.2022)	12.30%
6	**Interest on Working Capital**	**25.95**

3.13.6. **Commission approves Interest on Working Capital at Rs. 25.95 Crore for True up of FY 2022-23.**

3.14. Revenue From Sale of Surplus Power

Petitioner's Submission

3.14.1. The Petitioner submitted that the Revenue from sale of surplus power has been claimed as per the audited statement of accounts. The details of revenue from sale of surplus power are tabulated below,

Table 34: Proposed Revenue from sale of surplus power for FY 2022-23

Particular	MU	Amount (Rs.Cr)	Rate Discovered (Rs./kWh)
Sale of Power On IEX	110.34	54.77	4.96
Inter State DSM Charges	35.66	19.54	5.48
Total	**146.00**	**74.31**	**5.09**

3.14.2. Further, the Petitioner mentioned that it had entered into swapping arrangements where in the Petitioner provides return power in lieu of the power swapped depending on the availability of surplus and deficit in the power. The ratio of return is generally 1:1.05. The Petitioner further emphasized that these transactions do not have any monetary value as they are settled in terms of energy only. The details of swapping return are provided below,

Table 35: Proposed Details of Swapping Return During FY 2022-23

Particular	MU
Kreate Energy (Swapping)	290.99
APPCL (Swapping)	99.09
GMR Energy (Swapping)	29.23
Manikaran (Swapping)	58.25
SAPL (Swapping)	24.09
Total	**501.66**

3.14.3. The Petitioner requested the Commission to approve the revenue from sale of surplus power as Rs.74.31 Cr for FY 2022-23

Commission's Analysis

3.14.4. Commission observed that the Petitioner has submitted Revenue from sale of surplus power at Rs.74.31 Core for 146 MU sold under UI & IEX which is also reported through audited accounts vide note no.24 found to be acceptable.

3.14.5. **Commission approves Revenue from sale of surplus power at Rs.74.31 Crore for True up of FY 2022-23.**

3.15. Non-Tariff and Other Income

Petitioner's Submission

3.15.1. The Petitioner submitted that the Non-Tariff Income has been considered as per the audited statement of account with following exclusions,

i. Amortization of grants shown in the audited accounts in non-tariff income has been excluded from the claim as the entire movement in grants has been considered at the time of calculation of return on equity and depreciation. Since the amortization of grants is not an actual income and has been accounted in the statement of accounts for the purpose of the complying with the relevant accounting standards issued by ICAI hence the same is not in the nature of revenue.

ii. Grants received under UDAY scheme shown under the head other income in the books of accounts are the grants provided by the Government of India for improving the financial viability of the DISCOM and does not classify as the capital grants. Hence, these grants are not for the purpose of passing on the benefit of the same to the consumers. Revenue grants are provided to meet the gap between the cost that is being recovered from the tariff and actual cost incurred, hence if these grants are considered as reduction from ARR the purpose of these grants is defeated.

iii. The Petitioner submitted that the Commission has been considering the delayed payment surcharge as accounted in the books of accounts. However, MePDCL would like to submit that the delayed payment surcharge accounted in books of account is the amount that has been billed to consumers and not the actual amount collected from them. Hence, the delayed payment surcharge actually collected from the consumers in FY 2022-23 has been considered as Non-Tariff Income.

3.15.2. The details of the Non-Tariff Income for FY 2022-23 is tabulated below,

Table 36: Proposed Details of Non-Tariff Income for FY 2022-23

S No	Particular	Amount (Rs. Cr.)
A	**Other Income**	
	Interest Income	
	From Banks	2.57
	From Others	0.00
	Sub-Total A	**2.57**
B	**Other Non-Operating Income**	
	Rental and Hiring Income	0.00
	Fees and Penalties	0.00
	Sale of scrap, tender forms and others	0.05
	Miscellaneous receipts	7.60
	Revenue Grants for Other Expenditures	0.09
	Revenue Grants for UDAY	0.00
	Sub-Total B	**7.74**
C	**Other Operating Income**	
	Meter Rent	8.57
	Reconnection Fees	0.00
	Delayed Payment Charges Collected From Consumers	20.29
	Rebates on Purchase of Energy	4.91
	Other Charges From Consumers	19.14
	Cross Subsidy Surcharge	7.58
	Sub-Total C	**60.49**
	Grand Total	**70.80**

Commission's Analysis

3.15.3. Commission observed that the Petitioner has reported Non-Tariff and Other income and Cross subsidy surcharge vide note no. 24, 24.2 and 25 of Statement of Accounts of MePDCL.

3.15.4. The Other income of MeECL as reported in Note no. 22 of Audited Accounts is Rs.9.49 Crore, out of which, Rs.0.38 Crore representing the share of subsidiary companies (share of MePGCL amounted to Rs.0.10 Crore + share of MePTCL amounted to Rs.0.09 Crore + share of MePDCL amounted to Rs.0.20 Crore).

3.15.5. The balance Rs.9.11 Crore (Rs 9.49 Cr – Rs 0.38 Cr) shall be shared among three subsidiary companies equally i.e. Rs.3.04 Crore shall be apportionable to MePDCL. Accordingly, the Revenue from other income corresponding to

MeECL amounted to Rs.3.24 Crore in total, must be included under Non-Tariff Income of MePDCL.

3.15.6. Accordingly, the Commission approved the Non-Tariff Income as tabulated below:

Table 37: Approved Details of Non-Tariff Income for FY 2022-23

S No	Particular	Amount (Rs Cr) (Approved)
A	**Other Income**	
1	Interest Income	
2	From Banks	2.57
3	From Others	0.002
4	**Sub-Total A**	**2.57**
B	**Other Non-Operating Income**	
5	Rental and Hiring Income	0.002
6	Fees and Penalties	0.001
7	Sale of scrap, tender forms and others	0.05
8	Miscellaneous receipts	7.60
9	Amortization of Grants and Subsidies	0.00
10	Amortization of Consumer Contributions	0.00
11	Refund of surcharge from NEEPCO	0.00
12	Revenue Grants for Other Expenditures	0.09
13	Revenue Grants for UDAY	0.00
14	**Sub-Total B**	**7.74**
C	**Other Operating Income**	
15	Meter Rent	8.57
16	Reconnection Fees	0.004
17	Delayed Payment Charges Collected From Consumers	36.83
18	Rebates on Purchase of Energy	4.91
19	Other Charges From Consumers	19.14
20	Cross Subsidy Surcharge	7.58
21	**Sub-Total C**	**77.03**
	The Other Income from MeECL apportioned share reported in note no.22 of audited accounts (C) (Rs. 0.20 Cr + Rs. 3.04 Cr)	**3.24**
D	**Grand Total**	**90.58**

3.15.7. The Petitioner submitted that it has received Rs 100 Crore grant from Govt. of Meghalaya under the Uday scheme to mitigate their balance sheet losses. It is an established fact that the scheme of Uday was constituted to facilitate reduction of the pending losses of the state Distribution utilities. Thus, in the present case Commission has considered not to deduct the receipt of Rs 100 Cr. received by the MePDCL from Govt. of Meghalaya under the extant Uday scheme while calculating the total Non-Tariff Income.

3.15.8. **Commission approves Non-Tariff and Other Income at Rs. 90.58 Crore for True up of FY 2022-23.**

3.16. Computation of AT&C losses

Petitioner's Submission

3.16.1. The Petitioner submitted that it has adopted the settled practice followed by the Commission in the previous years. Further, the Petitioner added that since the energy sold to distribution franchisee as the input energy hence technically there are no losses involved there. Accordingly, the sales of 1781.35 MU has been considered for calculation of AT&C losses. Further, the opening debtors and closing debtors have been considered as per the statement of accounts for computation. Further, the sub-transmission losses and auxiliary consumption have been considered as per the methodology adopted in the calculation of T&D losses.

3.16.2. The computation of the AT&C losses is tabulated below,

Table 38: Proposed Computation of AT&C Losses for FY 2022-23

S No	Particular	Legend	Value
1	Input Energy (MU)	A	2257.34
2	Transmission Losses (MU)	B	213.73
3	Net Input Energy (MU)	C=(A-B)	2043.62
4	Energy Sold (MU)	D	1781.35
5	Revenue from Sale of Power (Rs. Cr.)	E	1093.51
6	Adjusted Revenue (Rs. Cr)	F	1093.51
7	Opening Debtors (Rs Cr)	G	444.68
8	Closing Debtors (Rs. Cr.)	H	593.46
9	Collection Efficiency (%)	I=(F+G-H)/E	86.39%
10	Units Realized (MU)	J=I*D	1538.98
11	Units Un Realized (MU)	K=C-J	504.64
	AT&C Loss (%)	**L=K/C**	**24.69%**

3.16.3. The Petitioner requested the Commission to allow the AT&C losses for FY 2022-23 as 24.69%.

Commission's Analysis

3.16.4. The Commission observed the AT&C loss computation arrived at in the Format D2 (A) as submitted by the Petitioner in Additional Information 2.

Format-D2 (A)

Information regarding Distribution Loss and AT & C Loss of Licensee FY 2022-23

Sl. No	Particulars	Calculation	Unit	Previous Years FY 2021-22 (Actuals)	Current Year FY 2022-23 (R.E)
1	Generation (own as well as any other connected generation, net after deducting auxiliary consumption) within area of supply of DISCOM	A	MU	2428.80	2905.00
2	Input energy (metered import) received at interface points of DISCOM network	B	MU	2343.40	2691.27

Sl. No	Particulars	Calculation	Unit	Previous Years FY 2021-22 (Actuals)	Current Year FY 2022-23 (R.E)
3	Input Energy (metered Export) by the DISCOM at interface point of DISCOM network including balance surplus energy	C	MU	293.91	647.66
4	Total energy available for sale within the licensed area to the consumers of the DISCOM periphery	D=B-C-4%	MU	2049.49	2043.61
5	Energy billed to metered consumers within the licensed area of the DISCOM	E	MU	1603.60	1781.35
6	Energy billed to unmetered consumers within the licenses area of the DISCOM	F	MU	-	-
7	Total Energy billed	G=E+F	MU	1603.60	1781.35
8	Amount billed to consumer within the licensed area of DISCOM	H	Rs.Cr	910.29	1093.51
9	Amount realized by the DISCOM out of the amount Billed at H	I	Rs.Cr	861.49	944.73
10	Collection efficiency (%) (=Revenue realized Amount billed)	J=(I/H)X100	%	94.64%	86.39%
11	Energy realized by the DISCOM	K= GxJ	MU	1517.63	1534.98
12	Distribution Loss (%)	L={(D –G)/D}x100	%	21.76 %	12.83%
13	**AT&C Loss (%)**	**M={(D-K)/D}x100**	**%**	**25.95 %**	**24.69%**

3.16.5. However, the Petitioner has failed to justify / substantiate the figures submitted in the Format D2 (A) and hence the Commission has recomputed the AT&C loss% in the following format as provided below:

Table 39: Approved Computation of AT&C Losses for FY 2022-23

Particular	Calculation	Unit	Current Year FY 2022-23
Input energy (metered import) received at interface points of DISCOM network	A	MU	2862.14
Input Energy (metered Export) by the DISCOM at interface point of DISCOM network including balance surplus energy	B	MU	647.66
Total energy available for sale within the licensed area to the consumers of the DISCOM periphery	**C=(A-B)* (1-3.16%)**	**MU**	**2144.50**
Energy billed to metered consumers within the licensed area of the DISCOM	D	MU	1781.35
Energy billed to unmetered consumers within the licenses area of the DISCOM	E	MU	-
Total Energy billed	F=D+E	MU	1781.35
Amount billed to consumer within the licensed area of DISCOM	G	Rs.Cr	1093.51
Amount realized by the DISCOM out of the amount Billed at H	H	Rs.Cr	878.18
Collection efficiency (%) (=Revenue realized Amount billed)	I=(H/G)X100	%	80.31%
Energy realized by the DISCOM	J= FxI	MU	1430.57
Distribution Loss (%)	K={(C –F)/C}x100	%	16.93%
AT&C Loss (%)	**L={(C-J)/C}x100**	**%**	**33.29%**

3.16.6. Accordingly, Commission approved the AT&C Loss (%) as shown in the table below,

Table 40: Approved AT&C Losses for FY 2022-23

Sl.No	Particulars	Value (Approved)
1	Opening balance of receivables as approved closing balance for FY 2021-22 (as per audited accounts of FY 2021-22)	689.98
2	Revenue from sale of power within the state in FY 2022-23 (Note no.24 of SoA)	1093.51
3	Total	1783.49
4	Less: Closing balance of receivables as at Note no. 7 of SOA	905.32
5	Revenue realized in FY 2022-23 from sale of power within the state (Sl.no.3-4)	878.18
6	Collection Efficiency (%) (941.34/1093.51*100)	80.31%
7	Distribution losses (%) (vide table no. 9(A))	16.93%
8	AT&C Losses (%) (As computed above)	33.29%

3.16.7. **Commission approves AT&C Loss (%) at 33.29% for True up of FY 2022-23**.

AT&C Loss Penalty

3.16.8. Regulation 83.1 of MSERC MYT Regulations specifies that,

"(a) The licensee shall provide complete information of the total AT & C Losses during the previous year and that projected for the year for which the application is being made, including the basis on which such losses have been worked out.

Provided that it shall be obligatory on the licensee whose AT&C losses during the previous year are in excess of 30 percent, to project reduction of such losses by a minimum of 3 percent during the year for which a Tariff Application is made. Any shortfall in the projected level of AT&C losses for such year, in this regard, may be penalized by an amount equivalent to the cost of the quantum of energy to be lost due to inability of the licensee to plan and achieve reduction of AT&C losses by a minimum of 3 percent from the previous year's level as may be allowed. Such amount shall be calculated at the average-over-all-unit-cost of sale of power, as approved by the Commission for such year.

Provided also that in the case of a licensee whose AT&C losses during the previous year were less than 30 percent, it would be obligatory for such licensee to reduce such AT&C losses by a minimum of 1.5 percent only during the year for which a Tariff Application is made. Failure to achieve this level of reduction may be penalized in the same manner as set out in clause (a) above. Further, provided that the overall penalty, of any, may be limited by relevant Central Guidelines, as may be notified from time to time."

3.16.9. Accordingly, the Commission considers the AT&C loss penalty as detailed in the table below,

Table 41: Approved AT&C Loss penalty for FY 2022-23

Sl. No	Particular	Unit	Value (Approved)
1	Actual AT&C loss for FY 2021-22	%	25.95%
2	Target level for FY 2022-23 (1.5% less of Sl.no.1)	%	24.45%
3	Actual AT&C loss for FY 2022-23 as recomputed	%	33.29%
4	Short fall over the Targeted Level (Sl.no.3-2)	%	8.84%
5	AT&C loss in terms of Energy for FY 2022-23 (1781.35 x 3.58%)	MU	157.49
6	Average Unit cost of sale of power as per Reg.83.1 (1093.51/1781.35)	Rs/Kwh	6.14
7	Penalty to be levied on the short fall of AT&C loss (sl.no.5x6)	Rs. Cr	96.68

3.16.10. **Commission approves AT&C loss penalty at Rs. 96.68 Crore for not achieving the AT&C loss target.**

3.17. Accrued Terminal Benefits

Petitioner's Submission

3.17.1. The Petitioner submitted before the Commission that as per the directions of the Hon'ble Commission it has done the actuarial valuation for the terminal benefits. The terminal liabilities for the period from 2013 to 2022-23 after considering the payment of Rs. 860 Cr made to the trust comes out to be Rs. 2441.39 Cr which has been accounted for as Actuarial Loss in the FY 2022-23 in the books of accounts of MePDCL, MePGCL, MePTCL and MeECL as under,

Company	Amount (Rs. Cr
MeECL	21.15
MePDCL	1272.22
MePGCL	749.84
MePTCL	398.17
Total	**2441.39**

3.17.2. The Petitioner further submitted that the terminal benefits are an integral part of the employee expenses and are ought to be recovered through tariff.

3.17.3. However, the Petitioner also takes the cognizance of the fact that the liabilities accrued for the period of 10 years cannot be allowed by the Commission in one year as that would result in substantial tariff shock.

3.17.4. In view of the above, the Petitioner proposed that the terminal liabilities that have been accrued in 10 years may be allowed in 15 equal installments without any carrying cost. Hence, the Petitioner proposed an additional recovery of Rs.84.81 Cr for FY 2022-23 and Rs.0.47 Cr on account of the recovery of terminal benefits of MeECL. MePDCL would also like to submit that the amount of recovery of the accrued liabilities shall be over and above the annual contribution towards terminal benefits. Also, the Petitioner mentioned that since these are not the actual O&M expenses, it would not claim the said expenses for computation of working capital and escalation of O&M expenses.

3.17.5. Accordingly, the Petitioner requested the Commission to allow the additional recovery of Rs. 85.28 Cr in 2022-23.

Commission's Analysis

3.17.6. Commission in its earlier orders has declined the consideration of additional revenue requirement on account of past terminal liabilities due to non-institutionalization of the Pension Fund which was supposed to be created to take care of the terminal liability payments. However, Petitioner has submitted documentary evidence w.r.t institutionalization of the Pension trust in the current period of FY 2022-23, hence the Commission is of the view that pension claim can be evaluated for necessary consideration.

3.17.7. The Petitioner has also shared an Actuarial Valuation report of terminal liabilities where the cut-off date for the actuarial valuation is taken as on 31.03.2023. Additionally, Petitioner in its True Up petition for FY 2022-23, has also claimed that they would like the legitimate dues of the Terminal Liabilities to be recovered in 10 to 15 equal instalments.

3.17.8. In consideration of the above points, this Commission is of the view that the legitimate claim of the Petitioner w.r.t the past Terminal Labilities can be relooked and if found in order can be allowed to be recovered over 10 equal instalments, starting from FY 2023-24. Thus, Commission has decided that no additional consideration w.r.t recovery of past Terminal Liabilities shall be considered in True Up order for FY 2022-23 to calculate the Gap/Surplus, but at the same time Commission has consented to allow the Petitioner to recover the current year i.e., FY 2022-23 pension liability cost through its current year O&M expenses.

3.17.9. **The Commission considers Nil pass through of Accrued Terminal Liabilities in the current year True Up order for FY2022-23.**

3.18. Aggregate Revenue Requirement and Revenue Gap/Surplus for FY 2022-23

Petitioner's Submission

3.18.1. Based on the computation of various components of ARR as detailed out in previous paragraphs the ARR for 2022-23 is estimated as under:

Table 42: Proposed Aggregate Revenue Requirement & Revenue Gap/ (Surplus) for FY 2022-23

Sl.No	Particulars	Approved in Tariff Order 2022-23 (Rs. Cr.)	Actual as Per True Up (Rs. Cr.)	Variation
1	Power Purchase cost	856.32	850.51	-1%
2	Transmission Charges (PGCIL)	68.38	103.11	51%
3	Transmission Charges (MePTCL)	73.49	73.49	0%
	Less RRAS Settlement		-0.27	0%
4	Employee Expenses	182.86	240.18	31%
5	Repair & Maintenance Expenses	6.46	6.62	2%
6	Administration & General Expenses	12.63	18.21	44%
7	Depreciation	0	33.20	0%
8	Interest and Finance charges	10.14	36.65	261%
9	Interest on working capital	23.77	25.84	9%
10	Return on Equity	0	22.24	0%
11	Bad & Doubtful Debt	0		0%
	Gross Annual Revenue Requirement (ARR)	**1234.05**	**1409.77**	**14.24%**
12	Less: Non-Tariff Income and Other Income	104.71	70.80	-32%
13	Less: Sale of Surplus Power	395.72	74.31	-81%
	Net ARR	**733.62**	**1264.66**	**72.39%**
14	Add: True up Gap/(Surplus) for FY 2018-19	-15.88	-15.88	
15	Add: True up Gap for FY 2019-20	179.43	179.43	
16	**ARR for FY 2022-23**	**897.17**	**1428.21**	**59.19%**

3.18.2. The Petitioner requested the Commission to approve the ARR for FY 2022-23 as Rs.1428.21 Cr.

Commission's Analysis

3.18.3. True up petition filed by the Petitioner has been scrutinized considering the Additional information/data, Audited accounts with reference to the MSERC MYT Regulations 2014.

3.18.4. Moreover, the past adjustments i.e., Gap/(Surplus) from the Trued-up year, as already taken into account by the Commission in the Order for ARR of FY 2022-23, have also been taken into consideration in the present year True-Up exercise.

3.18.5. Accordingly, Commission approves the admissible expenses for True up of FY 2022-23 as depicted in table below.

Table 43: Approved Aggregate Revenue Requirement & Revenue Gap/ (Surplus) for FY 2022-23

Sl. No.	Particulars	True-Up for FY 2022-23 (Claimed) (Rs Cr)	True-Up for FY 2022-23 (Approved) (Rs Cr)
1	Power Purchase cost	850.51	850.51
2	Transmission Charges (PGCIL)	103.11	103.11
3	Transmission Charges (MePTCL)	73.49	73.49
	Less RRAS Settlement	-0.27	-0.27
4	Employee Expenses	240.18	240.18
5	Repair & Maintenance Expenses	6.62	6.62
6	Administration & General Expenses	18.21	17.18
7	Depreciation	33.20	2.58
8	Interest and Finance charges	36.65	9.27
9	Interest on working capital	25.84	25.95
10	Return on Equity	22.24	2.38
11	Bad & Doubtful Debt		0.00
	Gross (ARR)	**1409.77**	**1330.99**
12	Less: Non-Tariff Income and Other Income	70.80	90.58
13	Less: Sale of Surplus Power	74.31	74.31
14	Less: Penalty for AT&C loss		96.68
	Net ARR	**1264.66**	**1069.42**
15	Add: True up Gap/(Surplus) for FY 2018-19 dated 03.10.2022	-15.88	-15.88
16	Add: True up Gap for FY 2019-20 dated 03.10.2022	179.43	179.43
	Total ARR recoverable for FY 2022-23 (excluding Pension Liability)	**1428.21**	**1232.97**
17	Comprehensive Income/ Expenses (Pension)	84.81	0.00
18	Comprehensive Income/ Expenses (1/3 MeECL) (Pension)	0.47	0.63
	Total ARR recoverable for FY 2022-23 (including Pension Liability)	**1513.50**	**1233.60**

3.18.6. **Commission approves Annual Revenue Requirement at Rs. 1233.60 Crore for True up of FY 2022-23.**

3.19. Revenue from Operations

Petitioner's Submission

3.19.1. As per the settled methodology adopted by the Hon'ble Commission the Revenue from Sale of Power has been considered as per the audited statement of accounts. MePDCL would like to humbly submit that the as of now the practice of accounting the revenue for certain categories are clubbed together, however, MePDCL is in process of further bifurcating the revenue accounting into further categories as determined by Hon'ble Commission.

Table 44: Proposed Details of Revenue from Sale of Power for FY 2022-23

Categories of other Consumers:	Amount (Rs Cr)
Domestic and Residential	282.23
Commercial	113.51
Industrial Medium and Low Voltage	4.76
Industrial High and Extra High Voltage	563.42
Public Lighting	1.25
Irrigation and Agriculture	0.03
Public Water Works	35.14
Bulk Supply to others	67.49
Miscellaneous and General Purpose	1.16
Construction Project High Tension	-
Revenue from sale of power through Franchisee	24.52
Total	**1,093.51**

3.19.2. The Petitioner requested the Commission to approve the revenue for FY 2022-23 as Rs. 1093.51 Cr.

Commission's Analysis

3.19.3. The net Revenue from operations amounted to Rs.1093.51 Crore for FY 2022-23 as reported vide note no.24 of audited accounts as detailed below,

Table 45: Approved Details of Revenue from Sale of Power for FY 2022-23

Categories of other Consumers:	Amount (Rs Cr)
Revenue from Sale of Surplus power outside state	74.31
Cross Subsidy Surcharge	7.58
RRAS of NTPC & NEEPCO adjusted from the power purchase bills	0.27
Domestic and Residential	282.23
Commercial	113.51
Industrial Medium and Low Voltage	4.76
Industrial High and Extra High Voltage	563.42
Public Lighting	1.25
Irrigation and Agriculture	0.03
Public Water Works	35.14
Bulk Supply to others	67.49
Miscellaneous and General Purpose	1.16

Categories of other Consumers:	**Amount (Rs Cr)**
Construction Project High Tension	0.00
Revenue from sale of power through Franchisee	24.52
Total	**1,175.68**
Less: Revenue from Sale of Surplus power outside state	74.31
Less: Cross Subsidy Surcharge	7.58
Less: RRAS of NTPC & NEEPCO adjusted from the power purchase bills	0.27
Revenue from Sale of power within the state	**1,093.51**

3.19.4. **Commission approves Revenue from operations at Rs.1093.51 Crore for True up of FY 2022-23.**

3.20. Revenue Gap/Surplus

Petitioner's Submission

3.20.1. Based on the ARR and Revenue presented above the Revenue Gap for FY 2022-23 is presented below

Table 46: Proposed Revenue Gap for FY 2022-23

Particulars	Amount (Rs. Cr.)
Aggregate Revenue Requirement	**1513.50**
Less: Revenue from Sale of Power	1093.51
Net Gap / (Surplus) for FY 2022-23	**419.99**

Commission's Analysis

3.20.2. Commission has analyzed the True up ARR with reference to the additional information filed by the licensee and also as per Regulations, Revenue Gap/Surplus has been computed in the table below,

Table 47: Approved Revenue Gap for FY 2022-23

Particulars	Amount (Rs. Cr.) (Claimed)	Amount (Rs. Cr.) (Approved)
Net ARR	**1513.50**	**1233.60**
Less: Revenue from Sale of Power	1093.51	1093.51
Net Gap / (Surplus) for FY 2022-23	**419.99**	**140.09**

3.20.3. **Commission approves Net Gap at Rs. 140.09 Crore for True up of FY 2022-23 and shall be appropriated in the next Tariff Order.**

4. Summary of Order

4.1.1. The summary of True up Order for Distribution Business for MePDCL for FY 2022-23 is represented in the table below,

Table 48: Summary of Approved ARR figures for True-Up of FY 2022-23

Sl. No.	Particulars	True-Up for FY 2022-23 (Claimed)	True-Up for FY 2022-23 (Approved)
1	Power Purchase cost	850.51	850.51
2	Transmission Charges (PGCIL)	103.11	103.11
3	Transmission Charges (MePTCL)	73.49	73.49
	Less RRAS Settlement	-0.27	-0.27
4	Employee Expenses	240.18	240.18
5	Repair & Maintenance Expenses	6.62	6.62
6	Administration & General Expenses	18.21	17.18
7	Depreciation	33.20	2.58
8	Interest and Finance charges	36.65	9.27
9	Interest on working capital	25.84	25.95
10	Return on Equity	22.24	2.38
11	Bad & Doubtful Debt		0.00
	Gross (ARR)	**1409.77**	**1330.99**
12	Less: Non-Tariff Income and Other Income	70.80	90.58
13	Less: Sale of Surplus Power	74.31	74.31
14	Less: Penalty for AT&C loss		96.68
	Net ARR	**1264.66**	**1069.42**
15	Add: True up Gap/(Surplus) for FY 2018-19 dated 03.10.2022	-15.88	-15.88
16	Add: True up Gap for FY 2019-20 dated 03.10.2022	179.43	179.43
	Total ARR recoverable for FY 2022-23 (excluding Pension Liability)	**1428.21**	**1232.97**
17	Comprehensive Income/ Expenses (Pension)	84.81	0.00
18	Comprehensive Income/ Expenses (1/3 MeECL) (Pension)	0.47	0.63
	Total ARR recoverable for FY 2022-23 (including Pension Liability)	**1513.50**	**1233.60**
19	**Less:** Revenue from Sale of Power	1093.51	1093.51
	Net Gap / (Surplus) for FY 2022-23	**419.99**	**140.09**

5. Commission's Directives

The Commission hereby directs the Petitioner the following directives and is of the view that non-compliance of the directives may lead to non-admittance of the future petitions.

Table 49: Commission's Directive

<table>
<tr><th>Sl. No.</th><th>Particulars</th><th>Timeline</th></tr>
<tr><td>1.</td><td>Petitioner to submit Additional Capitalization funding structure for the respective year
<table>
<tr><th>Particulars</th><th>Total Additional Capitalization (In Rs. Cr.)</th><th>Funded through Grant (In Rs. Cr.)</th><th>Funded though Equity. (In Rs. Cr.)</th><th>Funded through Debt (In Rs. Cr.)</th></tr>
<tr><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td></td></tr>
</table>
</td><td rowspan="2">To be provide during the Next True-Up petition for FY 2023-24</td></tr>
<tr><td>2.</td><td>Petitioner to provide annual Grant data capturing the following details:
a. Scheme wise grant allocation details
<table>
<tr><th>Sl. No.</th><th>Scheme of Grant</th><th>Total Grant received</th></tr>
<tr><td>1</td><td>Scheme-1</td><td></td></tr>
<tr><td>2</td><td>Scheme-2</td><td></td></tr>
<tr><td>3</td><td>Scheme-M</td><td></td></tr>
</table>
b. Grant Capitalization details
<table>
<tr><th>Particulars</th><th>Opening Balance (As on1st April)</th><th>Closing Balance (As on31st March)</th></tr>
<tr><td>Grant Allocated</td><td></td><td></td></tr>
<tr><td>Grant Capitalized</td><td></td><td></td></tr>
<tr><td>Grant Amortized during the year</td><td colspan="2"></td></tr>
</table>
</td></tr>
</table>

<table>
<tr><th>Sl. No.</th><th>Particulars</th><th>Timeline</th></tr>
<tr><td>3.</td><td>Petitioner to provide yearly Loan data capturing the following details:
a. As per Normative calculation/ Regulatory Accounts
<table>
<tr><th>Particulars</th><th>Loan -1</th><th>Loan -2</th><th>Loan-N</th></tr>
<tr><td>Loan</td><td></td><td></td><td></td></tr>
<tr><td>Opening balance</td><td></td><td></td><td></td></tr>
<tr><td>Additional Loan drawl</td><td></td><td></td><td></td></tr>
<tr><td>Repayment</td><td></td><td></td><td></td></tr>
<tr><td>Closing Balance</td><td></td><td></td><td></td></tr>
<tr><td>Applicable Interest rate</td><td></td><td></td><td></td></tr>
<tr><td>Interest on Loan</td><td></td><td></td><td></td></tr>
</table>
b. As per Actual /financial account
<table>
<tr><th>Particulars</th><th>Loan -1</th><th>Loan -2</th><th>Loan-N</th></tr>
<tr><td>Loan</td><td></td><td></td><td></td></tr>
<tr><td>Opening balance</td><td></td><td></td><td></td></tr>
<tr><td>Additional Loan drawl</td><td></td><td></td><td></td></tr>
<tr><td>Repayment</td><td></td><td></td><td></td></tr>
<tr><td>Closing Balance</td><td></td><td></td><td></td></tr>
<tr><td>Applicable Interest rate</td><td></td><td></td><td></td></tr>
<tr><td>Interest on Loan</td><td></td><td></td><td></td></tr>
</table>
</td><td></td></tr>
<tr><td>4.</td><td>Petitioner to provide (in excel and PDF file) LT/HT/EHT Category (including the details of Kutir Jyoti and Special Tariff Category) wise, Metered/Unmetered sub-category wise and Slab wise Billing Determinants (No. of connections, Connected Load, Energy Sale) along with the Revenue earned from those consumer categories for the respective years.</td><td></td></tr>
<tr><td>5.</td><td>Petitioner is directed to submit the RPO compliance during the year with proper documentation including the details of availability of Power from Renewable generators as per PPA singed as well as its own renewable generation vis-à-vis Renewable Power procured with respect to the RPO percentage (%) mentioned in the MSERC RPO regulation.</td><td></td></tr>
</table>

6. Applicability of the Order

This Order shall come into effect from 1st April 2024.

The Petition of Meghalaya Electricity Power Distribution Corporation Limited (MePDCL) in Case No. 36 of 2023 stands disposed of accordingly.

Sd/-	Sd/-
Ramesh Kumar Soni, **Member (Law)**	**Chandan Kumar Mondol,** **Chairman**

7. Annexure-1

BEFORE THE MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION, SHILLONG

IN THE MATTER OF:

TRUE UP OF DISTRIBUTION BUSINESS FOR FY 2022-23 UNDER MSERC (MULTI YEAR TARIFF) REGULATIONS, 2014 AND UNDER SECTION 62 AND 64 READ WITH SECTION 86 OF THE ELECTRICITY ACT 2003.

AND IN THE MATTER OF:

Meghalaya Power Distribution Corporation Limited (MePDCL)

Lum Jingshai, Short Round Road,

Shillong - 793 001, Meghalaya ... **Petitioner**

V/s

Byrnihat Industries Association (BIA)

Upper Baliyan, Umtru Road,

Byrnihat, Ri Bhoi District,

Meghalaya – 793101 ... **Objector**

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BYRNIHAT INDUSTRIES ASSOCIATION BYRNIHAT MEGHALAYA

Filed by:

Byrnihat Industries Association
Upper Baliyan, Umtru Road,
Byrnihat, Ri Bhoi District,
Meghalaya – 793101
Phone: 8004523076

Place: Shillong
Date: 02.01.2024

BEFORE THE MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION, SHILLONG

IN THE MATTER OF:

TRUE UP OF DISTRIBUTION BUSINESS FOR FY 2022-23 UNDER MSERC (MULTI YEAR TARIFF) REGULATIONS, 2014 AND UNDER SECTION 62 AND 64 READ WITH SECTION 86 OF THE ELECTRICITY ACT 2003.

AND IN THE MATTER OF:

Meghalaya Power Distribution Corporation Limited (MePDCL)
Lum Jingshai, Short Round Road,
Shillong - 793 001, Meghalaya **… Petitioner**

V/s

Byrnihat Industries Association (BIA)
Upper Baliyan, Umtru Road,
Byrnihat, Ri Bhoi District,
Meghalaya – 793101 **… Objector**

SUGGESTIONS/ OBJECTIONS ON BEHALF OF BYRNIHAT INDUSTRIES ASSOCIATION

MOST RESPECTFULLY SHOWETH:

1. The Objector, M/s Byrnihat Industries Association ("**BIA**") is filing the present objections to the petition filed by the Meghalaya Power Distribution Corporation Limited (hereinafter referred to as '**MePDCL/ Petitioner'**) seeking True Up of Distribution Business for FY 2022-23. The aforementioned petition has been filed under the Meghalaya State

Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2014 (hereinafter referred to as "**MYT Regulations 2014**") and under Sections 62 & 64 read with Section 86 of the Electricity Act 2003 (hereinafter referred to as '**The Act**'). The objections are being filed in pursuance to the public notice inviting objections and representations from the stake-holders in the State of Meghalaya.

2. The Objector is an Association of industrial consumers in the Byrnihat 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. The special characteristics of the Industrial consumers that benefit the Utilities are:

i. They are the subsidizing category of consumers for the utilities. Hence, they are the revenue earners ensuring better returns for the utilities.

ii. The Load curve and consumption pattern enable better capacity utilization and low Cost of Service for the Utilities in comparison to LT consumer categories.

3. In recent years, Meghalaya has witnessed firming up of power capacity from several sources and an increase in own generation capacity, thus moving towards becoming a net power exporter from being a power deficit State. Being abundantly rich in Hydro Power Generation, the consumers in the State of Meghalaya ought to have considerably lower power procurement costs resulting into lower tariffs across all the categories along with the reasonable industrial tariffs. However, the tariff hikes in the recent years in Meghalaya is in higher side commensurate with the other states in India, which have disproportionately burdened the industrial consumers of

Meghalaya but also seriously reduce the Industrial Growth throughout the state. In view of this, the Petition filed by the Petitioner is of utmost relevance as it would have a direct impact on the various stakeholders involved.

4. It is submitted that the Objector regularly participates in the proceedings related to determination of ARR and Tariff by the Hon'ble Meghalaya State Electricity Regulatory Commission (hereinafter referred to as "**Hon'ble Commission**" or "**Hon'ble MSERC**") and takes up the other issues concerning its members and is therefore an unparalleled stakeholder.

5. In order to submit a comprehensive and detailed analysis of the instant Petition, the Objector has worked with expert consultant, Energy Optimaa. A copy of the report prepared by the expert consultant, Energy Optimaa, is annexed as **Annexure A.**

6. The Objector is making issue-wise submissions in the following manner:

ENERGY SALES

7. The Petitioner has submitted that there has been substantial growth in terms of the infrastructure and there has been substantial increase in the infrastructure. However, it can be observed from the Table 1 in the Petition and as highlighted below, that over the period there is growth of around 5% in last 5 years except LT lines and transformers. However, the YoY growth is very marginal in FY 2022-23 compared to FY 2021-22 which clearly highlights that the development of Distribution infrastructure in the State

has been highly ignored and there has been no breakthrough in achievement of any growth in the power sector.

Table Error! No text of specified style in document.**-1: Physical Parameter of Distribution System**

Particulars	Units	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	CAGR	YoY
Number of 33/11 KV Sub-stations	Nos.	98	101	107	114	115	4%	1%
Transformation Capacity of 33/11 KV Sub-Stations	MVA	487	600	642	634	626	6%	-1%
Length of 33 KV Lines	CKM.	2,217	2,333	2,519	2,631	2,794	6%	6%
Number of 11/0.4 KV Sub-stations	Nos.	10,381	11,563	12,436	12,798	12,951	6%	1%
Transformation Capacity of 11/0.4 KV Sub-Stations	MVA	5,40,815	7,73,491	8,34,375	8,89,235	9,22,715	14%	4%
Length of 11 KV Lines	CKM.	15,602	16,810	17,886	19,688	19,361	6%	-2%
Number of Distribution Transformers	Nos.	10,381	11,577	12,495	12,847	13,173	6%	3%
Length of LT lines	CKM.	20,019	24,929	27,762	31,758	32,196	13%	1%

8. The Petitioner has submitted that the total energy sales in the state during FY 2022-23 has been 1718.83 MU which can be verified from the Audited Statement of Accounts. However, it has been observed that there is a minor difference in energy sales as computed by the Petitioner and the sales as provided in the Annual accounts. Further, the Category wise sales reported through Audited Accounts vide note no.24.1 are not matching with the

category wise Energy sales reported in the True up petition, which may be due to the allocation of bulk power sales distributed to the other category of consumers. The details of the energy sales are outlined below:

Table Error! No text of specified style in document.**-2: Energy Sales for FY 2022-23 (MU)**

Category of Consumers	Approved sales	FY 2022-23 Sales	% variation	As per Annual Accounts	FY 2021-22 Sales	% Growth
LT Category – (A)	**606.14**	**700.75**	**16%**	**639.21**	**595.42**	17.69%
Domestic	404.70	429.52	6%	410.10	395.99	8.47%
Commercial	77.28	96.57	25%	86.06	62.20	55.26%
Industrial	6.21	7.40	19%	5.95	5.61	31.91%
Agriculture	0.78	0.20	-74%	0.13	0.15	33.33%
Public Lighting	0.12	1.03	758%	1.03	0.56	83.93%
Water Supply	12.76	9.60	-25%	8.97	11.20	-14.29%
General purpose	17.52	17.47	0%	15.32	15.20	14.93%
Kutir Jyoti	86.55	138.78	60%	111.47	104.39	32.94%
Crematorium	0.22	0.18	-18%	0.18	0.12	50.00%
HT + EHT Category (B = B1 + B2)	**941.24**	**1,080.59**	15%	**1,002.00**	**1,008.18**	7.18%
HT Category (B1)	**475.44**	**408.82**	**-14%**	**-**	**405.27**	0.88%
Domestic	25.15	22.18	-12%		15.68	41.45%
Water Supply	33.35	35.37	6%		20.88	69.40%
Bulk Supply	103.64	77.86	-25%		29.41	164.74%
Commercial	27.87	30.96	11%		70.4	-56.02%
Industrial	150.58	133.25	-12%		69.11	92.81%
Ferro Alloys	36.28	109.20	201%		106.48	2.55%
Special tariff	98.57	-	-100%		93.31	-100.00%
EHT Category (B2)	**465.80**	**671.77**	**44%**	**-**	**602.91**	11.42%
Industrial	53.41	263.36	393%		45.94	473.27%
Ferro Alloys	347.54	408.41	18%		426.32	-4.20%
Special tariff	64.85	-	-100%		130.65	-100.00%
Bulk Supply (C)				77.63		

Category of Consumers	Approved sales	FY 2022-23 Sales	% variation	As per Annual Accounts	FY 2021-22 Sales	% Growth
Total – A + B + C	**1,547.38**	**1,781.35**	**15%**	**1,718.85**	**1,603.60**	**11.08%**

9. Further, it is observed that there has been overall increase in Energy Sales at 15%, while LT: HT ratio of sales recorded at 39:61 which is also in line with the approved ratio. However, it is observed that major increase in sales is in EHT category by 44% but hardly any growth has been witnessed in the infrastructure in transmission petition or in distribution petition to serve such consumption and hence there is a need for proper development of infra for higher voltage level. Further, abnormal sales variation on YoY basis has been observed in various category of consumers for which proper justification may be provided by the Petitioner. Therefore, it is prayed that this Hon'ble Commission only true-up the energy sales after conducting prudence check.

ENERGY AVAILABILITY

10. The Petitioner has computed the energy balance considering the distribution loss of 12.83%, Intra-State Transmission loss of 4% and Inter-State Transmission loss of 3%. It is requested to the Hon'ble Commission to allow the distribution loss of 12% as per trajectory approved in the business plan and in the tariff order.

11. Further, the Petitioner has not provided any justification / calculation on consideration of Inter-State Transmission loss of 3%. It is submitted that post November 2020, the Hon'ble CERC has revised the computation of PoC losses as per CERC (Sharing of Inter-State Transmission Charges and

Losses) Regulations, 2020 and has come into force w.e.f. 01 November 2020 vide notification dated 08 August-2020. The new regulations have replaced the extant CERC Regulations (notified in 2010), which has been in effect since July 2011 and modify the existing point of connection (PoC)mechanism of tariff computation. As per POSOCO's guidelines, Inter State Transmission System transmission loss will be calculated on PAN India basis by NLDC for each week. The Regional Load Dispatch Centre also published the weekly average transmission loss of a region on its website for each year and also for the last week which is used by the stakeholders for calculation of transmission losses, calculation of transmission charges and billing of energy and energy management. Accordingly, the Petitioner need to highlight the inter-state loss based on the loss as declared by RLDC for FY 2022-23 and provide the detail calculation of the same.

12. With regards to intra-State transmission Loss, the Petitioner has considered 4% loss however the petition filed by MePTCL, it has declared the Transmission loss of the state as 3.16% for FY 2022-23. It is requested to the Hon'ble Commission to recompute the energy balance statement based on the above and in case of any surplus, the same to be disallowed from power purchase cost. The Objector has tried to work out the same and the details of calculation is provided below:

Table Error! No text of specified style in document.**-3: Energy Balance Proposed for FY 2022-23 (MU)**

Particulars	Formula	Approved	Claimed	Claimed - rectified	Allowable
Energy purchase from Eastern Region (ER)	A		-	-	

Particulars	Formula	Approved	Claimed	Claimed - rectified	Allowable
Inter-State Transmission Loss in ER	B		1.80%	1.80%	1.80%
Net Power purchased from ER	C=A(1-B%)	-	-	-	-
Power purchase from CGS including Pallatana North Eastern Region (NER)	D	1,829.69	1,200.74	1,200.74	1,200.74
Total Power at NER	E=C+D	1,829.69	1,200.74	1,200.74	1,200.74
Inter-State Transmission Loss in NER	F	3.00%	3.00%	3.00%	3.00%
Net Power available at state bus from external sources on Long Term	G=E*(1-F%)	1,774.80	1,164.72	1,164.72	1,164.72
Power purchase from State generating stations within State	H	1,293.49	1,043.53	1,043.53	1,043.58$
Power purchase from other sources (both from outside within the State)	I	-	660.72	660.72	660.72
Net power available at state bus for sale of power within the state	J=G+H+I	3,068.29	2,868.97	2,868.97	2,869.02
Total power sold	K	1,547.38	1,781.35	1,781.35	1,718.84
Distribution Losses (%)	L	12.00%	12.83%	12.83%	12.00%
T&D Losses in terms of MU	M = N - K	211.01	262.27	262.27	234.39
Energy Requirement for sale by Discom within state	N = K/(1-L)	1,758.39	2,043.62	2,043.62	1,953.23
Energy Requirement for sale within state at state bus	O = N/(1-Intra Tx Loss%)	1,831.65	2,221.32*	2,128.77	2,016.96
Surplus Energy at state bus	P = J-O	1,236.64	647.65	740.20	852.05
Power sold to others at state bus (both outside & inside the State) (incl.swap/UI/bilateral)	Q	1,236.64	647.65	647.65	647.65
Unaccounted Energy	R = P - Q	0.00	-	92.56	204.41

*- The petitioner in their submission has considered the Intra-State Transmission loss of 8%against the proposed loss of 4% which has been rectified resulting in unaccounted energy of 92.56 MU as per Petitioner submission.
$-As per MePGCL True-up petition

13. Accordingly, the Objector request the Hon'ble Commission to the adjust the cost of surplus power of 204.36 MU for the FY 2022-23 in the overall power purchase cost claim of the Petitioner

POWER PURCHASE COST

14. The Petitioner has claimed Rs. 848.77 Crore towards purchase of 2,905 MU at an Average Rate of Rs. 2.92 /kWh (excl. Transmission charges) for the FY 2022-23. Considering the impact of Transmission charges, the average rate comes out to be Rs. 3.53/unit. Further, the Petitioner has stated that an amount of Rs. 17.04 Cr pertaining to the energy bills of NHPC have been wrongly classified in the statement of accounts as delayed payment surcharge due to oversight. Since these expenses are legitimate expenses against the power purchased from NHPC the same has been included in the Power Purchase expenses in the ARR. The Objector submits that the annual accounts provided by Petitioner is the audited annual accounts by a statutory auditor whereby question on the authenticity of the classification of such expenses needs to be revalidated by way of a certificate from the statutory auditor and supporting documents. It is prayed that these costs may not be allowed as pass through without supporting documents.

15. Further, the cost of surplus power of 204.36 MU for the FY 2022-23 needs to be adjusted in the overall power purchase cost claim of the Petitioner. As

per the average power purchase cost proposed by the Petitioner, the Objector submits the Hon'ble Commission must disallow the excess power purchase cost to the extent of Rs. 59.67 Crore (204.36 MU x Rs. 2.92/kWh/10). Further in line with the approach adopted by the Hon'ble Commission in the past order, Surcharge and Interest claims due to delay in payment of power purchase bills shall not be considered for determination of Tariff.

16. To summarise, it is prayed that this Hon'ble Commission may consider the following :

- Even though there is no power procurement from NTPC, the cost of Rs. 4.20 Crore has been considered without any justification for the same. The Hon'ble Commission may call for data showing efforts made by Petitioner to surrender PPAs executed with NTPC.
- For reconciliation purpose, MePDCL has considered surcharge of Rs. 1.06 Crore. However, as per Audited Statement the Surcharge is Rs. 17.65 Crore. Even if MePDCL submission of non-consideration of DPC charges of Rs. 17.04 Cr pertaining to the energy bills of NHPC is adjusted, the related surcharge amount will be Rs. 0.61 Crore resulting in difference of Rs. 0.45 Crore. This Hon'ble Commission may reconcile the delayed payment surcharge while determining the true-up.
- The Surplus power purchase cost due to revised distribution and transmission loss of 204.41 MU (specified in Table 2-3) needs to be disallowed.
- The resultant shortfall in power availability from the approved sources to the extent of 878.91 MU (specified in Table 2-4) has resulted into additional power procurement from IEX/Bilateral at Rs. 6.20 against the

actual cost of Rs. 3.63/kWh incurred from such approved sources resulting into additional burden on the consumers. Such additional burden should not be passed through to the consumers.

- The Petitioner has not considered 1% rebate on the power Purchase cost which is the approach adopted by the Hon'ble Commission in the past tariff order as per the MYT Tariff Regulations 2014. Accordingly, the same is required to be considered while approving the power purchase cost.

17. Considering the above submission, the Objector hereby submits the power purchase cost probably to be allowed and computed as follows:

Table Error! No text of specified style in document.**-4: Power Purchase Cost for FY 2022-23**

<table>
<tr><th>Particulars</th><th>Quantum Procured</th><th>Amount Rs. Cr</th><th>Per Unit Cost</th><th>Quantum Procured</th><th>Amount Rs. Cr</th><th>Per Unit Cost</th><th>Quantum Procured</th><th>Amount Rs. Cr</th><th>Per Unit Cost</th></tr>
<tr><td></td><td colspan="3">Claimed</td><td colspan="3">Audited</td><td colspan="3">Allowable</td></tr>
<tr><td>Long Term Sources</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>MePGCL</td><td>1,043.53</td><td>241.67</td><td>2.32</td><td>1,043.53</td><td>241.67</td><td>2.32</td><td>1,043.58</td><td>241.67</td><td>2.32</td></tr>
<tr><td>NHPC</td><td>36.87</td><td>17.04</td><td>4.62</td><td>36.87</td><td rowspan="6">608.85</td><td rowspan="6">3.27</td><td>36.87</td><td rowspan="6">591.81</td><td>160.51</td></tr>
<tr><td>NEEPCO</td><td>646.64</td><td>402.56</td><td>6.23</td><td>646.64</td><td>646.64</td><td>-</td></tr>
<tr><td>OTPC</td><td>517.23</td><td>149.07</td><td>2.88</td><td>517.23</td><td>517.23</td><td>-</td></tr>
<tr><td>NTPC</td><td>-</td><td>4.20</td><td></td><td>-</td><td>-</td><td></td></tr>
<tr><td>Kreate Energy (IEX)</td><td>27.65</td><td>2.89</td><td>1.05</td><td rowspan="2">62.62</td><td>27.65</td><td>-</td></tr>
<tr><td>APPCL (Bilateral Purchase / IEX)</td><td>34.97</td><td>21.68</td><td>6.20</td><td>34.97</td><td>-</td></tr>
</table>

Particulars	**Quantum Procured**	**Amount Rs. Cr**	**Per Unit Cost**	**Quantum Procured**	**Amount Rs. Cr**	**Per Unit Cost**	**Quantum Procured**	**Amount Rs. Cr**	**Per Unit Cost**
	Claimed			**Audited**			**Allowable**		
DSM Intra / Inter State	21.77	7.88	3.62	21.77			21.77		-
Kreate Energy (Swapping)	281.55	0.84	0.03	576.34			281.55		-
APPCL (Swapping)	85.74	0.26	0.03				85.74		-
GMRTEL (Swapping)	92.16	0.30	0.03				92.16		-
Manikaran (Swapping)	64.80	0.22	0.03				64.80		-
Subheksha (Swapping)	52.09	0.17	0.03				52.09		-
Grand Total	**2,905.00**	**848.78**	**2.92**	**2,905.00**	**850.52**	**2.93**	**2,905.05**	**833.48**	**2.87**
Transmission and Other Charges									
Transmission Charges MePTCL		73.49			73.49			73.49	
Transmission Charges PGCIL		103.11			103.29			103.11	
POSOCO Charges		1.21						1.21	
VAR Charges		0.54						0.54	
Less RRA Settlement		-0.27						-0.27	
Other Charges		**178.08**			**176.78**			**178.08**	
Net Power Purchase Cost	**2,905.00**	**1,026.86**	**3.53**	**2,905.00**	**1,027.30**	**3.54**	**2,905.05**	**1,011.56**	**3.48**

Particulars	Quantum Procured	Amount Rs. Cr	Per Unit Cost	Quantum Procured	Amount Rs. Cr	Per Unit Cost	Quantum Procured	Amount Rs. Cr	Per Unit Cost
	Claimed			Audited			Allowable		
Less : Surplus power purchase cost to be disallowed								59.72	2.92
Less: 1% Rebate on power purchase cost as per Regulations								9.91	
Net Power Purchase Cost	**2,905.00**	**1,026.86**	**3.53**	**2,905.00**	**1,027.30**	**3.54**	**2,905.05**	**941.92**	**3.24**

DISTRIBUTION LOSSES

18. MePDCL has requested the Hon'ble Commission to approve the distribution losses of 12.83% for the FY 2022-23 against the approved trajectory of 12% which may be disapproved outrightly as such inefficiency result in burden of cost on the end consumers. Further, the Petitioner has stated that it has include sub-transmission losses of 2% based on empirical studies done in house and additional 2% for substantial amount of energy consumed by MePDCL several sub-stations, subdivision offices, head office, workshops for calculation of T&D Loss. Such claim without any substantiating document or supporting may not be accepted by the Hon'ble Commission. Such claim needs to be supported by the detail study and

energy consumed by MePDCL may be outlined separately rather than adjusting in the T&D Loss.

19. Further, in the tariff order dated 25.03.2021, in Case No. 4 of 2021, this Hon'ble Commission has approved the T & D losses for the Petitioner at 12% as projected in the business plan. It is submitted that the trajectory has been determined by this Hon'ble Commission pursuant to Regulation 10 & 82 of the Tariff Regulations, 2014 which provides as below:

"10 Specific trajectory for certain variables 10.1 While approving the Business Plan/MYT Petition, the Commission shall stipulate a trajectory for the variables, which shall include, but not be limited to Operation & Maintenance expenses, target plant load factor, distribution losses and collection efficiency: …

82 Distribution Losses

82.1 The Licensee shall furnish information on Distribution losses for previous year and Current year and the basis on which such losses have been worked out for ensuing years.

82.2 The licensee shall also propose a loss reduction programme for the ensuring year as well as for the next three years duly indicating details of the measures proposed for achieving the same.

82.3 Based on the information furnished and field studies carried out and the loss reduction program proposed by the licensee, the Commission shall fix suitable targets for reduction of Distribution losses for the period specified by the Commission."

20. Since this Hon'ble Commission has determined the distribution loss trajectory based on data and business plan of the Petitioner, there is no

justifiable reason for allowing higher distribution losses. It is respectfully submitted that after issuing regulations in terms of Section 61 of the Electricity Act 2003, this Hon'ble Commission is required to strictly implement the same. Therefore, no further T & D losses may be allowed over and above the levels approved by order dated 25.03.2021.

21. Further, it is pertinent to note this Hon'ble Commission's in its order dated 11.04.2023 tariff for FY 2023-24 has refrained from allowing higher T & D Losses as sought by the Petitioner. In fact, this Hon'ble Commission has allowed lower T & D losses at 12% as determined in the order dated 25.03.2021. The relevant extract of tariff order dated 11.04.2023 is as below:

> *"**Commission's Analysis***
>
> *The T&D and AT&C loss trajectory was notified in the MYT order dated 25.03.2021 considering the tripartite agreement entered by the Govt. of India, Govt. of Meghalaya and MePDCL for implementation of UDAY Scheme on 09.03.2017 subject to certain mandatory performance parameters. The T&D and AT&C losses now projected for 21.43% and 22.25% respectively for FY 2023-24 cannot be considered. The T&D and AT&C losses shall be regulated in the True up process for FY 2023-24 after audited performance is submitted. The T&D and AT&C losses as approved in MYT order dated 25.03.2021 shall be prevailing for FY 2023-24 as noted below…"*

22. Therefore, it is prayed that this Hon'ble Commission may not allow higher T&D losses. It is submitted that the Petitioner is simply asking for increased T & D losses without any justification. The Petitioner has been acting in violation of its commitments under the UDAY Scheme to lower T & D losses. It is pertinent to note that in a recent judgment by this Hon'ble Commission

in Case No. 2 of 2022, the Petitioner has been directed to implement the milestones envisaged under the Uday Scheme. The relevant extracts of order dated 22.09.2022 in Case No. 2 of 2022 is as below:

> *"**In view of the submission of the Respondent MePDCL the following Directives are passed.***
>
> *Respondent MePDCL shall ensure implementation of the activities contemplated in the UDAY Scheme expeditiously while achieving the set of targets in the areas of T&D and AT&C losses.*
>
> *Implementation of capital investment plan utilizing the Govt. Grants and contributions borrowings if any for achieving the network up gradation and efficiency parameters.*
>
> *MePDCL shall file voltage wise network cost and ensure Energy audit upto 11 kv level for assessment of voltage wise losses in order to segregate the Distribution business and retail tariffs.*
>
> *A time bound program may be fixed to file the above data and submitted to the commission."*

23. In Clause 1.3(g) of the MoU executed pursuant to the Uday Scheme, the Petitioner had undertaken to implement several activities to achieve lower T & D losses. However, it appears that the Petitioner has acted in complete violation of its undertaking as it has once again failed to achieve lower T & D losses. Hence, this Hon'ble Commission may not allow pass through of higher T & D losses as it would be only encourage inefficiencies in the state. Also, many of the direction which is necessary to control the T&D loss is either not complied by the Petitioner or no status has been provided in the

petition. Such as Voltage wise network cost or energy audit upto 11 kv is not undertaken, status of the activities as envisaged in UDAY scheme is not provided.

24. Further, Regulation 12.2 of the Tariff Regulations 2014 also assigns "Variations in technical and commercial losses of Distribution Licensee" as a controllable factor. Regulation 14 of the Tariff Regulations 2014 deal with the treatment to be given to losses on account of controllable factors. Hence, as per Regulation 14, no ground has been made out by the Petitioner for pass through of increased distribution losses to the detriment of the consumers of the state. In view of the above, it would be imprudent if the cost of the Petitioner's inefficiency is passed onto the consumers. Therefore, the Cost of the surplus power procured by the Petitioner as a consequence of increased distribution losses should be disallowed by the Hon'ble Commission as a pass through in the Tariff.

GROSS FIXED ASSETS

25. The Petitioner has mentioned that the Opening Gross Fixed Assets have been considered as the closing GFA allowed by the Hon'ble Commission in the true up order dated 21.11.2023 for the FY 2021-22. However, there seems to be an inadvertent error by the Petitioner in reference to the date mentioned. It is humbly submitted that the Hon'ble Commission has undertaken the Approval of True-up of Transmission Business for FY 2021-22 vide Case No. 1/2023 vide order dated 13.11.2023. Hence the reference of the date in the petition is required to be corrected. Also, it is observed that there is a minor difference of Rs. 2.17 Crore between the approved GFA and

GFA as per Audited accounts (Without INDAS adjustment). MePDCL to provide the justification for the difference in the GFA opening balance.

26. The Petitioner has submitted that as per IND AS 20, MePDCL has to account for the grants received even if the asset against the grant is not capitalized and hence consideration of entire grants in the statement of accounts against the Gross Fixed Assets would not be a correct methodology. However, the Petitioner has failed to provide the accounting treatment of the grants specified in the said IND AS. As per "***Indian Accounting Standard (Ind AS) 20 - Accounting for Government Grants and Disclosure of Government Assistance***", it states the following reference:

"12 Government grants shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

Presentation of grants related to assets

24 3 Government grants related to assets, including non-monetary grants at fair value, shall be presented in the balance sheet either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

25 4 Two methods of presentation in financial statements of grants or the appropriate portions of grants related to assets are regarded as acceptable alternatives.

26 5 One method recognises the grant as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset.

27 6 The other method deducts the grant in calculating the carrying amount of the asset. The grant is recognised in profit or loss over the life of a depreciable asset as a reduced depreciation expense."

27. As stated in the above para of IND AS -20, it clearly stated that though the grant is to be recognized as balance sheet item, as per the income approach, the government grants should be recognized in profit or loss on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grant is intended to compensate which is depreciation. Hence, when depreciation on assets has been calculated which is funded by the Grant as an expenditure, the deferred income of the grant also is required to be address on a systematic basis.

28. Accordingly, the Hon'ble Commission has considered the approach of pro-rata basis of the depreciation in proportion to the grant to be considered as income and adjusted in depreciation amount which is a correct approach. Further, as submitted by MePDCL with respect to approach adopted by other State Commission on inclusion of CWIP cost, it is necessary to maintain details of Grant received asset wise so as to identify the grant which has been capitalized and the grant which is under CWIP. Since considering the cash flow position, the grant as received is considered for the capitalisation of the assets based on the required cash flow, the whole grant has been considered against the capitalisation of the assets which seems to be a correct issue. Alternatively, MePDCL may have to provide the details of the grant unutilized in capitalisation and scheme wise details of allocation of amount.

29. Further, MePDCL has claimed asset addition of Rs. 483.59 Crore during the year without providing any details and substantial document supporting such claim. As can be observed from Table 1 of this report, there is hardly any significant addition in the Distribution infrastructure and against an increase of 5% to 6% of asset addition, MePDCL has claimed the capitalisation of Rs. 483.59 Crore, which needs a prudence check. While the Annual Financial statement does reveal asset addition, the reasoning for asset addition is required to be provided by the Petitioner. In the absence of any verifiable and substantiating documents or justification on the nature of such addition to the GFA, such claims may not be admitted for Truing up of ARR for the FY 2022-23.

30. Also, it is submitted that against the capitalisation of Rs. 52.23 Crore approved in MYT Business plan order in Case No. 04/2021, the Petitioner has claimed Rs. 483.59 Crore (i.e. 9.25 times of the approved cost) which may be due to the reason of spillover of the scheme / delay in scheme getting capitalized during FY 2022-23 resulting in cost / time over run. Such cost may not be allowed and Petitioner to provide the status of each scheme along with the spillover details. It is submitted that as per the Regulation 29 of the Tariff Regulations 2014, Additional Capitalization after the date of Commercial operation is admissible in select cases only as shown below:

"29 Additional Capitalisation

29.1 The following capital expenditure, ***actually incurred or projected to be incurred, on the following counts within the original scope of work, after the date of commercial operation and up to the cut-off date may be admitted by the Commission****, subject to the prudence check:*

a) *Due to Un-discharged liabilities within the original scope of work;*

b) On works within the original scope of work, deferred for execution;

c) To meet award of arbitration and compliance of final and unappealable order or decree of a court arising out of original scope of works;

d) On account of change in law;

e) On procurement of initial spares included in the original project costs subject to the ceiling norm specified;

f) Any additional works/services, which have become necessary for efficient and successful operation of a generating station or a transmission system or a distribution system but not included in the original capital cost:

Provided that original scope of work along with estimates of expenditure shall be submitted as a part of Business Plan: Provided further that a list of the deferred liabilities and works deferred for execution shall be submitted along with the application for final tariff after the date of commercial operation of the generating Unit/Station or transmission system or distribution system. Provided further that the assets forming part of the project but not put to use, shall not be considered.

29.2 Impact of additional capitalization on tariff, as the case may be, shall be considered during Truing Up of each financial year of the Control Period."

31. In view of the above Regulations and in the absence of any necessitating document put forth by the Petitioner, the Additional Capitalization claim is not admissible and allowing the claim would be in contravention to the Tariff Regulations 2014. In view of the above arguments, the allowable GFA for the FY 2022-23 is summarized in the table shown below:

Table Error! No text of specified style in document.**-5: Proposed GFA for FY 2022-23 (Rs. Crore)**

Particular	Approved	Claimed	Accounts	Allowable
Opening GFA	1,010.19*	1,010.19	1,008.02	1,010.19

Addition During the Year	52.23$	483.59	483.59	
Deletion During the Year				
Closing GFA	1,062.42	1,493.78	1,491.60	1,010.19

**-Approved as per True-up order of FY 2021-22 in Case No. 1/2023*

$- Approved GFA as per Business Plan approved in Case No. 04/2021

RETURN ON EQUITY

32. The Petitioner submitted that it has claimed Return on Equity in line with the provisions of Regulation 27 of the MYT Regulations 2014 amounting to Rs. 22.24 Crore for FY 2022-23. The claim made by the petitioner is based on the allocation of the grants to total capex (GFA + CWIP) and applying debt:equity ratio of 70:30 as per the MYT Regulations 2014. Also, the figures as considered by the Petitioner is considering the INDAS adjustment. However, the Hon'ble Commission in past tariff orders has clearly stated that IND AS norms shall not be considered and for tariff purpose only historical cost will be considered for determination of tariff.

33. It is respectfully submitted that RoE has to strictly be allowed in terms of Regulation 31 of MSERC MYT Regulations 2014 -

> *"Return on equity shall be computed on the equity base determined in accordance with regulation read with 27 and shall not exceed 14%.*
>
> *Provided that where equity actually deployed is less than 30% of the capital cost, the actual equity shall be considered for determination of tariff."*

34. Therefore, the above regulations provide for excluding the Grants and Contributions utilized for capital work in progress for computation of

Return on Equity. In the past, this Hon'ble Commission has allowed RoE after deducting grants/contributions. Hence, the RoE has to be trued up only after deduction of grants. Further, the Licensee has not filed the details of capitalization for the FY 2022-23. While the Annual Financial statement does reveal asset addition, there is no justification by the Petitioner for such additional Capitalization. In the absence of substantiating evidence, no equity addition is proposed to be considered for the True up of ARR for the FY 2022-23.

35. It is respectfully submitted that as in the past, for FY 2022-23 as well, this Hon'ble Commission may allow RoE as 'Nil' as shown in the table below:

Table Error! No text of specified style in document.**-6: Return on Equity for FY 2022-23 (Rs. Crore)**

Particulars	Formula	Recomputed	Allowable*
GFA as on 31.03.2022	A	1,010.19	1,010.19
Addition during year	B	483.59	-
(-) Retirements	C	-	-
GFA as on 31.03.2023	D = A+B-C	1,493.78	1,010.19
Average Assets	E = (A+D)/2	1,251.98	1,010.19
Less: Grants/contributions as per note 17.1-SOA	F	1,322.01	1,322.01
Net Capital cost for ROE	G = E - F	-70.03	-311.82
Opening Equity	H	-26.43	-26.43
Closing Equity Capital	I = G x 30%	-21.01	-93.55
Average Equity	J = (H + I)/2	-23.72	-59.99
ROE at 14%	K = 14% x J	-3.32	-8.40

*-computed considering no additional capitalisation allowed as per para 3.1 of this report

DEPRECIATION

36. As per Petitioner, the depreciation has been computed as per the methodology adopted by Hon'ble Commission in the previous true up orders based upon opening balance of GFA specified in the order dated 21/11/2023 in Case No. 01 of 2023. The Petitioner has claimed the depreciation of Rs. 33.20 crore after adjusting the average grant of Rs. 615.77 Crore which is adjusted grant in proportion to GFA and CWIP.

37. As per the MYT Regulations 2014, Depreciation is defined as:

"33 Depreciation

33.1 For the purpose of tariff determination, depreciation shall be computed in the following manner:

a) ***The asset value for the purpose of depreciation shall be the historical cost of the assets as approved 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) *The* ***salvage value of the assets shall be considered at 10% and depreciation shall be allowed upto maximum of 90 % of the capital cost of the asset.***

d) ***Depreciation shall be calculated annually as per straight-line method at the rates specified in CERC (Terms and Conditions of Tariff) Regulations, 2009 as may be amended from time to time.***
Provided that land is not a depreciable asset and its cost shall be excluded from the capital cost while computing the historical cost of the asset.

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

f) *The remaining depreciable value as on 31st March of the year closing after a period of 12 years from the date of commercial operation shall be spread over the balance useful life of the asset."*

38. It is respectfully submitted that Depreciation cannot be considered against the assets that are claimed as additions to capital cost. The Petitioner has failed to substantiate its claim of Addition in Capital Cost by way of any documentary evidence. Hence the same is not admissible under the Tariff regulations 2014. The Petitioner has not considered the amortization of grants as per the approach adopted by the Hon'ble Commission in the past tariff order and has adjusted the grants considering the same utilised under Assets and CWIP also which is contravene to the provisions of the MYT Regulations 2014. Therefore, depreciation can only be considered on the opening balance of GFA for 2022-23 as provided below. Further, the depreciation shall be calculated on the 90% of the Gross fixed assets as per the Regulations. In view of the methodology adopted by the Hon'ble

Commission, the allowable Depreciation for FY 2022-23 is 'Nil' as per the table below:

Table Error! No text of specified style in document.**-7: Allowable Depreciation as per FY 2022-23 (Rs. Crore)**

Particulars	**Opening GFA**	**Addition**	**Retirement**	**Closing GFA**	**90% of GFA**	**% of Dep**	**Depn.**
Land	1.86			1.86	1.67	0.00%	-
Buildings	13.60			13.60	12.24	3.34%	0.41
Plant and Equipment	106.16			106.16	95.54	5.28%	5.04
Furniture and Fixtures	0.99			0.99	0.89	6.33%	0.06
Vehicles	0.69			0.69	0.62	9.50%	0.06
Office Equipment	2.20			2.20	1.98	6.33%	0.13
Hydraulic works	0.09			0.09	0.08	5.28%	0.00
Other Civil works	3.04			3.04	2.74	3.34%	0.09
Lines and Cable Network	881.56			881.56	793.40	5.28%	41.89
Total	**1,010.19**	**-**	**-**	**1,010.19**	**909.17**	**5.24%**	**47.68**
Average assets					**1,010.19**	4.72%	
Less : Depreciation on Grants and Contribution	1,127.69			1,248.27	1,187.98		56.07
Depreciation to be allowed							-8.39

OPERATION AND MAINTENANCE

39. The Petitioner has claimed O&M expenses of Rs. 265.01 Crore as per the audited accounts of FY 2022-23. It is observed that the Petitioner has incorporated expenditures towards holding company expenses while claiming O&M Expenses.

40. At the outset, it is stated that the claim made by the Petitioner is in contravention to the Tariff Regulations 2014. The Petitioner has not proposed any norms in the FY 2018-21 control period nor has it proposed any norms for the control period FY 2021-24. The relevant extract of the Tariff Regulations 2014 are reproduced below to highlight the above arguments:

"94 Operation and Maintenance Expenses

94.1 Operation and Maintenance Expenses or O&M Expenses shall mean the total of all expenditure under the following heads:-

- *Employee Cost*
- *Repairs and Maintenance*
- *Administration and General Expenses.*

…………………

94.3 ***The Commission shall ensure that the O&M expense are in accordance with the norms fixed by the Commission****, and any excess or shortage over the norm shall have to be justified by the licensee.*

94.4 ***In the absence of any norms for O&M expenses, the Commission shall determine operation and maintenance expenses based on prudence check of the estimates submitted by the licensee and consumer price index/wholesale price index/inflation.****"*

41. It is further submitted that no provision of the Tariff Regulations 2014 of the Hon'ble Commission allows expenditures of a holding company to be passed through in Tariff and the applicability of the Tariff regulations is only for Gencos, Transcos and Discoms. The Petitioner's claim does not take into

consideration Regulation 1.5 of the MYT Regulations and is accordingly not tenable. Regulation 1.5 of Tariff Regulations 2014 is extracted as below:

> ***"1.5 They shall be applicable to all existing and future Generating Companies, Transmission Licensees and Distribution Licensees and their successors, if any;"***

42. In view of the same, the claim of the petitioner towards O&M Expenses of the holding company is unjust and does not merit any consideration by the Hon'ble Commission. Accordingly, the Objector prays that this Hon'ble Commission may consider the following points while truing-up the O & M expenses for FY 2022-23:

A. Employee Expenses

43. The Petitioner has claimed Rs.240.18 Crore which includes apportionment of employee benefit expenses of Holding Company for Rs.11.92 Crore and Rs.1.62 Crore as 1/3rd of the employee expenses of MeECL for True up of FY 2022-23. The breakup figures of above Employee benefit expenses include Rs.2.33 Crore towards Pension, Pension contribution to Deputation personnel which shall be met from Trust Funds. The remaining apportionable expenses for Rs. 9.59 Crore may be considered for True up of FY 2022-23. Further no detail has been provided for Rs. 1.62 Crore and as submitted by the Objector, the O&M cost of the holding company may not be allowed in True-up of Distribution licensee.

44. Also, the employee expenses approved by the Hon'ble Commission for FY 2021-22 is Rs. 161.65 Crore (Case No. 1/2023 dated 13.11.2023), against which the Petitioner has claimed Rs. 240.18 Crore resulting in increase of

around 48.58%. The Petitioner in the petition has not provided any justification for such huge increase. The approach of the Petitioner seems to be unjust claiming the whole employee expenses which has increased to the extent of 48.58% without any justification and ultimately will be a burden on the end consumers.

45. The Objector submits that Regulations 94.4 of MYT Regulations 2014 clearly provides that in absence of any norms, the expenses can be determined based on prudence check and Consumer price index (CPI)/wholesale price index (WPI)/inflation. Therefore, as per provisions of Regulations 94.4 of MYT Regulations 2014, the Objector requests the Hon'ble Commission to reconsider that if the cost exceeds the inflation index, then the excess should be disallowed as per the Regulations. For FY 2022-23, escalation of 5.18% is presumed considering the weighted average increase in WPI and CPI in 2022-23 with composite index of 50% each as stated by MePTCL in para 5.8 of its respective Petition. Accordingly, the Objector has recomputed the employee cost based on the approach adopted by the Hon'ble Commission in the past tariff orders in the following manner:

Table Error! No text of specified style in document.**-8: Employee Cost for FY 2022-23 (Rs. Crore)**

Particulars	Formula	Allowable
Employee cost as per O&M norm		
Employee cost for FY 2021-22	A	161.65
Escalation Factor -Avg of CPI / WPI	B	5.18%
Employee cost as per O&M norm	C = AX (1+B)	170.02
Actual Employee Cost computed		
Salaries and wages (Note. no.27 of SoA)	D	147.35
Contributions to provident and other funds	E	6.50

Apportionment of Employee Benefit Expenses (from Holding Company)		
(a) Salaries and wages of Deputationists (Note. no. 23 of MeECL SoA)	F	8.01
(b) Staff welfare expenses, insurance etc.	G	0.01
(c) Contribution to CPS (Corporation Contribution)	H	0.06
Total Employee Expenses	I = (D to H)	161.94
Net Actual Employee Expense admissible for True up	J = MIN(C,I)	161.94

B. R&M Expenses

46. The R&M expenses claimed by the Petitioner is Rs. 6.62 Crore which includes the apportionment of the MeECL expenses of Rs. 0.34 Crore also. The Objector would like to reiterate its submission that the claim of the petitioner towards Expenses of the holding company is unjust and does not merit any consideration by the Hon'ble Commission. Against the approved expenses of Rs. 5.86 Crore for FY 2021-22, the Petitioner has claimed Rs. 6.62 Crore as per the audited accounts resulting in escalation in the cost by 12.97% without providing any justification for the increase in the cost.

47. As submitted above, in view of Regulations 94.4 of MYT Regulations 2014, the Objector request the Hon'ble Commission to reconsider the submission made by the Petitioner and if the cost exceeds the inflation index, then the same to be limited as per the Regulations. The Objector prays that this Hon'ble Commission may reject the Petitioner's submissions and allow the R & M costs in the following manner:

Table Error! No text of specified style in document.**-9: Allowable R&M**

expenses for FY 2022-23 (Rs. Crore)

Particulars	Formula	Allowable
R&M cost as per O&M norm		
R&M cost for FY 2021-22	A	5.86
Escalation Factor - Avg of CPI / WPI	B	5.18%
R&M cost as per O&M norm	C = AX (1+B)	6.16
Actual R&M Cost computed		
R&M Cost (Note. no.30 of SoA)	D	6.28
Net Actual R&M expense admissible for True up	E = Min (C,D)	6.16

C. Administrative & General Expenses

48. The A&G expenses claimed by the Petitioner is Rs. 18.21 Crore which includes the apportionment of the MeECL expenses of Rs. 0.61 Crore also. The Objector reiterates its submission that the claim of the Petitioner towards Expenses of the holding company is unjust and does not merit any consideration by the Hon'ble Commission. Against the approved expenses of Rs. 15.75 Crore for FY 2021-22, the Petitioner has claimed Rs. 18.21 Crore as per the audited accounts resulting in escalation in the cost by 15.62% without providing any justification for the increase in the cost.

49. As submitted above, as per provisions of Regulations 94.4 of MYT Regulations 2014, the Respondent request the Hon'ble Commission to reconsider the submission made by the Respondent and if the cost exceeds the inflation index, then the same to be limited as per the Regulations. Accordingly, it is prayed that this Hon'ble Commission may allow A & G expenses in the following manner:

Table Error! No text of specified style in document.**-10: A&G cost allowable for**

FY 2022-23 (Rs. Crore)

Particulars	Formula	Allowable
A&G cost as per O&M norm		
A&G cost for FY 2021-22	A	15.75
Escalation Factor - Avg of CPI / WPI	B	5.18%
A&G cost as per O&M norm	C = AX (1+B)	16.57
Actual A&G Cost computed		
A&G Cost (Note. no.30 of SoA)	D	17.60
Net Actual A&G expense admissible for True up	E = Min (C,D)	16.57

50. Based on the above submission, the Objector request to allow the following O&M expenses for FY 2022-23:

Table Error! No text of specified style in document.**-11: O&M Expenses for FY 2022-23 (Rs. Crore)**

O&M Cost	Claimed	Allowable
Employee Expenses	240.18	161.94
R&M Cost	6.62	6.16

INTEREST ON WORKING CAPITAL

51. The Petitioner has claimed the Interest on working capital of Rs. 25.84 Crore as per Regulation 34.3 of the 2014 Tariff Regulation. However, in view of the above submissions, the Objector prays the Hon'ble Commission may allow interest on working capital in the following manner:

Table Error! No text of specified style in document.**-12: Interest on Working Capital (Rs. Crore)**

Interest on Working Capital	Claimed	Allowable
O&M expenses for 1 Month excl. MeECL cost	22.08	15.39

Maintenance Spares at *1% of escalation at 6%	5.73	10.71
Receivables for 2 Months	182.25	182.25
Total	**210.06**	**208.35**
Interest Rate (%) (SBIAR as on 01.04.2022)	12.30%	12.30%
Interest on Working Capital	25.84	25.63

INTEREST ON LOAN

52. As per Petitioner, the Interest on loan has been computed as per the provisions of Regulations 27 and 32 of MYT Regulations 2014, whereby the weighted average rate of interest has been computed on the actual loans. The Objector submits observed that the closing loan of certain loans does not reconcile with the statement of Accounts (SoA) and also the detail break-up of interest source wise is not provided in SoA. The Objector hereby provides the details of the opening and closing balance of the loan against the amount claimed in the petition:

Table Error! No text of specified style in document.**-13: Weighted Average rate of interest for FY 2022-23 (Rs. Crore)**

Details of Loan	**Opening Balance**	**Closing Balance**	**Average Loan**	**Opening Balance**	**Closing Balance**	**Average Loan**
	Claimed by MePDCL			**As per Audited Accounts**		
Restructured REC Loan	9.55	3.48	6.52	9.55	3.48	6.52
PFC Loan R-APDRP A	33.89	33.89	33.89	33.89	12.19	23.04
PFC Loan R-APDRP	82.36	82.36	82.36	82.36	104.06	93.21
PFC Loan IPDS	5.19	4.82	5.01	5.19	4.82	5.00
Total	**130.99**	**124.55**	**127.77**	**130.99**	**124.55**	**127.77**

53. Since no break-up of interest has been provided, a detail scrutiny may be undertaken that whether any penal interest or overdue interest is included in the interest claimed by Petitioner. Further, the Hon'ble Commission in the past tariff order has clearly stated that the interest cost on the Outstanding R-APDRP A&B loans shall not be admitted in the True up process. Hence, under the computation, the interest as claimed against the R-APDRP A&B loans may not be allowed. The Hon'ble Commission in the True-up of FY 2021-22 tariff order in Case No. 1/2023 dated 13.11.2023 stated as follows:

> *"Licensee has been projecting outstanding loans against the R-APDRP-A and R-APDRP- B schemes through the Audited accounts. The R-APDRP A&B Scheme provides that loans drawn were to be utilized to strengthen the network of the licensee and achieve the loss Reduction. As soon as the objective has been achieved the licensee should have submitted proposal for conversion of loans as Grant through the state government.*
>
> *The licensee has been utilizing the borrowed money under the R-APDRP-A&B schemes for the infra structural works contemplated to achieve loss reductions and network efficiency for the period FY 2015-16 to FY 2020-21 and Commission has been allowing interest cost in the True up process.*
>
> *The licensee was asked to submit vide letter dated 03.05.2023, the loan profile of R-APDRP A&B schemes with the details of repayment of principle and interest so far, along with the infrastructural works completed with the borrowed money and also claims preferred for conversion of the loan as Grant (to ministry of power, Govt. of India through the state govt.) with the physical and financial achievement.*
>
> ……………………………………………………………….

Commission considers that the Licensee has failed to submit the proposals for conversion of loans as grant through the State Govt. along with the project appraisals as envisaged in the sanction of funding by the Ministry of power, Govt. of India.

It is imperative that the interest cost so far allowed in the Tariffs as detailed in the statement shall be a surplus of approved True up ARR which could be considered claw back from the future interest liabilities.

***Commission does not consider allowance of interest in the true up ARR against the outstanding loans availed from PFC for improvement of network efficiency to reduce the AT&C losses contemplated in the RAPDRP A&B projects**."*

54. With respect to the finance charges, the Petitioner has claimed the guarantee charges of Rs. 8.16 Crore under other financing charges. In the past, it has been observed that MePDCL used to claim finance charges as apportioned from MeECL (Holding company) and the same was disallowed by this Hon'ble Commission. In the current petition, the Petitioner has not disclosed the same. Considering the same apportioned from the MeECL, the cost related to finance charges may not be allowed.

55. Based on the approach as adopted by the Hon'ble Commission in past order, the Objector prays that interest on loan for FY 2022-23 may be trued up on the following manner:

Table Error! No text of specified style in document.**-14: Allowable Interest on**

Loan for FY 2022-23 (Rs. Crore)

Particulars	Opening balance	Addition	Repayment	Cl. Loan	Interest
a) 8% restructured REC loan	9.62		6.07	3.55	0.22
b) 9% PFC loan R-APDRP-A	33.89			33.89	0
c) 9% PFC loan R-APDRP-B	59.26			59.26	0
d)11.15% PFC Loan IPD Scheme	4.66		0.37	4.29	0.54
Total	107.43	0	6.44	100.99	0.76
Average loan				104.21	0.73%
Interest and Finance charges					**0.76**

NON-TARIFF INCOME

56. The Petitioner has claimed the Non-Tariff income of Rs. 70.80 Crore as per the statement of accounts with certain exclusions such as Amortization of Grant, Delayed Payment Surcharge on accrual basis, etc. It is observed that the claim is made as per the selected items of the P&L Account. It is reiterated that the submissions made by the Petitioner in the entire petition lacks reliance upon the Tariff Regulations 2014. The Regulation 96.2 of the Tariff Regulations 2014 allows for the Non-tariff income in the following manner:

> *"96.2 The non-tariff income relating to distribution business or the retail business as approve by the Commission shall be deducted from the aggregate revenue requirement in calculating the revenue requirement for retail sale of electricity of the distribution licensee. The licensee shall provide full details of his forecast of his non tariff income*

to the Commission. The indicative list of various heads of non tariff income shall be as follows:

- ***Income from delayed payment surcharge***
- *Income from meter rent*
- *Income from various customer charges*
- *Income from investments*
- *Miscellaneous receipts from consumers*
- *Trading income*
- *Prior period income*
- *Interest on staff loans and advances*
- *Recovery of theft and pilferage of energy*
- *Any other income"*

57. It has been observed that the Petitioner has not claimed Revenue Grants from UDAY, Amortization of grants / consumers contribution to the extent not adjusted in depreciation, lower DPC, etc. The reconciliation of the Non-Tariff Income as claimed by the Petitioner and as per SoA is outlined below:

Table Error! No text of specified style in document.**-15: Non-Tariff Income for FY 2022-23 (Rs. Crore)**

Sr.	**Non-Tariff Income**	**Claimed**	**Accounts**
A	**Other Income**		
1	Interest Income		
a	From Banks	2.57	2.57
b	From Others	0.00	0.00
	Sub-Total A	**2.57**	**2.57**
B	**Other Non-Operating Income**		
a	Rental and Hiring Income	0.00	0.00
b	Fees and Penalties	0.00	0.00
c	Sale of scrap, tender forms and others	0.05	0.05

d	Miscellaneous receipts	7.60	7.60
e	Revenue Grants for Other Expenditures	0.09	0.09
f	Amortisation of Grants and Subsidies		4.96
g	Amortisation of Consumer Contribution		3.20
h	Revenue Grants for UDAY	-	100.00
	Sub-Total B	**7.74**	**115.90**
C	**Other Operating Income**		
a	Meter Rent	8.57	8.57
b	Reconnection Fees	0.00	0.00
c	Delayed Payment Charges Collected from Consumers	20.29	36.83
d	Rebates on Purchase of Energy	4.91	
e	Other Charges From Consumers	19.14	19.14
f	Cross Subsidy Surcharge	7.58	7.58
	Sub-Total C	**60.49**	**72.12**
D	**Grand Total - Non-Tariff income to be considered**	**70.81**	**190.59**
E	Depreciation grant considered and rebate considered		61.92
F	**Total Non-Tariff Income as per Audited accounts**		**252.51**

58. The Petitioner has submitted that Hon'ble Commission has been considering the delayed payment surcharge (DPC) as accounted in the books of accounts. However, the same is accounted in the books of account as billed to consumers and not the actual collection. Hence, the delayed payment surcharge actually collected from the consumers in FY 2022-23 has been considered as Non-Tariff Income by the Petitioner.

59. The Objector would like to submit that as per Regulations 4.2 (c) and 11.5 (a) of MYT Regulations 2014, it clearly states that Truing up of expenses and revenue will be based on Audited Accounts. Also, as per the clause 27 of the "IND AS 1 – Presentation of Financial Statements", it clearly states that an entity needs to be prepare financial statement using the accrual basis of

accounting. Hence the accounting of such income needs to be on accrual basis only. Further, DPC charged to consumers becomes a part of the consumer billing whereby as per Section 45 of the Electricity Act 2003, Distribution licensee has a right to recover such charges as the same are also provided in the tariff regulation and in case of non-recovery, action to be taken by utility under Section 56 of the Electricity Act 2003. Also, DPS is the Non Tariff Revenue recoverable from the Consumers who failed to pay the bills for supply of Energy within the stipulated time as per the Regulation 6.11 (4) (d) of MSERC Supply Code Regulations 2018. Hence the submission of the Petitioner to consider DPC on collection basis may not be accepted as it contravenes the provisions of the Regulations and accounting principle.

REVENUE FROM SALE OF SURPLUS POWER

60. As per Petitioner, the Revenue from Sale of surplus power has been claimed as per the audited accounts. It is observed that Revenue from Sale of Power on IEX has realized Rs. 4.96/kWh and realization due to DSM charges is Rs. 5.48/kWh. On summation basis, overall the sale of surplus power has realized Rs. 5.09/kWh.

61. To ascertain as to whether such rate is practical, the Objector perused through the energy procured from IEX / UI due to resultant in shortfall in generation and power from the approved sources. It has been observed that weighted average rate of power procured from IEX / UI is Rs. 3.85/kWh resulting in higher realization from surplus power sold. However, it is observed that power procurement cost from NEEPCO and APPCL is above Rs. 6/kWh. Therefore, a prudence check is required to be undertaken to analyze that whether within the same time block, there is a power

procurement from NEEPCO and APPCL and power sold in IEX/UI resulting in loss of revenue. Due to lack of data, such exercise cannot be carried out by the Objector.

62. It is humbly submitted that the situation in the state of Meghalaya is alarming as on one hand, consumers are currently billed at Rs. 6.51/ unit (approved ABR vide Case No. 29 of 2021 dated 25.03.2022) and the power is sold to outside consumers at Rs. 5.09/ unit which translates to embedded consumer being billed at nearly 128% as compared to outside state consumer. It is pointed out that such a situation of accruing low revenue from surplus power is persistent since last few years as evident from the true-up submissions of the Petitioner. It could easily be inferred that Petitioner has not taken any effective steps to Utilize the surplus power despite such a critical issue being at play still last few years. The burden of the Petitioner's inaction is proposed to be loaded on to the own consumers and this unjust practice is at play every year.

63. Such inefficient management of power portfolio is also giving rise to rampant load shedding in the state. Such load shedding is causing irreparable injury to the industrial consumers. The Hon'ble Commission is respectfully requested to enquire into the dischotomy of sale of surplus power at throw away prices and rampant load shedding in the state. It is submitted that to ensure that the consumers are protected, the Objector proposes that the Hon'ble Commission may allow the Surplus power at a rate equivalent to Average Cost to Serve (ACoS) of the Utility so that the consumers are adequately safeguarded from the Utility's inefficiencies.

REVENUE FROM SALE OF POWER

64. The Petitioner has claimed Revenue from Sale of Power at Rs. 1,093.51 Crore for sale of 1781.35 Mu. This translates to Average billing rate of Rs. 6.14/ unit. It is pertinent to note that by tariff order for FY 2022-23 dated 25.03.2022 in Case No. 29 of 2022, this Hon'ble Commission had approved the "Expected Revenue at existing Tariffs from 1547.37 MU Energy sales" at Rs. 1007.23 Crore thereby translating to Rs. 6.51/ unit. Therefore, in the true-up, the Petitioner's Average Billing Rate (ABR) is only 94.30% of what was approved by the Hon'ble Commission. This indicates that there has been significant under billing of the consumers within the state.

65. It is humbly submitted that the Petitioner at one end is under-billing for the sale made to its own consumers and secondly passing the consequential impact of the same (high T&D losses) again onto the consumers of the state. Once again, such action only showcases the inefficiency of the Petitioner. This Hon'ble Commission is requested to issue strict directives to the Petitioner in order to safeguard the consumer interests. The Objector also requests this Hon'ble Commission to kindly consider revenue based on the ABR approved in the Tariff Order dated 25.03.2022 and accordingly approve Rs. 1159.66 Crore (6.51 x 1,781.35) towards Revenue for the computation of Revenue Gap/Surplus for the True up of FY 2022-23.

66. Further, the Petitioner must be directed to provide the detail break up of number of consumers, connected load, revenue billed and collected for all category of consumers in the instant petition as per audited accounts so as to derive the mismatch between approved tariff and actual energy billed to consumers. Non availability of the said data indicates lack of transparency

which is in violation of the Electricity Act, 2003. The distribution licensee may be directed to make available the details of category-wise tariff revenue billed for FY 2022-23. In such regard, the Objector prays that this Hon'ble Commission may augment load factor-based rebate mechanism for the bulk consumers who contribute to an ABR and are subsidising consumers. Although tariff revision is not part of current proceedings, it is humbly requested that such a proposal may be taken into consideration which benefits both utility and bulk consumers.

AGGREGATE REVENUE REQUIREMENT FOR FY 2022-23

67. In view of the submissions made hereinabove, it is prayed this Hon'ble Commission may allow in the True up and Revenue Gap / (surplus) of ARR for the FY 2022-23, the allowable ARR in the following manner:

Table Error! No text of specified style in document.**-16: ARR of FY 2022-23 (Rs. Crore)**

Particulars	Approved	Claimed	Allowable	Variation - approved and Allowable
Power Purchase cost	856.32	850.26	765.32	-11%
Transmission Charges (PGCIL)	68.38	103.11	103.11	51%
Transmission Charges (MePTCL)	73.49	73.49	73.49	0%
Employee Expenses	182.86	240.18	161.94	-11%
Repair & Maintenance Expenses	6.46	6.62	6.16	-5%
Administration & General Expenses	12.63	18.21	16.57	34%
Depreciation	-	33.20	-	0%
Interest and Finance charges	10.14	36.64	0.76	-93%
Interest on working capital	23.77	25.84	25.63	8%
Return on Equity	-	22.24	-	0%
Bad & Doubtful Debt	-	-	-	0%

Particulars	Approved	Claimed	Allowable	Variation - approved and Allowable
Gross Annual Revenue Requirement (ARR)	**1,234.05**	**1,409.79**	**1,152.97**	-7%
Less: Non-Tariff Income and Other Income	104.71	70.81	190.59	82%
Less: Sale of Surplus Power	395.72	74.31	74.31	-81%
Net ARR	**733.62**	**1,264.67**	**888.07**	21%
Add: True up Gap/(Surplus) for FY 2018-19	-15.88	-15.88	-15.88	0%
Add: True up Gap for FY 2019-20	179.43	179.43	179.43	0%
ARR for FY 2022-23	**897.17**	**1,428.22**	**1,051.62**	17%
Less: Revenue from Sale of Power to consumers	1,007.23	1,093.51	1,093.51	
Revenue Gap / (surplus)	**-110.06**	**334.71**	**-41.88**	

68. This Hon'ble Commission is requested to kindly approve the ARR amounting to Rs. 1052.15 Crore against Rs. 1,428.22 Crore claimed by the Petitioner for FY 2022-23. This Hon'ble Commission is further requested to pass on the impact of the overall surplus of Rs. 41.88 Crore while reviewing the ARR along with Tariff for the next period.

The above aspects may be taken into consideration. The Objector craves leave to add to the submission mentioned above and also to submit such material with the leave of the Hon'ble Commission as may be necessary in the ARR determination process. The Objector also craves leave to make oral submissions in the public hearing to be conducted by the Hon'ble Commission.

Date: 02.01.2024

Place: Shillong

BYRNIHAT INDUSTRIES ASSOCIATION

OBJECTOR

SL/Insturment No: 1418
Dated: 4th - Jan - 2024

INDIA NON JUDICIAL

Government of Meghalaya

e-Stamp

Certificate No.	:	IN-ML02459360072231W
Certificate Issued Date	:	02-Jan-2024 11:02 AM
Account Reference	:	CSCACC (GV)/ mlcsceg07/ ML-RBEVE0003/ ML-RB
Unique Doc. Reference	:	SUBIN-MLMLCSCEG0704402805467313W
Purchased by	:	BYRNIHAT INDUSTRIES ASSOCIATION
Description of Document	:	Article 4 Affidavit/ Declaration
Property Description	:	AFFIDAVIT
Consideration Price (Rs.)	:	0 (Zero)
First Party	:	BYRNIHAT INDUSTRIES ASSOCIATION
Second Party	:	Not Applicable
Stamp Duty Paid By	:	BYRNIHAT INDUSTRIES ASSOCIATION
Stamp Duty Amount(Rs.)	:	100 (One Hundred only)

NOTARY
SMT. R. KHYMDEIT
RI BHOI DISTRICT
REGD NO: 20/2021
EXPIRING DT. 05/07/2026
GOVT. OF MEGHALAYA

Prasanna Kumar Mishra

BEFORE THE MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION, SHILLONG

IN THE MATTER OF:

APPROVAL OF TRUING UP OF EXPENSES FOR FY 2022-23 AND APPROVAL OF MULTI YEAR ARR FOR THE CONTROL PERIOD FY 2024-25 TO FY 2026-27 AND DISTRIBUTION TARIFF FOR FY 2024-25 OF THE MEGHALAYA POWER DISTRIBUTION CORPORATION LIMITED (MEPDCL) UNDER SECTION 62 AND 64 READ WITH SECTION 86 OF THE ELECTRICITY ACT 2003 AND PROVISIONS OF MSERC (MULTI YEAR TARIFF) REGULATIONS, 2014.

IE 0017315066

SMT. R. KHYMDEIT
Advocate & Notary
Regd. No. 26/2021
Expiring Dt: 5/7/2026
Ri Bhoi District

NOTARY
SMT. R. KHYMDEIT
RI BHOI DISTRICT
REGD NO: 26/2021
EXPIRING DT. 05/07/2026
GOVT. OF MEGHALAYA

AND IN THE MATTER OF:

Meghalaya Power Distribution Corporation Ltd
Lum Jingshai, Short Round Road,
Shillong - 793 001, Meghalaya...Petitioner

Versus

Byrnihat Industries Association
Upper Baliyan, Umtru Road,
Byrnihat, Ri Bhoi District,
Meghalaya – 793101 ...Objector

AFFIDAVIT IN SUPPORT

I Prasanna Kumar Mishra, son of Late J.B. Mishra, aged about 64 years, member of the Objector Association, resident of DONA Presidency, Six Floor, B-Block VIP Road, Six Mile, Guwahati-781022, do solemnly affirm as follows:

1. I am the member of Byrnihat Industries Association, the Objector in the above matter and am duly authorized by the said Objector to make this affidavit on its behalf.

2. I say that the facts contained in the accompanying objection is based on the records of the Objector Association maintained in its ordinary course of business and believed by me to be true. I say that the submissions are based on legal advise received and believed by me to be true.

3. I say that the annexures to the Objection are the true and correct copies of their original.

BYRNIHAT INDUSTRIES ASSOCIATION
BYRNIHAT MEGHALAYA

DEPONENT

SMT. R. KHYMDEIT
Advocate & Notary
Regd. No. 26/2021
Expiring Dt: 5/7/2026
Ri Bhoi District

NOTARY
SMT. R. KHYMDEIT
RI BHOI DISTRICT
REGD NO: 26/2021
EXPIRING DT. 05/07/2026
GOVT. OF MEGHALAYA

VERIFICATION

I,Prasanna Kumar Mishra, the deponent above named, do hereby verify the contents of the accompanying affidavit to be true to the best of my knowledge, no part of it is false and nothing material has been concealed therefrom.

Verified at Shillongon this 02nd day of January, 2024.

BYRNIHAT INDUSTRIES ASSOCIATION
BYRNIHAT
MEGHALAYA

DEPONENT

Identified by:
(Miss I. Nongbseh)

SMT. R. KHYMDEIT
Advocate & Notary
Regd. No. 26/2021
Expiring Dt: 5/7/2026
Ri Bhoi District

ENERGY OPTIMAA

Annexure - A

Byrnihat Industries Association (BIA)

Statement of Objections on the Petition for

APPROVAL OF TRUING UP OF EXPENSES FOR FY 2022-23 AND APPROVAL OF MULTI YEAR ARR FOR THE CONTROL PERIOD FY 2024-25 TO FY 2026-27 AND DISTRIBUTION TRAIFF FOR FY 2024-25 OF THE MEGHALAYA POWER DISTRIBUTION CORPORATION LIMITED (MePDCL) UNDER SECTION 62 AND 64 READ WITH SECTION 86 OF THE ELECTRICITY ACT 2003 AND PROVISIONS OF MSERC (MULTI YEAR TARIFF) REGULATIONS,2014.

Petition filed by: Meghalaya Power Distribution Corporation Limited (MePDCL)

Objection raised by: **Byrnihat Industries Association (BIA)**

Petition Filed on: 28/11/2023

JANUARY 2024

Energyoptimaa Consultant Private Limited
102, Vikas Commercial Complex,
Bhakti Marg, Mulund (W),
Mumbai – 400703, India
CIN: U74140MH2019PTC329392

Mob: 91 9324137977 / 7498243623
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Registered Office: 102, Alag Bella, BP Cross Road No 2, Mulund West, Mumbai 400 080, Maharashtra, India

ENERGY OPTIMAA

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ENERGY OPTIMAA

LIST OF TABLES

1 STATEMENT OF OBJECTIONS BY THE OBJECTOR

1.1 BACKGROUND

1.1.1 The Government of Meghalaya has unbundled and restructured the Meghalaya State Electricity Board with effect from 31 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.

1.1.2 Though the transfer scheme was notified on 31 March 2010, the holding company MeECL continued to carry out the functions of distribution, generation and transmission utilities till 31 March 2012. After notification of amendment to the Power Sector Reforms Transfer Scheme by the State Government on 1 April 2012, the un-bundling of MeECL into MePDCL, MEPGCL and MePTCL came into effect.

1.1.3 The Government of Meghalaya issued further notification on 29.04.2015 notifying the revised statement of assets and liabilities as on 1 April, 2012 to be vested in Meghalaya Energy Corporation Limited. As per the said notification issued by the Government of Meghalaya a separate corporation "Meghalaya Power Distribution Corporation Limited" (MePDCL) was incorporated for undertaking Distribution Business.

1.1.4 The Distribution company namely Meghalaya Power Distribution Corporation Limited (hereinafter referred to as the **"MePDCL"** or **"Petitioner"**), has begun segregated commercial operations as an independent entity from 1st April 2013 onwards.

1.1.5 MePDCL has filed the Petition in the matter of Truing Up of Expenses for FY 2022-23, Approval of Multi Year ARR for the Control Period FY 2024-25 To FY 2026-27 and Distribution Tariff for FY 2024-25 under Section 62 and 64 read with Section 86 of the Electricity Act 2003 and provisions of MSERC (Multi Year Tariff) Regulations,2014 (hereinafter referred to as **"Tariff Regulations 2014)**. BIA is hereby filing its objections for in respect of True-Up of FY 2022-23.

1.1.6 The present Statement of Objections is being filed on behalf of the Byrnihat Industries Association (hereinafter referred to as the "**Respondent**" or "**Objector**"), a society registered under the Meghalaya Societies Registration Act, 1983 having its registered Office at Byrnihat, Ri-Bhoi District, Meghalaya. The Byrnihat Industries Association (hereinafter referred to as "**Objector**" or "**Respondent**") was formed by the different industrial units for the welfare, smooth and effective functioning of its units. The Petitioner regularly participates in the proceedings related to determination of ARR and Tariff by the Hon'ble Meghalaya State Electricity Regulatory Commission (hereinafter referred to as "**Hon'ble Commission**") and takes up the other issues concerning its

Members. BIA regularly participates in the proceedings pertaining to Tariff year on year basis and is therefore an unparalleled stakeholder.

1.1.7 The special characteristics of the Industrial consumers that benefit the Utilities are:

i. They are the subsidizing category of consumers for the utilities. Hence, they are the revenue earners ensuring better returns for the utilities.

ii. The Load curve and consumption pattern enable better capacity utilization and low Cost of Service for the Utilities in comparison to LT consumer categories.

1.1.8 In recent years, Meghalaya has witnessed firming up of power capacity from several sources and an increase in own generation capacity, thus moving towards becoming a net power exporter from being a power deficit State. Being abundantly rich in Hydro Power Generation, the consumers in the State of Meghalaya ought to have a considerably lower power procurement costs resulting into lower tariffs across all the categories along with the reasonable industrial tariffs. However, the tariff hikes in the recent years have disproportionately burdened the industrial consumers of Meghalaya.

1.1.9 The brief facts, propositions, analysis, grounds and point wise objections to the instant Petition are narrated in the subsequent sections:

2 METHODOLOGY ADOPTED FOR TRUE UP PETITION FOR FY 2022-23

2.1 BACKGROUND

2.1.1 Under the para related to methodology adopted by MePDCL for various components of the ARR, MePDCL has provided the assumptions on certain head.

2.2 POWER PURCHASE COST

2.2.1 The Petitioner has submitted that since Hon'ble Commission has been disallowing the delayed payment surcharge on the power procurement bills, the same has not been considered in the instant Petition.

2.2.2 Further, it has stated that an amount of Rs. 17.04 Cr pertaining to the energy bills of NHPC have been wrongly classified in the statement of accounts as delayed payment surcharge due to oversight. Since these expenses are legitimate expenses against the power purchased from NHPC the same has been included in the Power Purchase expenses in the ARR.

2.2.3 The Objector would like to submit that the annual accounts provided by Petitioner is the audited annual accounts by a statutory auditor whereby question on the authenticity of the classification of such expenses needs to be revalidated by way of a certificate from the statutory auditor and supporting documents. Mere statement and in the absence of any necessitating document put forth by the Petitioner, such cost may not be considered as a power purchase expenses.

2.3 GROSS FIXED ASSETS

2.3.1 Under the Head - Gross Fixed Assets, the Petitioner has mentioned that the Opening Gross Fixed Assets have been considered as the closing GFA allowed by the Hon'ble Commission in the true up order dated ***21st November 2023*** for the FY 2021-22. However, there seems to be an inadvertent error by the Petitioner in reference to the date mentioned. It is humbly submitted that the Hon'ble Commission has undertaken the Approval of True-up of Transmission Business for FY 2021-22 vide Case No. 1/2023 vide order dated 13.11.2023. Hence the reference of the date in the petition is required to be corrected.

2.4 TREATMENT OF GRANTS AND CONSUMER CONTRIBUTION

2.4.1 The Petitioner has submitted that as per IND AS 20, MePDCL has to account for the grants received even if the asset against the grant is not capitalized and hence consideration of entire grants in the statement of accounts against the Gross Fixed Assets would not be a correct methodology.

2.4.2 However, the Petitioner has failed to provide the accounting treatment of the grants specified in the said IND AS. As per "***Indian Accounting Standard (Ind AS) 20 -***

Accounting for Government Grants and Disclosure of Government Assistance", it *states the following reference:*

> *"12 Government grants shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.*
>
> ***Presentation of grants related to assets***
>
> *24 3 Government grants related to assets, including non-monetary grants at fair value, shall be presented in the balance sheet either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.*
>
> *25 4 Two methods of presentation in financial statements of grants or the appropriate portions of grants related to assets are regarded as acceptable alternatives.*
>
> *26 5 One method recognises the grant as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset.*
>
> *27 6 The other method deducts the grant in calculating the carrying amount of the asset. The grant is recognised in profit or loss over the life of a depreciable asset as a reduced depreciation expense."*

2.4.3 As stated in the above para of IND AS -20, it clearly states that though the grant is to be recognized as balance sheet item, as per the income approach, the government grants should be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grant is intended to compensate which is depreciation. Hence, when depreciation on assets has been calculated which is funded by the Grant as an expenditure, the deferred income of the grant also is required to be address on a systematic basis.

2.4.4 Accordingly, the Hon'ble Commission has considered the approach of pro-rata basis of the depreciation in proportion to the grant to be considered as income and adjusted in depreciation amount which is a correct approach.

2.4.5 Further, as submitted by MePDCL with respect to approach adopted by other State Commission on inclusion of CWIP cost, it is necessary to maintain the detail of Grant received asset wise so as to identify the grant which has been capitalized and the grant which is under CWIP. Since considering the cash flow position, the grant as received is considered for the capitalisation of the assets based on the required cash flow, the whole grant has been considered against the capitalisation of the assets which seems to be a correct issue. Alternatively, MePDCL may have to provide the details of the grant unutilized in capitalisation and scheme wise details of allocation of amount.

2.5 NON-TARIFF INCOME

A. Delay Payment Surcharge from Consumers

2.5.1 The Petitioner has submitted that Hon'ble Commission has been considering the delayed payment surcharge (DPC) as accounted in the books of accounts. However, the same is accounted in the books of account as billed to consumers and not the actual collection. Hence, the delayed payment surcharge actually collected from the consumers in FY 2022-

23 has been considered as Non-Tariff Income by the Petitioner.

2.5.2 The Objector would like to submit that as per Regulations 4.2 (c) and 11.5 (a) of MYT Regulations 2014, it clearly states that Truing up of expenses and revenue will be based on Audited Accounts. Also, as per the clause 27 of the “IND AS 1 – Presentation of Financial Statements”, it clearly states that an entity needs to be prepare financial statement using the accrual basis of accounting. Hence the accounting of such income needs to be on accrual basis only. Further, DPC charged to consumers becomes a part of the consumer billing whereby as per Section 45 of the Electricity Act 2003, Distribution licensee has a right to recover such charges as the same are also provided in the tariff regulation and in case of non-recovery, action to be taken by utility under Section 56 of the Electricity Act 2003. Also, DPS is the Non Tariff Revenue recoverable from the Consumers who failed to pay the bills for supply of Energy within the stipulated time as per the Regulation 6.11 (4) (d) of MSERC Supply Code Regulations 2018. Hence the submission of the Petitioner to consider DPC on collection basis may not be accepted as it contravenes the provisions of the Regulations and accounting principle.

B. REBATE ON POWER PURCHASE

2.5.3 The Petitioner has submitted that the normative rebate is not mandatory and hence only the actual rebate availed by the distribution licensee is ought to be considered as Non-Tariff Income. Further, it has submitted that the one of the way of rebate accounting is adjustment to the power purchase bills which has already been accounted for in the power purchase expenses depicted in the audited statement of accounts.

2.5.4 The Objector would like to submit that while calculating the normative interest on working capital, the credit period available for such payment of power purchase bill is not adjusted in the working capital requirement, which is a normal practice adopted by many SERC while computing working capital requirement. However, the Hon’ble Commission has considered 1% rebate on the power purchase cost as per Regulations 36 of MYT Regulations 2014. Such practice is adopted so as to have financial prudency and so as to avail such credit facilities by proper cash management, ultimately benefiting end consumers. Therefore, the approach as adopted by the Hon’ble Commission of considering 1% rebate to be continued or it may contravene the provisions of the Regulations.

2.5.5 With respect to the billing issue, usually the bill represent the amount of the rebate which is been adjusted and such amount needs to be provided separately in the accounts.

2.6 PERFORMANCE HIGHLIGHTS

A. <u>Growth in Infrastructure</u>

2.6.1 The Petitioner has submitted that there has been substantial growth in terms of the infrastructure and there has been substantial increase in the infrastructure which shows MePDCL’s commitment to improve the performance and cater to the growing demand of the consumers in an efficient manner.

2.6.2 However, it can be observed from the Table 1 in the Petition and as highlighted below, that over the period there is growth of around 5% in last 5 years except LT lines and transformers. However, the YoY growth is very marginal in FY 2022-23 compare to FY 2021-22 which clearly highlights that the development of Distribution infrastructure in the State has been highly ignored and there has been no breakthrough in achievement of any growth in the power sector.

Table 2-1: Physical Parameter of Distribution System

Particulars	Units	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	CAGR	YoY
Number of 33/11 KV Sub-stations	Nos.	98	101	107	114	115	4%	1%
Transformation Capacity of 33/11 KV Sub-Stations	MVA	487	600	642	634	626	6%	-1%
Length of 33 KV Lines	CKM.	2,217	2,333	2,519	2,631	2,794	6%	6%
Number of 11/0.4 KV Sub-stations	Nos.	10,381	11,563	12,436	12,798	12,951	6%	1%
Transformation Capacity of 11/0.4 KV Sub-Stations	MVA	5,40,815	7,73,491	8,34,375	8,89,235	9,22,715	14%	4%
Length of 11 KV Lines	CKM.	15,602	16,810	17,886	19,688	19,361	6%	-2%
Number of Distribution Transformers	Nos.	10,381	11,577	12,495	12,847	13,173	6%	3%
Length of LT lines	CKM.	20,019	24,929	27,762	31,758	32,196	13%	1%

B. Energy Sales

2.6.3 The Petitioner has submitted that the total energy sales in the state during FY 2022-23 has been 1718.83 MU which can be verified from the Audited Statement of Accounts and MePDCL for the purpose of instant Petition has proportionately distributed the input energy provided to the franchisee into the consumer categories in proportion to consumption of each category in the area of franchisee.

2.6.4 However, it has been observed that there is a minor difference in energy sales as computed by the Petitioner and the sales as provided in the Annual accounts. Further, the Category wise sales reported through Audited Accounts vide note no.24.1 are not matching with the category wise Energy sales reported in the True up petition, which may be due to the allocation of bulk power sales distributed to the other category of consumers. The details of the energy sales are outlined below:

Table 2-2: Energy Sales for FY 2022-23 (MU)

Category of Consumers	Approved sales	FY 2022-23 Sales	% variation	As per Annual Accounts	FY 2021-22 Sales	% Growth
LT Category – (A)	**606.14**	**700.75**	**16%**	**639.21**	**595.42**	17.69%
Domestic	404.70	429.52	6%	410.10	395.99	8.47%
Commercial	77.28	96.57	25%	86.06	62.20	55.26%
Industrial	6.21	7.40	19%	5.95	5.61	31.91%
Agriculture	0.78	0.20	-74%	0.13	0.15	33.33%
Public Lighting	0.12	1.03	758%	1.03	0.56	83.93%

Category of Consumers	Approved sales	FY 2022-23 Sales	% variation	As per Annual Accounts	FY 2021-22 Sales	% Growth
Water Supply	12.76	9.60	-25%	8.97	11.20	-14.29%
General purpose	17.52	17.47	0%	15.32	15.20	14.93%
Kutir Jyoti	86.55	138.78	60%	111.47	104.39	32.94%
Crematorium	0.22	0.18	-18%	0.18	0.12	50.00%
HT + EHT Category (B = B1 + B2)	**941.24**	**1,080.59**	15%	**1,002.00**	**1,008.18**	7.18%
HT Category (B1)	**475.44**	**408.82**	**-14%**	**-**	**405.27**	0.88%
Domestic	25.15	22.18	-12%		15.68	41.45%
Water Supply	33.35	35.37	6%		20.88	69.40%
Bulk Supply	103.64	77.86	-25%		29.41	164.74%
Commercial	27.87	30.96	11%		70.4	-56.02%
Industrial	150.58	133.25	-12%		69.11	92.81%
Ferro Alloys	36.28	109.20	201%		106.48	2.55%
Special tariff	98.57	-	-100%		93.31	-100.00%
EHT Category (B2)	**465.80**	**671.77**	**44%**	**-**	**602.91**	11.42%
Industrial	53.41	263.36	393%		45.94	473.27%
Ferro Alloys	347.54	408.41	18%		426.32	-4.20%
Special tariff	64.85	-	-100%		130.65	-100.00%
Bulk Supply (C)				77.63		
Total – A + B + C	**1,547.38**	**1,781.35**	**15%**	**1,718.85**	**1,603.60**	**11.08%**

2.6.5 Further, it is observed that there has been overall increase in Energy Sales at 15%, while LT: HT ratio of sales recorded at 39:61 which is also in line with the approved ratio.

2.6.6 However, as it observed that major increase in sales is in EHT category by 44% but hardly any growth has been witnessed in the infrastructure in transmission petition or in distribution petition to serve such consumption and hence there is a need for proper development of infra for higher voltage level.

2.6.7 Further, abnormal sales variation on YoY basis has been observed in various category of consumers for which proper justification may be provided by the Petitioner.

2.7 DISTRIBUTION LOSS

2.7.1 MePDCL has requested the Hon'ble Commission to approve the distribution losses of 12.83% for the FY 2022-23 against the approved trajectory of 12% which may be disapproved outrightly as such inefficiency result in burden of cost on the end consumers.

2.7.2 Further, the Petitioner has stated that it has include sub-transmission losses of 2% based on empirical studies done in house and additional 2% for substantial amount of energy consumed by MePDCL several sub-stations, subdivision offices, head office, workshops for calculation of T&D Loss. Such claim without any substantiating document or supporting may not be accepted by the Hon'ble Commission. Such claim needs to be supported by the detail study and energy consumed by MePDCL may be outlined separately rather than adjusting in the T&D Loss.

2.7.3 Further, in the tariff order dated 25.03.2021, in Case No. 4 of 2021, this Hon'ble Commission has approved the T & D losses for the Petitioner at 12% as projected in the business plan.

2.7.4 It is submitted that the trajectory has been determined by this Hon'ble Commission pursuant to Regulation 10 & 82 of the Tariff Regulations, 2014 which provides as below:

"10 Specific trajectory for certain variables 10.1 While approving the Business Plan/MYT Petition, the Commission shall stipulate a trajectory for the variables, which shall include, but not be limited to Operation & Maintenance expenses, target plant load factor, distribution losses and collection efficiency: ...

82 Distribution Losses

82.1 The Licensee shall furnish information on Distribution losses for previous year and Current year and the basis on which such losses have been worked out for ensuing years.

82.2 The licensee shall also propose a loss reduction programme for the ensuring year as well as for the next three years duly indicating details of the measures proposed for achieving the same.

82.3 Based on the information furnished and field studies carried out and the loss reduction program proposed by the licensee, the Commission shall fix suitable targets for reduction of Distribution losses for the period specified by the Commission."

2.7.5 Since this Hon'ble Commission has determined the distribution loss trajectory based on data and business plan of the Petitioner, there is no justifiable reason for allowing higher distribution losses. It is respectfully submitted that after issuing regulations in terms of Section 61 of the Electricity Act 2003, this Hon'ble Commission is required to strictly implement the same. Therefore, no further T & D losses may be allowed over and above the levels approved by order dated 25.03.2021.

2.7.6 Further, it is pertinent to note this Hon'ble Commission's in its order dated 11.04.2023 tariff for FY 2023-24 has refrained from allowing higher T & D Losses as sought by the Petitioner. In fact, this Hon'ble Commission has allowed lower T & D losses at 12% as determined in the order dated 25.03.2021. The relevant extract of tariff order dated 11.04.2023 is as below:

*"**Commission's Analysis***

The T&D and AT&C loss trajectory was notified in the MYT order dated 25.03.2021 considering the tripartite agreement entered by the Govt. of India, Govt. of Meghalaya and MePDCL for implementation of UDAY Scheme on 09.03.2017 subject to certain mandatory performance parameters. The T&D and AT&C losses now projected for 21.43% and 22.25% respectively for FY 2023-24 cannot be considered. The T&D and AT&C losses shall be regulated in the True up process *for FY 2023-24 after audited performance is submitted. The T&D and AT&C losses as approved in MYT order dated 25.03.2021 shall be prevailing for FY 2023-24 as noted below…"*

2.7.7 Therefore, it is prayed that this Hon'ble Commission may not allow higher T&D losses. It is submitted that the Petitioner is simply asking for increased T & D losses without any justification. The Petitioner has been acting in violation of its commitments under the UDAY Scheme to lower T & D losses. It is pertinent to note that in a recent judgment by this Hon'ble Commission in Case No. 2 of 2022, the Petitioner has been directed to implement the milestones envisaged under the Uday Scheme. The relevant extracts of order dated 22.09.2022 in Case No. 2 of 2022 is as below:

*"**In view of the submission of the Respondent MePDCL the following Directives are passed.***

Respondent MePDCL shall ensure implementation of the activities contemplated in the UDAY Scheme expeditiously while achieving the set of targets in the areas of T&D and AT&C losses.

Implementation of capital investment plan utilizing the Govt. Grants and contributions borrowings if any for achieving the network up gradation and efficiency parameters.

MePDCL shall file voltage wise network cost and ensure Energy audit upto 11 kv level for assessment of voltage wise losses in order to segregate the Distribution business and retail tariffs.

A time bound program may be fixed to file the above data and submitted to the commission."

2.7.8 In Clause 1.3(g) of the MoU executed pursuant to the Uday Scheme, the Petitioner has undertaken to implement several activities to achieve lower T & D losses. However, it appears that the Petitioner has acted in complete violation of its undertaking as it has once again failed to achieve lower T & D losses. Hence, this Hon'ble Commission may not allow pass through of higher T & D losses as it would be only encourage inefficiencies in the state.

2.7.9 Also, many of the direction which is necessary to control the T&D loss is either not complied by the Petitioner or no status has been provided in the petition. Such as Voltage wise network cost or energy audit upto 11 kv is not undertaken, status of the activities as envisaged in UDAY scheme is not provided.

2.7.10 Further, Regulation 12.2 of the Tariff Regulations 2014 also assigns "Variations in technical and commercial losses of Distribution Licensee" as a controllable factor. Regulation 14 of the Tariff Regulations 2014 deal with the treatment to be given to losses on account of controllable factors. Hence, as per Regulation 14, no ground has been made out by the Petitioner for pass through of increased distribution losses to the detriment of the consumers of the state. In view of the above, it would be imprudent if the cost of the Petitioner's inefficiency is passed onto the consumers. Therefore, the Cost of the surplus power procured by the Petitioner as a consequence of increased distribution losses should be disallowed by the Hon'ble Commission as a pass through in the Tariff.

2.8 ENERGY AVAILABILITY

2.8.1 The Petitioner has computed the energy balance considering the distribution loss of 12.83%, Intra-State Transmission loss of 4% and Inter-State Transmission loss of 3%.

2.8.2 As submitted in the preceding para, it is requested to the Hon'ble Commission to allow the distribution loss of 12% as per trajectory approved in the business plan.

2.8.3 Further, the Petitioner has not provided any justification / calculation on consideration of Inter-State Transmission loss of 3%. It is submitted that post November 2020, the Hon'ble CERC has revised the computation of PoC losses as per CERC (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2020 and has come into force w.e.f. 01 November 2020 vide notification dated 08 August-2020. The new regulations have replaced the extant CERC Regulations (notified in 2010), which has been in effect since July 2011 and modify the existing point of connection (PoC)mechanism of tariff computation. As per POSOCO's guidelines, Inter State Transmission System transmission loss will be calculated on PAN India basis by NLDC for each week. The Regional Load Dispatch Centre also published the weekly average transmission loss of a region on its website for each year and also for the last week which is used by the stakeholders for calculation of transmission losses, calculation of transmission charges and billing of energy and energy management. Accordingly, the Petitioner need to highlight the inter-state loss based on the loss as declared by RLDC for FY 2022-23 and provide the detail calculation of the same.

2.8.4 With regards to intra-State transmission Loss, the Petitioner has considered 4% loss however the petition filed by MePTCL, it has declared the Transmission loss of the state as 3.16% for FY 2022-23. It is requested to the Hon'ble Commission to recompute the energy balance statement based on the above and in case of any surplus, the same to be disallowed from power purchase cost. The Objector has tried to work out the same and the details of calculation is provided below:

Table 2-3: Energy Balance Proposed for FY 2022-23 (MU)

Particulars	Formula	Approved	Claimed	Claimed - rectified	Allowable
Energy purchase from Eastern Region (ER)	A		-	-	
Inter-State Transmission Loss in ER	B		1.80%	1.80%	1.80%
Net Power purchased from ER	C=A(1-B%)	-	-	-	-
Power purchase from CGS including Pallatana North Eastern Region (NER)	D	1,829.69	1,200.74	1,200.74	1,200.74
Total Power at NER	E=C+D	1,829.69	1,200.74	1,200.74	1,200.74
Inter-State Transmission Loss in NER	F	3.00%	3.00%	3.00%	3.00%
Net Power available at state bus from external sources on Long Term	G=E*(1-F%)	1,774.80	1,164.72	1,164.72	1,164.72
Power purchase from State generating stations within State	H	1,293.49	1,043.53	1,043.53	1,043.58$
Power purchase from other sources (both from outside within the State)	I	-	660.72	660.72	660.72

Particulars	Formula	Approved	Claimed	Claimed - rectified	Allowable
Net power available at state bus for sale of power within the state	J=G+H+I	3,068.29	2,868.97	2,868.97	2,869.02
Total power sold	K	1,547.38	1,781.35	1,781.35	1,718.84
Distribution Losses (%)	L	12.00%	12.83%	12.83%	12.00%
T&D Losses in terms of MU	M = N - K	211.01	262.27	262.27	234.39
Energy Requirement for sale by Discom within state	N = K/(1-L)	1,758.39	2,043.62	2,043.62	1,953.23
Energy Requirement for sale within state at state bus	O = N/(1-Intra Tx Loss%)	1,831.65	2,221.32*	2,128.77	2,016.96
Surplus Energy at state bus	P = J-O	1,236.64	647.65	740.20	852.05
Power sold to others at state bus (both outside & inside the State) (incl.swap/UI/bilateral)	Q	1,236.64	647.65	647.65	647.65
Unaccounted Energy	R = P - Q	0.00	-	92.56	204.41

*- The petitioner in their submission has considered the Intra-State Transmission loss of 8%against the proposed loss of 4% which has been rectified resulting in unaccounted energy of 92.56 MU as per Petitioner submission.

$-As per MePGCL True-up petition

2.8.5 Accordingly, the Objector request the Hon'ble Commission to the adjust the cost of surplus power of 204.36 MU for the FY 2022-23 in the overall power purchase cost claim of the Petitioner

2.9 ENERGY AVAILABILITY

2.9.1 The Petitioner has submitted that it has two major sources for the long term procurement of power i.e., power projects of MePGCL the state owned generation company and the allocation of power from the Central Generating Stations of NEEPCO, NHPC, NTPC and OTPC. It is also pertinent to note that most of the stations from which MePDCL is having long term agreement for procurement of power are hydro power projects and the availability is maximum during the monsoon period and during the winter season the availability from these sources go down resulting in purchase of power from the short-term sources such as IEX/bilateral and swapping arrangements.

2.9.2 The comparative statement of the energy availability from various sources as approved by the Hon'ble Commission in the tariff order and actual availability from these sources is tabulated below:

Table 2-4: Comparison of Approved Availability and Actual Availability from Various Sources of Power (MU)

Source	Quantum Approved	Actual Availability	Difference	Variation
MePGCL	1,293.49	1,043.53	-249.96	19.32%
NHPC	40.28	36.87	-3.41	8.47%
NEEPCO	723.70	646.64	-77.06	10.65%
OTPC	436.79	517.23	80.44	-18.42%
NTPC	589.50	-	-589.50	100.00%

Source	Quantum Approved	Actual Availability	Difference	Variation
Solar Sources	39.42	-	-39.42	100.00%
Total Approved Sources	**3,123.18**	**2,244.27**	**-878.91**	**28.14%**
Short Term	-	660.72	660.72	
Total Energy Available	**3,123.18**	**2,904.99**	**-218.19**	**6.99%**

2.9.3 As can be outlined from the above table, there is a shortfall in availability of the energy from each source except OTPC resulting in total shortfall of 878.91 MU and hence depending on procurement of short term power of 660.72 MU. The Objector would like to highlight the following points from the above table:

- Petitioner has not provided any reason for variance in approved and actual power procurement scenario.
- The power available from NTPC source which was expected to be around 589.50 MU was not available for which no clarification has been provided by Petitioner.
- Even MePGCL / MePDCL has not provided any justification for shortfall in energy generation to the extent of 249.96 MU
- The Power Procurement in MU reconcile with the audited accounts as specified in Note 26.5.
- Due to non-availability of power from such approved sources, MePDCL has lost an opportunity of selling such surplus power in the market resulting in lower revenue. As can be witnessed from the Table 2-3, against the approved surplus sales of 1236.64 MU, MePDCL was able to sell only 647.65 MU i.e. half of the approved sales resulting in loss of revenue and increase in the cost burden on the end consumers.

2.9.4 Therefore, it is requested to the Hon'ble Commission to approve the energy availability, energy balance and consideration of the Transmission and Distribution loss after carrying out the prudence check.

3 AGGREGATE REVENUE REQUIREMENT FOR FY 2022-23

3.1 GROSS FIXED ASSETS

3.1.1 The Petitioner has provided the reference of the True-up order of FY 2021-22 as per order dated 21/11/2023 in Case No. 01 of 2023, however the actual date of the order is 13/11/2023 and the same is requested to be modified.

3.1.2 Further, MePDCL has claimed asset addition of Rs. 483.59 Crore during the year without providing any details and substantial document supporting such claim. As can be observed from Table 1 of this report, there is hardly any significant addition in the Distribution infrastructure and against an increase of 5% to 6% of asset addition, MePDCL has claimed the capitalisation of Rs. 483.59 Crore, which needs a prudence check. While the Annual Financial statement does reveal asset addition, there is no justification by the Petitioner as to what such Capitalization is for.

3.1.3 Further, in the absence of any verifiable and substantiating documents or justification on the nature of such addition to the GFA, such claims may not be admitted for Truing up of ARR for the FY 2022-23.

3.1.4 Also, it is submitted that against the capitalisation of Rs. 52.23 Crore approved in MYT Business plan order in Case No. 04/2021, the Petitioner has claimed Rs. 483.59 Crore (i.e. 9.25 times of the approved cost) which may be due to the reason of spillover of the scheme / delay in scheme getting capitalized during FY 2022-23 resulting in cost / time over run. Such cost may not be allowed and Petitioner to provide the status of each scheme along with the spillover details.

3.1.5 It is submitted that as per the Regulation 29 of the Tariff Regulations 2014, Additional Capitalization after the date of Commercial operation is admissible in select cases only as shown below:

"29 Additional Capitalisation

29.1 The following capital expenditure, ***actually incurred or projected to be incurred, on the following counts within the original scope of work, after the date of commercial operation and up to the cut-off date may be admitted by the Commission****, subject to the prudence check:*

a) *Due to Un-discharged liabilities within the original scope of work;*
b) On works within the original scope of work, deferred for execution;
c) To meet award of arbitration and compliance of final and unappealable order or decree of a court arising out of original scope of works;
d) On account of change in law;
e) On procurement of initial spares included in the original project costs subject to the ceiling norm specified;
f) Any additional works/services, which have become necessary for efficient and successful operation of a generating station or a transmission system or a distribution system but not included in the original capital cost:

Provided that original scope of work along with estimates of expenditure shall be submitted as a part of Business Plan: Provided further that a list of the deferred liabilities and works deferred for execution shall be submitted along with the *application for final tariff after the date of commercial operation of the generating Unit/Station or transmission system or distribution system. Provided further that the assets forming part of the project but not put to use, shall not be considered.*

29.2 Impact of additional capitalization on tariff, as the case may be, shall be considered during Truing Up of each financial year of the Control Period."

3.1.6 In view of the above Regulations and in the absence of any necessitating document put forth by the Petitioner, the Additional Capitalization claim is not admissible and allowing the claim would be in contravention to the Tariff Regulations 2014.

3.1.7 In view of the above arguments, the allowable GFA for the FY 2022-23 is summarized in the table shown below:

Table 3-1: Proposed GFA for FY 2022-23 (Rs. Crore)

Particular	Approved	Claimed	Accounts	Allowable
Opening GFA	1,010.19*	1,010.19	1,008.02	1,010.19
Addition During the Year	52.23$	483.59	483.59	
Deletion During the Year				
Closing GFA	1,062.42	1,493.78	1,491.60	1,010.19

**-Approved as per True-up order of FY 2021-22 in Case No. 1/2023*

$- Approved GFA as per Business Plan approved in Case No. 04/2021

3.1.8 Further, it is also observed that there is a minor difference of Rs. 2.17 Crore between the approved GFA and GFA as per Audited accounts (Without INDAS adjustment). MePDCL to provide the justification for the difference in the GFA opening balance.

3.2 POWER PURCHASE EXPENSES

3.2.1 The Petitioner has claimed Rs. 848.77 Crore towards purchase of 2,905 MU at an Average Rate of Rs. 2.92 /kWh (excl. Transmission charges) for the FY 2022-23. Considering the impact of Transmission charges, the average rate comes out to be Rs. 3.53/unit.

3.2.2 Further, as depicted in the previous sections, the cost of surplus power of 204.36 MU for the FY 2022-23 needs to be adjusted in the overall power purchase cost claim of the Petitioner. As per the average power purchase cost proposed by the Petitioner, the Objector submits the Hon'ble Commission must disallow the excess power purchase cost to the extent of Rs. 59.67 Crore (204.36 MU x Rs. 2.92/kWh/10).

3.2.3 Further in line with the approach adopted by the Hon'ble Commission in the past order, Surcharge and Interest claims due to delay in payment of power purchase bills shall not be considered for determination of Tariff. As stated in Para 2.2 of this report, the Petitioner has submitted that an amount of Rs. 17.04 Cr pertaining to the energy bills of NHPC have been wrongly classified in the statement of accounts as delayed payment surcharge due to oversight and is claimed as power purchase cost. Such claim raised the question on the validity of the audit of the accounts and hence needs to be certified by the Statutory auditor to allow such cost. Since no supporting has been provided by Petitioner, such cost may not be allowed.

3.2.4 Also, following observation is submitted to the Hon'ble Commission for kind consideration for approval of the power purchase cost:

- Eventhough there is no power procurement from NTPC, the cost of Rs. 4.20 Crore has been considered without any justification for the same.
- For reconciliation purpose, MePDCL has considered surcharge of Rs. 1.06 Crore however as per Audited Statement the Surcharge is Rs. 17.65 Crore. Even if MePDCL submission of non-consideration of DPC charges of Rs. 17.04 Cr pertaining to the energy bills of NHPC is adjusted, the related surcharge amount will be Rs. 0.61 Crore resulting in difference of Rs. 0.45 Crore. MePDCL to provide the proper reconciliation of the same.
- The Surplus power purchase cost due to revised distribution and transmission loss of 204.41 MU (specified in Table 2-3) needs to be adjusted.
- The resultant shortfall in power availability from the approved sources to the extent of 878.91 MU (specified in Table 2-4) has resulted into additional power procurement from IEX/Bilateral at Rs. 6.20 against the actual cost of Rs. 3.63/kWh incurred from such approved sources resulting into additional burden on the consumers.
- As stated in para 2.5 (b), MePDCL has not considered 1% rebate on the power Purchase cost which is the approach adopted by the Hon'ble Commission in the past tariff order as per the MYT Tariff Regulations 2014. Accordingly, the same is required to be considered while approving the power purchase cost.

3.2.5 Considering the above submission, the Objector hereby submits the power purchase cost probably to be allowed and computed as follows:

Table 3-2: Power Purchase Cost for FY 2022-23

<table>
<tr><th>Particulars</th><th>Quantum Procured</th><th>Amount Rs. Cr</th><th>Per Unit Cost</th><th>Quantum Procured</th><th>Amount Rs. Cr</th><th>Per Unit Cost</th><th>Quantum Procured</th><th>Amount Rs. Cr</th><th>Per Unit Cost</th></tr>
<tr><td></td><td colspan="3">Claimed</td><td colspan="3">Audited</td><td colspan="3">Allowable</td></tr>
<tr><td>Long Term Sources</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>MePGCL</td><td>1,043.53</td><td>241.67</td><td>2.32</td><td>1,043.53</td><td>241.67</td><td>2.32</td><td>1,043.58</td><td>241.67</td><td>2.32</td></tr>
<tr><td>NHPC</td><td>36.87</td><td>17.04</td><td>4.62</td><td>36.87</td><td rowspan="12">608.85</td><td rowspan="12">3.27</td><td>36.87</td><td rowspan="12">591.81</td><td>160.51</td></tr>
<tr><td>NEEPCO</td><td>646.64</td><td>402.56</td><td>6.23</td><td>646.64</td><td>646.64</td><td>-</td></tr>
<tr><td>OTPC</td><td>517.23</td><td>149.07</td><td>2.88</td><td>517.23</td><td>517.23</td><td>-</td></tr>
<tr><td>NTPC</td><td>-</td><td>4.20</td><td></td><td>-</td><td>-</td><td></td></tr>
<tr><td>Kreate Energy (IEX)</td><td>27.65</td><td>2.89</td><td>1.05</td><td rowspan="2">62.62</td><td>27.65</td><td>-</td></tr>
<tr><td>APPCL (Bilateral Purchase / IEX)</td><td>34.97</td><td>21.68</td><td>6.20</td><td>34.97</td><td>-</td></tr>
<tr><td>DSM Intra / Inter State</td><td>21.77</td><td>7.88</td><td>3.62</td><td>21.77</td><td>21.77</td><td>-</td></tr>
<tr><td>Kreate Energy (Swapping)</td><td>281.55</td><td>0.84</td><td>0.03</td><td rowspan="5">576.34</td><td>281.55</td><td>-</td></tr>
<tr><td>APPCL (Swapping)</td><td>85.74</td><td>0.26</td><td>0.03</td><td>85.74</td><td>-</td></tr>
<tr><td>GMRTEL (Swapping)</td><td>92.16</td><td>0.30</td><td>0.03</td><td>92.16</td><td>-</td></tr>
<tr><td>Manikaran (Swapping)</td><td>64.80</td><td>0.22</td><td>0.03</td><td>64.80</td><td>-</td></tr>
<tr><td>Subheksha (Swapping)</td><td>52.09</td><td>0.17</td><td>0.03</td><td>52.09</td><td>-</td></tr>
<tr><td>Grand Total</td><td>2,905.00</td><td>848.78</td><td>2.92</td><td>2,905.00</td><td>850.52</td><td>2.93</td><td>2,905.05</td><td>833.48</td><td>2.87</td></tr>
</table>

Particulars	Quantum Procured	Amount Rs. Cr	Per Unit Cost	Quantum Procured	Amount Rs. Cr	Per Unit Cost	Quantum Procured	Amount Rs. Cr	Per Unit Cost
		Claimed			Audited			Allowable	
Transmission and Other Charges									
Transmission Charges MePTCL		73.49			73.49			73.49	
Transmission Charges PGCIL		103.11			103.29			103.11	
POSOCO Charges		1.21						1.21	
VAR Charges		0.54						0.54	
Less RRA Settlement		-0.27						-0.27	
Other Charges		**178.08**			**176.78**			**178.08**	
Net Power Purchase Cost	**2,905.00**	**1,026.86**	**3.53**	**2,905.00**	**1,027.30**	**3.54**	**2,905.05**	**1,011.56**	**3.48**
Less : Surplus power purchase cost to be disallowed								59.72	2.92
Less: 1% Rebate on power purchase cost as per Regulations								9.91	
Net Power Purchase Cost	**2,905.00**	**1,026.86**	**3.53**	**2,905.00**	**1,027.30**	**3.54**	**2,905.05**	**941.92**	**3.24**

3.3 RETURN ON EQUITY

3.3.1 The Petitioner submitted that it has claimed Return on Equity in line with the provisions of Regulation 27 of the MYT Regulations 2014 amounting to Rs. 22.24 Crore for FY 2022-23. The claim made by the petitioner is based on the allocation of the grants to total capex (GFA + CWIP) and applying debt:equity ratio of 70:30 as per the MYT Regulations 2014. Also, the figures as considered by the Petitioner is considering the INDAS adjustment, however, the Hon'ble Commission in past tariff orders has clearly stated that IND AS norms shall not be considered and for tariff purpose only historical cost will be considered for determination of tariff.

3.3.2 According to Regulation 31 of MSERC MYT Regulations 2014 -

> *"Return on equity shall be computed on the equity base determined in accordance with regulation read with 27 and shall not exceed 14%.*
>
> *Provided that where equity actually deployed is less than 30% of the capital cost, the actual equity shall be considered for determination of tariff."*

3.3.3 It must be iterated that the Petitioner has completely overlooked the approach adopted by the Hon'ble Commission in the past tariff order whereby the Grant is to be adjusted with the GFA (Rationale of the Objector already provided in para 2.4 of this report) and accordingly the equity is required to be recomputed. Also, Regulations does not provide for excluding the Grants and Contributions utilized for capital work in progress for computation of Return on Equity.

3.3.4 Further, the Licensee has not filed the details of capitalization for the FY 2022-23. While the Annual Financial statement does reveal asset addition, there is no justification by the Petitioner as to what such Capitalization is for. In the absence of substantiating evidence, no equity addition is proposed to be considered for the True up of ARR for the FY 2022-23.

3.3.5 The Objector proposes that the Petitioner's claim is void of any meaningful rationale and in the absence of documentary evidence, the Return on equity must be recomputed based on the approach adopted in the past tariff order. The Objector has also considered the grants received during the year for computation of Return on Equity as shown in the table below:

Table 3-3: Return on Equity for FY 2022-23 (Rs. Crore)

Particulars	Formula	Recomputed	Allowable*
GFA as on 31.03.2022	A	1,010.19	1,010.19
Addition during year	B	483.59	-
(-) Retirements	C	-	-
GFA as on 31.03.2023	D = A+B-C	1,493.78	1,010.19
Average Assets	E = (A+D)/2	1,251.98	1,010.19
Less: Grants/contributions as per note 17.1-SOA	F	1,322.01	1,322.01
Net Capital cost for ROE	G = E - F	-70.03	-311.82
Opening Equity	H	-26.43	-26.43
Closing Equity Capital	I = G x 30%	-21.01	-93.55
Average Equity	J = (H + I)/2	-23.72	-59.99
ROE at 14%	K = 14% x J	-3.32	-8.40

*-computed considering no additional capitalisation allowed as per para 3.1 of this report

3.3.6 The Respondent humbly submits before the Hon'ble Commission to approve Return on Equity as NIL for the FY 2022-23.

3.4 INTEREST ON LOAN

3.4.1 As per Petitioner, the Interest on loan has been computed as per the provisions of Regulations 27 and 32 of MYT Regulations 2014, whereby the weighted average rate of interest has been computed on the actual loans.

3.4.2 The Respondent has observed that the closing loan of certain loans does not reconcile with the statement of Accounts (SoA) and also the detail break-up of interest source wise is not provided in SoA. The Respondent hereby provides the details of the opening and closing balance of the loan against the amount claimed in the petition

Table 3-4: Weighted Average rate of interest for FY 2022-23 (Rs. Crore)

Details of Loan	Opening Balance	Closing Balance	Average Loan	Opening Balance	Closing Balance	Average Loan
	Claimed by MePDCL			As per Audited Accounts		
Restructured REC Loan	9.55	3.48	6.52	9.55	3.48	6.52
PFC Loan R-APDRP A	33.89	33.89	33.89	33.89	12.19	23.04
PFC Loan R-APDRP	82.36	82.36	82.36	82.36	104.06	93.21
PFC Loan IPDS	5.19	4.82	5.01	5.19	4.82	5.00
Total	**130.99**	**124.55**	**127.77**	**130.99**	**124.55**	**127.77**

3.4.3 Further As per the Regulation 32.1 and 32.2 of MSERC Regulations 2014:

32.1 *Interest and finance charges on loan capital shall be computed on the outstanding loans, duly taking into account the schedule of loan repayment, terms and conditions of loan agreements, bond or debenture and the lending rate specified therein.*
Provided that the outstanding loan capital shall be adjusted to make it consistent with the loan amount determined in accordance with regulation 27.

32.2 *The interest and finance charges attributable to capital work in progress shall be excluded.*

Provided that neither penal interest nor overdue interest shall be allowed for computation of tariff.

3.4.4 Since no break-up of interest has been provided, a detail scrutiny may be undertaken that whether any penal interest or overdue interest is included in the interest claimed by Petitioner.

3.4.5 Further, the Hon'ble Commission in the past tariff order has clearly stated that the interest cost on the Outstanding R-APDRP A&B loans shall not be admitted in the True up process. The Hon'ble Commission in the True-up of FY 2021-22 tariff order in Case No. 1/2023 dated 13.11.2023 stated as follows:

"Licensee has been projecting outstanding loans against the R-APDRP-A and R-APDRP- B schemes through the Audited accounts. The R-APDRP A&B Scheme provides that loans drawn were to be utilized to strengthen the network of the licensee and achieve the loss Reduction. As soon as the objective has been achieved the licensee should have submitted proposal for conversion of loans as Grant through the state government.

The licensee has been utilizing the borrowed money under the R-APDRP-A&B schemes for the infra structural works contemplated to achieve loss reductions and network efficiency for the period FY 2015-16 to FY 2020-21 and Commission has been allowing interest cost in the True up process.

The licensee was asked to submit vide letter dated 03.05.2023, the loan profile of R-APDRP A&B schemes with the details of repayment of principle and interest so far, along with the infrastructural works completed with the borrowed money and also claims preferred for conversion of the loan as Grant (to ministry of power, Govt. of India through the state govt.) with the physical and financial achievement.

……………………………………………………………..

Commission considers that the Licensee has failed to submit the proposals for conversion of loans as grant through the State Govt. along with the project appraisals as envisaged in the sanction of funding by the Ministry of power, Govt. of India.

It is imperative that the interest cost so far allowed in the Tariffs as detailed in the statement shall be a surplus of approved True up ARR which could be considered claw back from the future interest liabilities.

***Commission does not consider allowance of interest in the true up ARR against the outstanding loans availed from PFC for improvement of network efficiency to reduce the AT&C losses contemplated in the RAPDRP A&B projects**."*

3.4.6 Hence, under the computation, the interest as claimed against the R-APDRP A&B loans may not be allowed.

3.4.7 With respect to the finance charges, the Petitioner has claimed the guarantee charges of Rs. 8.16 Crore under other financing charges. In the past, it has been observed that MePDCL used to claim finance charges as apportioned from MeECL (Holding company) and the same was disallowed by this Hon'ble Commission. In the current petition, the Petitioner has not disclosed the same. Considering the same apportioned from the MeECL, the cost related to finance charges may not be allowed.

3.4.8 Based on the approach as adopted by the Hon'ble Commission in past order, the Respondent has tried to recompute the interest on loan and request to consider the same while allowing the interest on loan cost for final computation of ARR.

Table 3-5: Allowable Interest on Loan for FY 2022-23 (Rs. Crore)

Particulars	Opening balance	Addition	Repayment	Cl. Loan	Interest
a) 8% restructured REC loan	9.62		6.07	3.55	0.22
b) 9% PFC loan R-APDRP-A	33.89			33.89	0
c) 9% PFC loan R-APDRP-B	59.26			59.26	0
d)11.15% PFC Loan IPD Scheme	4.66		0.37	4.29	0.54
Total	107.43	0	6.44	100.99	0.76
Average loan				104.21	0.73%
Interest and Finance charges					**0.76**

3.5 DEPRECIATION

3.5.1 As per Petitioner, the depreciation has been computed as per the methodology adopted by Hon'ble Commission in the previous true ups and the opening balance of GFA has been considered as per the GFA approved by Hon'ble Commission in the order dated 21/11/2023 in Case No. 01 of 2023 in true up of 2021-22.

3.5.2 The Petitioner has claimed the depreciation of Rs. 33.20 crore after adjusting the average grant of Rs. 615.77 Crore which is adjusted grant in proportion to GFA and CWIP.

3.5.3 As per the MYT Regulations 2014, Depreciation is defined as:

"33 Depreciation

33.1 For the purpose of tariff determination, depreciation shall be computed in the following manner:

a) ***The asset value for the purpose of depreciation shall be the historical cost of the assets as approved 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) *The* ***salvage value of the assets shall be considered at 10% and depreciation shall be allowed upto maximum of 90 % of the capital cost of the asset.***

d) ***Depreciation shall be calculated annually as per straight-line method at the rates specified in CERC (Terms and Conditions of Tariff) Regulations, 2009 as may be amended from time to time.***
Provided that land is not a depreciable asset and its cost shall be excluded from the capital cost while computing the historical cost of the asset.

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

f) *The remaining depreciable value as on 31st March of the year closing after a period of 12 years from the date of commercial operation shall be spread over the balance useful life of the asset."*

3.5.4 The Petitioner has not substantiated its claim of Addition in Capital Cost by way of any documentary evidence, hence the same is not admissible under the Tariff regulations 2014.

3.5.5 The Petitioner has not considered the amortization of grants as per the approach adopted by the Hon'ble Commission in the past tariff order and has adjusted the grants considering the same utilised under Assets and CWIP also which is contravene to the provisions of the MYT Regulations 2014.

3.5.6 Further, the depreciation shall be calculated on the 90% of the Gross fixed assets as per the Regulations.

3.5.7 In view of the methodology adopted by the Hon'ble Commission, the allowable Depreciation for FY 2022-23 is recomputed as per the table below:

Table 3-6: Allowable Depreciation as per FY 2022-23 (Rs. Crore)

Particulars	Opening GFA	Addition	Retirement	Closing GFA	90% of GFA	% of Dep	Depn.
Land	1.86			1.86	1.67	0.00%	-
Buildings	13.60			13.60	12.24	3.34%	0.41
Plant and Equipment	106.16			106.16	95.54	5.28%	5.04
Furniture and Fixtures	0.99			0.99	0.89	6.33%	0.06
Vehicles	0.69			0.69	0.62	9.50%	0.06
Office Equipment	2.20			2.20	1.98	6.33%	0.13
Hydraulic works	0.09			0.09	0.08	5.28%	0.00
Other Civil works	3.04			3.04	2.74	3.34%	0.09
Lines and Cable Network	881.56			881.56	793.40	5.28%	41.89
Total	**1,010.19**	**-**	**-**	**1,010.19**	**909.17**	**5.24%**	**47.68**
Average assets					**1,010.19**	4.72%	
Less : Depreciation on Grants and Contribution	1,127.69			1,248.27	1,187.98		56.07
Depreciation to be allowed							-8.39

3.5.8 Accordingly, as computed in the table above, it is requested to allow NIL depreciation for FY 2022-23.

3.6 OPERATION AND MAINTENANCE EXPENSES

3.6.1 The Petitioner has submitted that it has claimed O&M expenses of Rs. 265.01 Crore as per the audited accounts of FY 2022-23 and similar approach has been adopted by the Hon'ble commission in the past orders.

a. Employee Expenses as per the audited accounts and terminal benefits have been accounted as per actuarial valuation.
b. R&M and A&G expenses as per the audited accounts
c. O&M expenses of MeECL has been apportioned in the three companies in equal proportion.
d. A&G expenses of MeECL also includes the penalty of Rs.1.21 Cr which has been excluded from the claim as a principle of honesty

3.6.2 It has been observed that the Petitioner has incorporated expenditures towards holding company expenses while claiming O&M Expenses.

3.6.3 At the outset, it is stated that the claim made by the Petitioner is in contravention to the Tariff Regulations 2014. The Petitioner has not proposed any norms in the FY 2018-21 control period nor has it proposed any norms for the control period FY 2021-24.

3.6.4 The relevant extract of the Tariff Regulations 2014 are reproduced below to highlight the above arguments:

> **"94 Operation and Maintenance Expenses**
> *94.1 Operation and Maintenance Expenses or O&M Expenses shall mean the total of all expenditure under the following heads:-*
> - *Employee Cost*
> - *Repairs and Maintenance*
> - *Administration and General Expenses.*
>
> *…………………*
>
> *94.3* ***The Commission shall ensure that the O&M expense are in accordance with the norms fixed by the Commission****, and any excess or shortage over the norm shall have to be justified by the licensee.*
> *94.4* ***In the absence of any norms for O&M expenses, the Commission shall determine operation and maintenance expenses based on prudence check of the estimates submitted by the licensee and consumer price index/wholesale price index/inflation.****"*

3.6.5 It is further submitted that no provision of the Tariff Regulations 2014 of the Hon'ble Commission allows expenditures of a holding company to be passed through in Tariff and the applicability of the Tariff regulations is only for Gencos, Transcos and Discoms as defined in the Tariff regulations 2014 shown below:

> ***"1.5 They shall be applicable to all existing and future Generating Companies, Transmission Licensees and Distribution Licensees and their successors, if any;"***

3.6.6 The Petitioner submission does not take into consideration the above quoted Regulatory provisions and the claim pertaining to Holding company expense is not tenable. In accordance with the above reasoning, many SERCs disallow the expenditures pertaining to Holding company as evident from the Hon'ble UPERC observations from the Order dated 29.07.2021 which are shown below:

"4.6.31. Thus, regarding UPPCL's O&M Expenses, it is clear that the Commission had not allowed such expenses in the previous orders giving clear directions that from FY 2014-15 onwards the Licensees should manage procurement of power from the O&M Expenses allowed to them. Accordingly, the O&M expenses claimed by the State Discoms towards O&M Expenses of UPPCL allocated to them are not allowed. The Commission again reiterates that the procurement of power is the responsibility of the Distribution Licensees for which the Commission allows considerable amount of O&M Expenses and interest on working capital to the Licensees.

It is further observed that some of the State Discoms have claimed UPPCL's O&M expenses by merging them as part of O&M expenses under different sub-heads i.e. employee, R&M & A&G expenses. As the Petitioners submitted that UPPCL has now allocated its O&M expenses to its subsidiary State Government Distribution Licensees, in the books of accounts with effect from FY 2019-20, the Commission has done the prudence check of O&M Expenses of UPPCL from the balance sheet of the State Discoms and the same, as found in the balance sheets, have been disallowed."

3.6.7 In view of the same, the claim of the petitioner towards O&M Expenses of the holding company is unjust and does not merit any consideration by the Hon'ble Commission.

3.6.8 However, considering the approach as adopted by the Hon'ble Commission, the Respondent has recalculated the allowable O&M expenses in the subsequent para:

A. Employee Expenses

3.6.9 The Petitioner has claimed Rs.240.18 Crore which includes apportionment of employee benefit expenses of Holding Company for Rs.11.92 Crore and Rs.1.62 Crore as 1/3rd of the employee expenses of MeECL for True up of FY 2022-23.

3.6.10 The breakup figures of above Employee benefit expenses include Rs.2.33 Crore towards Pension, Pension contribution to Deputation personnel which shall be met from Trust Funds. The remaining apportionable expenses for Rs. 9.59 Crore may be considered for True up of FY 2022-23.

3.6.11 Further no detail has been provided for Rs. 1.62 Crore and as submitted by the Respondent, the O&M cost of the holding company may not be allowed in True-up of Distribution licensee.

3.6.12 Also, the employee expenses approved by the Hon'ble Commission for FY 2021-22 is Rs. 161.65 Crore (Case No. 1/2023 dated 13.11.2023), against which the Petitioner has claimed Rs. 240.18 Crore resulting in increase of around 48.58%. The Petitioner in the petition has not provided any justification for such huge increase.

3.6.13 The approach of the petitioner seems to be unjust claiming the whole employee expenses which has increased to the extent of 48.58% without any justification and ultimately will be a burden on the end consumers.

3.6.14 The Respondent submits that Regulations 94.4 of MYT Regulations 2014 clearly has stated that in absence of any norms, the expenses can be determined based on prudence check and Consumer price index (CPI)/wholesale price index (WPI)/inflation.

94.4 In the absence of any norms for O&M expenses, the Commission shall *determine operation and maintenance expenses based on prudence check of the estimates submitted by the licensee and consumer price index/wholesale price index/inflation.*

3.6.15 Therefore, as per provisions of Regulations 94.4 of MYT Regulations 2014, the Respondent requests the Hon'ble Commission to reconsider the submission made by the Respondent and if the cost exceeds the inflation index, then the same to be limited as per the Regulations.

3.6.16 For FY 2022-23, escalation of 5.18% is presumed considering the weighted average increase in WPI and CPI in 2022-23 with composite index of 50% each as stated by MePTCL in para 5.8 of its respective Petition Also, the Respondent has recomputed the employee cost based on the approach adopted by the Hon'ble Commission in the past tariff order whereby the cost related to pension is not considered.

Table 3-7: Employee Cost for FY 2022-23 (Rs. Crore)

Particulars	Formula	Allowable
Employee cost as per O&M norm		
Employee cost for FY 2021-22	A	161.65
Escalation Factor -Avg of CPI / WPI	B	5.18%
Employee cost as per O&M norm	C = AX (1+B)	170.02
Actual Employee Cost computed		
Salaries and wages (Note. no.27 of SoA)	D	147.35
Contributions to provident and other funds	E	6.50
Apportionment of Employee Benefit Expenses (from Holding Company)		
(a) Salaries and wages of Deputationists (Note. no. 23 of MeECL SoA)	F	8.01
(b) Staff welfare expenses, insurance etc.	G	0.01
(c) Contribution to CPS (Corporation Contribution)	H	0.06
Total Employee Expenses	I = (D to H)	161.94
Net Actual Employee Expense admissible for True up	J = MIN(C,I)	161.94

B. R&M Expenses

3.6.17 The R&M expenses claimed by the Petitioner is Rs. 6.62 Crore which includes the apportionment of the MeECL expenses of Rs. 0.34 Crore also.

3.6.18 The Respondent would like to reiterate its submission that the claim of the petitioner towards Expenses of the holding company is unjust and does not merit any consideration by the Hon'ble Commission.

3.6.19 Against the approved expenses of Rs. 5.86 Crore for FY 2021-22, the Petitioner has claimed Rs. 6.62 Crore as per the audited accounts resulting in escalation in the cost by 12.97% without providing any justification for the increase in the cost.

3.6.20 As submitted above, as per provisions of Regulations 94.4 of MYT Regulations 2014, the Respondent request the Hon'ble Commission to reconsider the submission made by the Respondent and if the cost exceeds the inflation index, then the same to be limited as per the Regulations.

3.6.21 The Respondent has recalculated the R&M cost as per the Regulations 94.4 of MYT

Regulations 2014 and request the Hon'ble Commission to reconsider the same.

Table 3-8: Allowable R&M expenses for FY 2022-23 (Rs. Crore)

Particulars	Formula	Allowable
R&M cost as per O&M norm		
R&M cost for FY 2021-22	A	5.86
Escalation Factor - Avg of CPI / WPI	B	5.18%
R&M cost as per O&M norm	C = AX (1+B)	6.16
Actual R&M Cost computed		
R&M Cost (Note. no.30 of SoA)	D	6.28
Net Actual R&M expense admissible for True up	E = Min (C,D)	6.16

C. Administrative & General Expenses

3.6.22 The A&G expenses claimed by the Petitioner is Rs. 18.21 Crore which includes the apportionment of the MeECL expenses of Rs. 0.61 Crore also.

3.6.23 The Respondent would like to reiterate its submission that the claim of the petitioner towards Expenses of the holding company is unjust and does not merit any consideration by the Hon'ble Commission.

3.6.24 Against the approved expenses of Rs. 15.75 Crore for FY 2021-22, the Petitioner has claimed Rs. 18.21 Crore as per the audited accounts resulting in escalation in the cost by 15.62% without providing any justification for the increase in the cost.

3.6.25 As submitted above, as per provisions of Regulations 94.4 of MYT Regulations 2014, the Respondent request the Hon'ble Commission to reconsider the submission made by the Respondent and if the cost exceeds the inflation index, then the same to be limited as per the Regulations

3.6.26 The Respondent has recalculated the A&G cost as per the Regulations 94.4 of MYT Regulations 2014 and request the Hon'ble Commission to reconsider the same.

Table 3-9: A&G cost allowable for FY 2022-23 (Rs. Crore)

Particulars	Formula	Allowable
A&G cost as per O&M norm		
A&G cost for FY 2021-22	A	15.75
Escalation Factor - Avg of CPI / WPI	B	5.18%
A&G cost as per O&M norm	C = AX (1+B)	16.57
Actual A&G Cost computed		
A&G Cost (Note. no.30 of SoA)	D	17.60
Net Actual A&G expense admissible for True up	E = Min (C,D)	16.57

3.6.27 Based on the above submission, the Respondent request to allow the following O&M expenses for FY 2022-23:

Table 3-10: O&M Expenses for FY 2022-23 (Rs. Crore)

O&M Cost	Claimed	Allowable
Employee Expenses	240.18	161.94
R&M Cost	6.62	6.16
A&G Cost	18.21	16.57
Total	**265.01**	**184.67**

3.7 INTEREST ON WORKING CAPITAL

3.7.1 The Petitioner has claimed the Interest on working capital of Rs. 25.84 Crore as per Regulation 34.3 of the 2014 Tariff Regulation for distribution business.

3.7.2 There is a consequential change as per the analysis of the Respondent and the same is summarized below:

Table 3-11: Interest on Working Capital (Rs. Crore)

Interest on Working Capital	Claimed	Allowable
O&M expenses for 1 Month excl. MeECL cost	22.08	15.39
Maintenance Spares at *1% of escalation at 6%	5.73	10.71
Receivables for 2 Months	182.25	182.25
Total	**210.06**	**208.35**
Interest Rate (%) (SBIAR as on 01.04.2022)	12.30%	12.30%
Interest on Working Capital	25.84	25.63

3.8 NON-TARIFF INCOME

3.8.1 The Petitioner has claimed the Non-Tariff income of Rs. 70.80 Crore as per the statement of accounts with certain exclusions such as Amortization of Grant, Delayed Payment Surcharge on accrual basis, etc.

3.8.2 It is observed that the claim is made as per the selected items of the P&L Account. It is reiterated that the submissions made by the Petitioner in the entire petition lacks reliance upon the Tariff Regulations 2014. The Regulation 96.2 of the Tariff Regulations 2014 allows for the Non-tariff income as follows:

> *"96.2 The non-tariff income relating to distribution business or the retail business as approve by the Commission shall be deducted from the aggregate revenue requirement in calculating the revenue requirement for retail sale of electricity of the distribution licensee. The licensee shall provide full details of his forecast of his non tariff income to the Commission. The indicative list of various heads of non tariff income shall be as follows:*
>
> - ***Income from delayed payment surcharge***
> - *Income from meter rent*
> - *Income from various customer charges*
> - *Income from investments*
> - *Miscellaneous receipts from consumers*
> - *Trading income*
> - *Prior period income*
> - *Interest on staff loans and advances*
> - *Recovery of theft and pilferage of energy*
> - *Any other income"*

3.8.3 It has been observed that the Petitioner has not claimed Revenue Grants from UDAY, Amortization of grants / consumers contribution to the extent not adjusted in depreciation, lower DPC, etc.

3.8.4 The reconciliation of the Non-Tariff Income as claimed by the Petitioner and as per SoA is outlined below:

Table 3-12: Non-Tariff Income for FY 2022-23 (Rs. Crore)

Sr.	Non-Tariff Income	Claimed	Accounts
A	**Other Income**		
1	Interest Income		
a	From Banks	2.57	2.57
b	From Others	0.00	0.00
	Sub-Total A	**2.57**	**2.57**
B	**Other Non-Operating Income**		
a	Rental and Hiring Income	0.00	0.00
b	Fees and Penalties	0.00	0.00
c	Sale of scrap, tender forms and others	0.05	0.05
d	Miscellaneous receipts	7.60	7.60
e	Revenue Grants for Other Expenditures	0.09	0.09
f	Amortisation of Grants and Subsidies		4.96
g	Amortisation of Consumer Contribution		3.20
h	Revenue Grants for UDAY	-	100.00
	Sub-Total B	**7.74**	**115.90**
C	**Other Operating Income**		
a	Meter Rent	8.57	8.57
b	Reconnection Fees	0.00	0.00
c	Delayed Payment Charges Collected from Consumers	20.29	36.83
d	Rebates on Purchase of Energy	4.91	
e	Other Charges From Consumers	19.14	19.14
f	Cross Subsidy Surcharge	7.58	7.58
	Sub-Total C	**60.49**	**72.12**
D	**Grand Total - Non-Tariff income to be considered**	**70.81**	**190.59**
E	Depreciation grant considered and rebate considered		61.92
F	**Total Non-Tariff Income as per Audited accounts**		**252.51**

3.9 REVENUE FROM SALE OF SURPLUS POWER

3.9.1 As per Petitioner, the Revenue from Sale of surplus power has been claimed as per the audited accounts.

3.9.2 It is observed that Revenue from Sale of Power on IEX has realized Rs. 4.96/kWh and realization due to DSM charges is Rs. 5.48/kWh. On summation basis, overall the sale of surplus power has realized Rs. 5.09/kWh.

3.9.3 To ascertain as to whether such rate is practical, the Respondent perused through the energy procured from IEX / UI due to resultant in shortfall in generation and power from the approved sources. It has been observed that weighted average rate of power procured from IEX / UI is Rs. 3.85/kWh resulting in higher realization from surplus power sold. However, it is observed that power procurement cost from NEEPCO and APPCL is above Rs. 6/kWh. Therefore, a prudence check is required to be undertaken to analyse that whether within the said time block whether there is a power procurement from NEEPCO and APPCL and power sold in IEX/UI resulting in loss of revenue. Due to lack of data, such exercise cannot be carried out by the Respondent.

3.9.4 It is humbly submitted that the situation in the state of Meghalaya is alarming as on one hand, the own consumers are currently billed at Rs. 6.51/ unit (approved ABR vide Case No. 29 of 2021 dated 25.03.2022) and the power is sold to outside consumers at Rs. 5.09/ unit which translates to own consumer being billed at nearly 128% as compared to outside state consumer. It is pointed out that such a situation of accruing low revenue from surplus power is persistent since last few years as evident from the true-up submissions of the Petitioner. It could easily be inferred that Petitioner has not taken any effective steps to Utilize the surplus power despite such a critical issue being at play still last few years. The burden of the Petitioner's inaction is proposed to be loaded on to the own consumers and this unjust practice is at play every year.

3.9.5 The Respondent is deeply aggrieved due to such show of loading its own inefficiency onto the paying consumers of the state. The Hon'ble Commission is deeply urged that such actions of the Petitioner have been consumer interests which needs to be protected at this point of time. To ensure that the consumers are not made to bear the undue burden and to ensure no profit no loss scenario for the consumers of the state, the Respondent proposes that the Hon'ble Commission may allow the Surplus power at a rate equivalent to Average Cost to Serve (ACoS) of the Utility so that the consumers are adequately safeguarded from the Utility's inaction.

3.10 REVENUE FROM SALE OF POWER

3.10.1 The Petitioner has claimed Revenue from Sale of Power at Rs. 1,093.51 Crore for sale of 1781.35 Mu. This translates to Average billing rate of Rs. 6.14/ unit.

3.10.2 It is pertinent to note that by tariff order for FY 2022-23 dated 25.03.2022 in Case No. 29 of 2022, this Hon'ble Commission had approved the "Expected Revenue at existing Tariffs from 1547.37 MU Energy sales" at Rs. 1007.23 Crore thereby translating to Rs. 6.51/ unit. Therefore, in the true-up, the Petitioner's Average Billing Rate (ABR) is only 94.30% of what was approved by the Hon'ble Commission. This indicates that there has been significant under billing of the consumers within the state.

3.10.3 It is humbly submitted that the Petitioner at one end is under-billing for the sale made to its own consumers and secondly passing the consequential impact of the same (high T&D losses) again onto the consumers of the state. Once again, such action only showcases the inefficiency of the Petitioner. This Hon'ble Commission is requested to issue strict directives to the Petitioner in order to safeguard the consumer interests.

3.10.4 The Objector also requests this Hon'ble Commission to kindly consider Revenue based on the ABR approved in the Tariff Order dated 25.03.2022 and accordingly approve Rs. 1159.66 Crore (6.51 x 1,781.35) towards Revenue for the computation of Revenue Gap/Surplus for the True up of FY 2022-23.

3.10.5 Further, the Petitioner must be directed to provide the detail break up of number of consumers, connected load, revenue billed and collected for all category of consumers in the instant petition as per audited accounts so as to derive the mismatch between approved tariff and actual energy billed to consumers. Non availability of the said data indicates lack of transparency which is in violation of the Electricity Act, 2003. The distribution licensee may be directed to make available the details of category-wise tariff revenue billed for FY 2022-23. In such regard, the Objector prays that this Hon'ble Commission may augment load factor-based rebate mechanism for the bulk consumers who contribute to an ABR and are subsidising consumers. Although tariff revision is not part of current proceedings, it is humbly requested that such a proposal may be taken into consideration which benefits both utility and bulk consumers.

3.10.6 However, the Respondent have tried to reconcile the revenue from sale of power with the Audited accounts and is observed that the same has been claimed by the Petitioner in the Petition.

Table 3-13: Revenue from sale of Power to consumers (Rs. Crore)

Revenue from Sale of Power	Actual
Revenue Reported as per Note 24 of SOA excl. Electricity duty	1,175.68
Less: Revenue from Sale of Surplus power outside state	74.31
Less: Cross Subsidy Surcharge	7.58
Less: RRAS of NTPC & NEEPCO adjusted from the power purchase bills	0.27
Revenue from Sale of power within the state	1,093.51

3.11 AGGREGATE REVENUE REQUIREMENT AND REVENUE GAP / (SURPLUS) FOR FY 2022-23

3.11.1 In view of the submissions made hereinabove, it is prayed this Hon'ble Commission may allow in the True up and Revenue Gap / (surplus) of ARR for the FY 2022-23, the allowable ARR in the following manner:

Table 3-14: ARR of FY 2022-23 (Rs. Crore)

Particulars	Approved	Claimed	Allowable	Variation - approved and Allowable
Power Purchase cost	856.32	850.26	765.32	-11%
Transmission Charges (PGCIL)	68.38	103.11	103.11	51%
Transmission Charges (MePTCL)	73.49	73.49	73.49	0%
Employee Expenses	182.86	240.18	161.94	-11%
Repair & Maintenance Expenses	6.46	6.62	6.16	-5%
Administration & General Expenses	12.63	18.21	16.57	34%
Depreciation	-	33.20	-	0%
Interest and Finance charges	10.14	36.64	0.76	-93%
Interest on working capital	23.77	25.84	25.63	8%
Return on Equity	-	22.24	-	0%
Bad & Doubtful Debt	-	-	-	0%
Gross Annual Revenue Requirement (ARR)	**1,234.05**	**1,409.79**	**1,152.97**	-7%
Less: Non-Tariff Income and Other Income	104.71	70.81	190.59	82%
Less: Sale of Surplus Power	395.72	74.31	74.31	-81%
Net ARR	**733.62**	**1,264.67**	**888.07**	21%

Particulars	Approved	Claimed	Allowable	Variation - approved and Allowable
Add: True up Gap/(Surplus) for FY 2018-19	-15.88	-15.88	-15.88	0%
Add: True up Gap for FY 2019-20	179.43	179.43	179.43	0%
ARR for FY 2022-23	**897.17**	**1,428.22**	**1,051.62**	17%
Less: Revenue from Sale of Power to consumers	1,007.23	1,093.51	1,093.51	
Revenue Gap / (surplus)	**-110.06**	**334.71**	**-41.88**	

3.11.2 This Hon'ble Commission is requested to kindly approve the ARR amounting to Rs. 1052.15 Crore against Rs. 1,428.22 Crore claimed by the Petitioner for FY 2022-23. This Hon'ble Commission is further requested to pass on the impact of the overall surplus of Rs. 41.88 Crore while reviewing the ARR along with Tariff for the next period.

BEFORE THE MEGHALAYA ELECTRICITY REGULATORY COMMISSION, SHILLONG

IN THE MATTER OF: -

Meghalaya Power Distribution Corporation Limited **...Petitioner**

VERSUS

Byrnihat Industries Association (BIA) **...Objector**

INDEX OF PAPERS

FILED BY: -

(AISHWARYA SUBRAMANI)
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NEW DELHI- 110024

DATE: 09.10.2024
PLACE: NEW DELHI

BEFORE THE MEGHALAYA ELECTRICITY REGULATORY COMMISSION, SHILLONG

IN THE MATTER OF:
Approval of True Up for F. Y. 2022–23 and approval of Muti Year ARR for the control period F. Y. 2024–25 to 2026–27 and determination of Tariff for 2024 – 25 for the Meghalaya Power Distribution Corporation Ltd.

AND

Meghalaya Power Distribution Corporation Limited **...Petitioner**

VERSUS

Byrnihat Industries Association (BIA) **...Objector**

WRITTEN SUBMISSIONS ON BEHALF OF THE OBJECTOR – BYRNIHAT INDUSTRIES ASSOCIATION

1. The present Petition has been filed by the Meghalaya Power Distribution Corporation Ltd. (hereinafter referred to as "**MePDCL**") seeking approval of True Up for F. Y. 2022 – 23, and for determination of tariff for the control period F. Y. 2024 – 2025 to 2026 – 2027 and ARR for F. Y. 2024 – 25. The present Written Submission are being filed on behalf of the Byrnihat Industries Association, Objector in the above petition.

2. The Hon'ble Commission vide order dated 10.09.2018 had created a separate tariff categorization for Ferro Alloy industries in the State and has thereafter been determining tariff for the category from time to time. The Hon'ble Commission has also taken several measures to ensure the viability and sustainability of the Ferro Alloy industries in the State. The Hon'ble Commission vide Order dated 25.03.2022 in

Case No. 29 of 2021 in determination of ARR and tariff for F. Y. 2022 – 23 for MePDCL, approved the percentage compliance of load factor for Ferro Alloy industries to 78%. The relevant portion of the tariff order reads as under:

> *The commission after minute consideration is of the view that since MePDCL has proposed no change in the existing special tariff for BIA Members at 68% Load Factor, the Ferro Alloys category's Load Factor is hereby fixed at a minimum of 78% due to its power-intensive nature industry. Failure to maintain the load factor of 78%, for reasons other than force majeure and/or grid failure or major break down at consumer end, penal charges of INR *Rs.1.70 per KVAH and INR *Rs.1.50 Per KVAH will be applicable on the 33 Kv level IHT Consumer and 132 Kv level EHT Consumer respectively, for non-drawl of units up to the load factor of 78% to be calculated on Monthly billing cycle period.*

3. The Hon'ble Commission in its Order dated 11.04.2023 in Case No. 25 of 2022 in determination of ARR and distribution tariff for 2023 – 24 had also incentivized the Ferro Alloy category by providing the 20 paise per unit rebate on energy charge for energy consumption over and above 78% load factor during billing month. Relevant portion of the Order dated 11.04.2023 reads as under:

> *Commission after due prudence consideration have decided to introduce Load Factor rebate to incentivise the HT and EHT consumers for FY 2023-24 including Ferro Alloy, whose load factor exceed 78% at a rate of 20 paise per unit on energy charges for energy consumption over and above 78% load factor during billing month.*

Despite clear directives in the above tariff orders passed by the Hon'ble Commission, the MePDCL did not comply with the directives in the tariff orders for reasons best known to MePDCL.

4. Further, the examination of the consumption pattern of the Ferro Alloy industries in the State, is crucial for any determination with respect to their categorization.

FY 2022-23 (True up petition-ACTUALS)	Energy (MU)	REFERENCE	
QUANTUM OF POWER PROCURED	2905	TABLE NO. 10 OF PETITION FOR TRUE UP OF DISTRIBUTION BUSINESS FOR FY 2022-23 FILLED BY MePDCL	
ENERGY SOLD (ACTUAL) WITHIN THE STATE	1781.35	TABLE NO. 2 OF PETITION FOR TRUE UP OF DISTRIBUTION BUSINESS FOR FY 2022-23 FILLED BY MePDCL	
FERRO CATEGORY INDUSTRY HT AND EHT	517.61	TABLE NO. 2 OF PETITION FOR TRUE UP OF DISTRIBUTION BUSINESS FOR FY 2022-23 FILLED BY MePDCL	
OTHER INDUSTRY HT AND EHT	396.61	TABLE NO. 2 OF PETITION FOR TRUE UP OF DISTRIBUTION BUSINESS FOR FY 2022-23 FILLED BY MePDCL	
OTHER STATE CONSUMERS	867.13	TABLE NO. 10 OF PETITION FOR TRUE UP OF DISTRIBUTION BUSINESS FOR FY 2022-23 FILLED BY MePDCL	
TOTAL	1781.35	AS PER CALCULATION	
ENERGY SALE OUTSIDE STATE (SURPLUS)	647.66	TABLE NO. 10 OF PETITION FOR TRUE UP OF DISTRIBUTION BUSINESS FOR FY 2022-23 FILLED BY MePDCL	
TOTAL LOSSES	475.99	AS PER CALCULATION	
AT&C LOSSES %	26.72	AS PER CALCULATION	
TOTAL STATE CONSUMPTION	1781.35	PERCENTAGE WISE DEVISION	
FERRO CONSUMPTION	517.61	29.06	AS PER CALCULATION
OTHER INDUSTRY CONSUMPTION	396.61	22.26	
OTHER CATEGORY CONSUMERS	867.13	48.68	

FY 2021-22 (True up ORDER-ACTUALS)	Energy (MU)	REFERENCE	
QUANTUM OF POWER PROCURED	2460.84	PAGE 5, COMMISSION ANALYSIS	
ENERGY SOLD (ACTUAL) WITHIN THE STATE	1603.6	TABLE NO. 3 OF ORDER FOR TRUE UP OF DISTRIBUTION BUSINESS FOR FY 2021-22 BY MSERC	
FERRO CATEGORY INDUSTRY HT AND EHT	532.8	TABLE NO. 3 OF ORDER FOR TRUE UP OF DISTRIBUTION BUSINESS FOR FY 2021-22 BY MSERC	
OTHER INDUSTRY HT AND EHT	339.01	TABLE NO. 3 OF ORDER FOR TRUE UP OF DISTRIBUTION BUSINESS FOR FY 2021-22 BY MSERC	
OTHER STATE CONSUMERS	731.79	TABLE NO. 3 OF ORDER FOR TRUE UP OF DISTRIBUTION BUSINESS FOR FY 2021-22 BY MSERC	
TOTAL	1603.6	AS PER CALCULATION	
ENERGY SALE OUTSIDE STATE (SURPLUS)	293.91	TABLE NO. 4 OF ORDER FOR TRUE UP OF DISTRIBUTION BUSINESS FOR FY 2021-22 BY MSERC	
TOTAL LOSSES	563.33	AS PER CALCULATION	
AT&C LOSSES %	35.13	AS PER CALCULATION	
TOTAL STATE CONSUMPTION	1603.6	PERCENTAGE WISE DEVISION	
FERRO CONSUMPTION	532.8	33.23	AS PER CALCULATION
OTHER INDUSTRY CONSUMPTION	339.01	21.14	
OTHER CATEGORY CONSUMERS	731.79	45.63	

A copy of the relevant portion of the Petition for True Up of Distribution Business for the F. Y. 2022 – 23 and ARR for F. Y. 2024 – 25 to 2026 – 27 and distribution tariff for F. Y. 2024 – 25 is annexed hereto and marked as **Annexure – A**.

5. The Ferro Alloys category (HT & EHT) consumers in the state of Meghalaya consumed 532.8 MUs, which is 33.23% of the total

Meghalaya State's electricity consumption in the year 2021-2022. A total of 339.01 MUs were consumed by other industries in the State which is 21.16% of the total State's electricity consumption and a total of 731.79 MUs were consumed by all other state consumers i.e. 45.61% of the total State's electricity consumption i.e. 1603 MUs.

6. It is pertinent to mention that the Ferro Alloys category (HT & EHT) category has net zero AT & C losses, where as to other consumers with actual AT & C loss, effective rate become lesser than Rs.4.50. For instance, in the tariff order for F. Y. 2021 – 22, for domestic consumers, the tariff was approved at the rate of Rs. 4.00/unit, Rs.4.40/unit and Rs. 6.00/unit for first 100 units next 100 units and above 200 units, respectively. But due to AT & C losses of 25.95% (Table 24, AT&C Loss for FY 2021-22 of True up of Distribution Business FY 2021-22), the actual realization to MePDCL from domestic consumers of the State comes to Rs. 2.97/unit, Rs. 3.23/unit and Rs. 4.43/unit. Whereas for the Ferro Alloy industries MePDCL realizes a rate of Rs. 5.21/unit and 4.75/unit, after accounting for the category's zero AT & C loss.

7. Further, MePDCL, despite availability of surplus power each year, is selling power at Rs. 1.97 to Rs. 3.96 outside the state of Meghalaya, which ultimately results losses to the State.

Particulars	True up order FY 2017-18	True up order FY 2018-19	True up order FY 2019-20	True up order FY 2020-21	True up order FY 2021-22	True up petition filed by MePDCL FY 2022-23
Sale of Surplus Quantum Outside State (MU)	927.24	708.18	554.26	594.94	293.91	146.01
Revenue from Sale of Surplus Power (Rs. Crs.)	182.31	189.93	92.01	84.56	116.58	74.31
Rate of Surplus Power Sale (Rs./kWh)	1.97	2.68	1.66	1.42	3.96	5.09

As per True up of Distribution Business for FY 2021-22, it is very surprising that the MePDCL received revenue from sale of short term surplus power outside the state to the tune of Rs.116.58 crore as against Rs. 369.85 crores approved tariff order for FY 2021-22. A copy of the relevant portion of the order in petition for True-up of Distribution Business for FY 2021-22 is annexed hereto and marked as **Annexure – B.**

8. The justification provided by the Hon'ble Commission in the order dated 10.09.2018 (separate category creation order) and the reasons that weighed with the Hon'ble Commission for creation of a separate category are pertinent to be examined. The Hon'ble Commission had expressed its opinion in the following manner:

> *3 .It is relevant to mention that the Commission, especially in the last few years, has been seized of the matter relating to the reduced off-take of power by the power intensive industries in the State, which had been attributed as being mainly due to the increased cost of power. This had, as mentioned by the BIA, resulted in the closing down of some of the ferro alloy industries in the State, while some others had either reduced their power purchase level to the bare minimum, or had opted for Captive Generation/ Open Access power under the relevant provisions of the Electricity Act 2003. The Commission has also been receiving representations on various occasions from the concerned industries, requesting the Commission for a solution to this matter. This issue had weighed on the mind of the Commission, especially since the reduced off-take of power by the Industries was negatively impacting upon the tariff of general consumers of the State because of the reduction in the Cross subsidy component which would have otherwise resulted in a lower tariff to the general public.*

9. However, the Hon'ble Commission found it appropriate to hear MePDCL before constituting a separate category for the Ferro Alloy industries in the state. MePDCL had submitted its views vide letter No.

MEDPCL/SE (RA) 71 (C) Pt. IV/2018-19/41 dated 25.06.2018. MePDCL at the time of creation of the category was provided with an opportunity by this Hon'ble Commission to express views to the contrary, if any.

10. MePDCL, however, in its report submitted to the Hon'ble Commission had opined that fixing a tariff category will prove lucrative both to the industry and the licensee. This Hon'ble Commission had recorded the views of MePDCL as under:

> *This report had , inter alia, indicated that the EHT+HT: LT sales ratio trend has reduced from 1.32 in 2013-14 to 1.17 in 2014-15 and then to 1.11 in 2015-16 and to 0.93 in 2016-17, and that this had resulted in lower revenue than expected . The report also indicated that if the number of industries can be increased, revenue for the Discom will increase owing to the higher consumption by industries, which will have a positive impact on the financial health and performance of power distribution utilities. It was opined therein that fixing a separate tariff category to the energy intensive Ferro alloy industries in the state can help achieve the desired objective. It was also pointed out in the said report that some other states like Telengana, Andhra Pradesh, Chattisgarh, Jharkhand, Bihar, Goa, Daman and Diu etc have introduced a separate tariff category, known as the "HTSS (Ferro Alloy)" category,which is applicable to Ferro Alloyindustries in these states.*

11. This Hon'ble Commission duly noting the submissions made on behalf of MePDCL and the Objector had deemed it appropriate to constitute a separate category for the Ferro Alloys industries in the state with a view to benefit both the industrial consumers in the state and the distribution licensee.

12. In the above background, MePDCL without any justification/ basis has called for merging of the Ferro Alloys category of consumers with other HT and EHT category consumers. MePDCL has neither accounted for any changed circumstances for reversing its stance on creation of a separate category, nor has demonstrated significant increase in the number of consumers to justify such re-merging. Further, such re-merging is only likely to make the operation of the existing industries unviable, despite them maintaining sufficient load factor and making prompt payments. The Objector apprehends that the contrary stands taken by the distribution licensee might result in regulatory uncertainty, reducing the feasibility of operations.

13. It has been regularly noted that each and every year since 2014 after closure of maximum number of Ferro Alloy industries, MePDCL has been continuously selling 500 MU to 600 MU each year since 2017-18 surplus power outside the state of Meghalaya regularly at an average price of less than Rs. 2.00 (as depicted in Para 7 hereinabove).

14. The Hon'ble Commission is requested to visualize the consequences of the closure of Ferro Alloy Industries by either abolishing the Ferro Alloy category/increase in tariff of the Ferro Alloy category. The same will add another 532 MUs approx./more to the sale of surplus power at a lower rate of Rs.2.00/Rs.3.00, and result in increase in AT & C losses within the state of Meghalaya, due to the illogical demand of MePDCL.

15. Section 62 (3) of the Electricity Act, 2003 reads as under:

> *"The Appropriate Commission shall not, while determining the tariff under this Act, show undue preference to any consumer of electricity but may differentiate according to the consumer's load factor, power factor, voltage, total consumption of electricity during any specified period or the time at which the supply is required or the geographical*

position of any area, the nature of supply and the purpose for which the supply is required."

16. Hence, this Hon'ble Commission having exercised the discretion vested with it under Section 62 (3) having regard to relevant considerations, re-examination of the same, without a significant change in any of the above considerations is wholly incorrect.

17. MePDCL in the present petition has depicted the average cost of supply at a flat rate of Rs 7.15, for all category of consumers, instead of showing voltage-wise average cost of supply to that category of consumer, which is unjustified. It is very unfortunate that MePDCL is not transparent in their tariff proposal and the Hon'ble commission is requested to look into it for fair and transparent tariff proposals by the utilities.

18. The Appellant Tribunal has also opined that a voltage-wise recategorization would be appropriate on a going forward basis. In the event such re-categorization is undertaken, it would be evident that the tariff paid by the Ferro Alloy industries are much more in totality if calculated voltage-wise average cost of supply.

19. Hence, the oral submissions of MePDCL seeking Ferro Alloy category merging with other industries, is wholly arbitrary and is liable to be rejected.

20. It is also pertinent to mention that for the True Up for F. Y. 2022-23, AT & C losses were duly approved by the Hon'ble Commission in its tariff order in Case No. 29 of 2021, in the petition for ARR and Distribution Tariff F. Y. 2022-23 dated 25.03.2022 as quoted below:

5.9. Aggregate Technical and Commercial Losses (AT&C Losses)

Table 5.6 : AT&C Losses approved for FY 2022-23

Particulars	FY 2022-23
AT&C Losses	14.64%

21. Whereas In the True up petition for FY 2022-23 filed by the MeDPCL AT&C losses are shown to 24.69% which should be disallowed, the para from the petition is quoted below:

PETITION FOR TRUE UP OF DISTRIBUTION BUSINESS FOR FY 2022-23 AND APPROVAL OF MULTI YEAR ARR FOR FOURTH CONTORL PERIOD

MePDCL would like to submit that the above methodology is commensurate with the Guidelines issues by CEA for computation of AT&C losses. The Guidelines issued by CEA are annexed to this Petition as Annexure G

Hence, MePDCL humbly prays Hon'ble Commission to allow the AT&C losses for FY 2022-23 as 24.69%.

22. Hence, it is requested to the Hon'ble commission not to allow 24.69% of AT&C losses as shown in the True Up by the MePDCL and humbly request to consider and approve 14.64% AT&C losses for the fixation of ARR for the tariff year FY 2024-25.

23. The Objector BIA has already submitted in its comments and suggestion during the public hearing held on 04^{th} of October 2024 for transmission and generation business, and Objections/Comments already submitted are considered the same for the Amortization of Grants; Debt-Equity Ratio; Depreciation; Return on Equity; Interest on loan; Interest on working capital; Revenue from surplus power and accordingly request the Hon'ble Commission to consider and allow the same.

24. The Objector BIA has also re-submitted the written Comment and Objection on 20.09.2024 for Distribution business for the Non-Tariff Income which may be kindly taken into consideration by this Hon'ble Commission.

DATE: 09.10.2024
PLACE: NEW DELHI

(AISHWARYA SUBRAMANI)
ADVOCATE FOR THE OBJECTOR

ANNEXURE- A

BEFORE
MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION SHILLONG

PETITION
FOR
TRUE UP OF DISTRIBUTION BUSINESS
FOR FY 2022-23
&
AGGREGATE REVENUE REQUIREMENT FOR FY 2024-25 TO FY 2026-27 AND DISTRIBUTION TARIFF FOR 2024-25

FILED BY

Me PDCL

LIGHTING UP YOUR LIFE

MEGHALAYA POWER DISTRIBUTION CORPORATION LTD.
Lum Jingshai, Short Round Road, Shillong-793001

3.4 ***ENERGY SALES***

MePDCL would like to submit that it has been operating four of its sub-divisions through distribution franchisee. The distribution franchisee is Input Based Distribution Franchisee in nature where in the input energy is being provided to the franchisee at the injection points of the four sub-divisions. The distribution franchisees are billed at the input energy provided to them at the injection point. Thus, technically there is no distribution loss on the energy provided to the franchisee.

The total energy sales in the state during FY 2022-23 has been 1718.83 MU which can be verified from the Audited Statement of Accounts, however, since after providing the input energy to the franchisee the losses in the respective sub-divisions is borne by the franchisee, MePDCL for the purpose of instant Petition has proportionately distributed the input energy provided to the franchisee into the consumer categories in proportion to consumption of each category in the area of franchisee. The detailed calculation is being provided in the excel model being submitted along with the Petition.

It is further mentioned that the revenue from sale of power is also accounted in the statement of accounts in a similar manner. The revenue from the consumers is accounted separately and revenue from distribution franchisee is accounted separately. Those the method adopted for arriving at the sale to consumers is such so that there is parity between the audited accounts and the true up petition.

The Petitioner craves leave of this Hon'ble Commission to produce the details of the same as and when directed by the Hon'ble Commission.

Table 2 Energy Sales During FY 2022-23

Sl.No.	Category	Energy Sales approved for FY 2022-23	Actual Sales 2022-23	% Variation
	LT Category	606.14	700.77	16%
1	Domestic	404.7	429.52	6%
2	Commercial	77.28	96.57	25%
3	Industrial	6.21	7.40	19%
4	Agriculture	0.78	0.20	-74%
5	Public Lighting	0.12	1.03	762%

Sl.No.	Category	Energy Sales approved for FY 2022-23	Actual Sales 2022-23	% Variation
6	Water Supply	12.76	9.60	-25%
7	General purpose	17.52	17.47	0%
8	Kutir Jyoti	86.55	138.78	60%
9	Crematorium	0.22	0.18	-16%
	HT Category	475.44	408.81	-14%
1	Domestic	25.15	22.18	-12%
2	Water Supply	33.35	35.37	6%
3	Bulk Supply	103.64	77.86	-25%
4	Commercial	27.87	30.96	11%
5	Industrial	150.58	133.25	-12%
6	Ferro Alloys	36.28	109.20	201%
7	Special tariff	98.57	0.00	-100%
	EHT Category	465.8	671.77	44%
1	Industrial	53.41	263.36	393%
2	Ferro Alloys	347.54	408.41	18%
3	Special tariff	64.85	0.00	-100%
	Total	1547.38	1781.35	15%

MePDCL requests Hon'ble Commission to approve the sales of FY 2022-23 as 1781.35 MU for the purpose of truing up and calculation of T&D losses and AT&C losses.

3.5 ***ENERGY AVAILABILITY***

MePDCL has two major sources for the long term procurement of power i.e., power projects of MePGCL the state owned generation company and the allocation of power from the Central Generating Stations of NEEPCO, NHPC, NTPC and OTPC. It is also pertinent to note that most of the stations from which MePDCL is having long term agreement for procurement of power are hydro power projects the availability from which is maximum during the monsoon period and during the winter season the availability from these sources go down and hence to cater to the demand of the state and ensure uninterrupted supply

3.6 ***DETAILS OF SURPLUS ENERGY***

As stated in above paragraphs MePDCL is heavily dependent on the hydro power projects for the power procurement. In the monsoon season there is surplus available with MePDCL which is sold in short-term markets such as IEX/ Bilateral Sales and swapping arrangements. The details of the surplus short-term power sold in FY 2022-23 is tabulated below:

Table 4 Details of Surplus Power (Short term)

S No.	Particular	MU
a.	**Sales on IEX and Bilateral**	
1	GMR Energy (IEX)	1.33
2	Kreate Energy (IEX)	50.72
3	APPCL (IEX)	38.05
4	DSM Intra State	35.66
5	Kreate Energy (Bilateral)	20.25
	Sub-Total Sales	146.01
b.	**Details of Swapping**	
1	Kreate Energy (Swapping)	290.99
2	APPCL (Swapping)	99.09
3	GMR Energy (Swapping)	29.23
4	Manikaran (Swapping)	58.25
5	SAPL (Swapping)	24.09
	Sub-Total Swapping	501.65
	Grand Total	**647.66**

3.7 ***TOTAL ENERGY SALES***

Thus, in view of the above statements the total energy sold by MePDCL during 2022-23 is tabulated below:

Table 5 Total Energy Sale in FY 2022-23

Sl.	Particulars	MePDCL

No.		Actual
1	Energy sale to inside Consumers	1781.35
2	Energy sale to others both outside and inside the State at **State periphery**	647.66
3	**Total Energy sales**	**2429.01**

3.8 ***DISTRIBUTION LOSS AND ENERGY BALANCE FOR 2022-23***

Based on the availability of power in terms of MU and the sales in terms of MU depicted in Table 2 to Table 4 above the distribution losses for the state for FY 2022-23 and energy balance of the state for FY 2022-23 is computed in the tables below:

Table 6 Computation of Distribution Loss for FY 2022-23

Sl. No.	Particulars	Calculation	Value
1	Energy purchase from Eastern Region (ER)	A	0
2	Inter-State Transmission Loss in ER	B	1.80%
3	Net Power purchased from ER	C=A(1-B%)	0
4	Power purchase from CGS including Pallatana North Eastern Region (NER)	D	1200.74
5	Total Power at NER	E=C+D	1200.74
6	Inter-State Transmission Loss in NER	F	3%
7	Net Power available at state bus from external sources on long term	G=E*(1-F%)	1164.72
8	Power purchase from MePGCL	H	1043.53
9	Power purchase from other sources (both from outside & within the State) (incl.swap/UI/bilateral)	I	660.72
10	Power sold to others (both outside & inside the State) (incl.swap/UI/bilateral)	J	647.66
11	Net power available **at State Bus** for sale of power within the state	K=G+H+I-J	**2221.32**
12	State Transmission Loss %	L	4.00%
13	State Transmission Loss MU	M=K*L	88.85
14	Sub-Transmission Loss and Aux Consumption (@4%)		88.85
15	Net power available of Discom for sale of power within the state	N=K-M	2043.62
16	Power sold to consumers within the state	O	1781.35
17	Distribution Losses	P=N-O	262.27

Equity in Capitalization	62.35
Loan in Capitalization	145.49

It is pertinent to note that there is a difference in the audited accounts and as considered by Hon'ble Commission in the previous true ups due to the Ind AS adjustments not considered by the Hon'ble Commission. However, the grants in the books of accounts pertains to the GFA in the books of accounts hence the capital structure has been considered as per the books of accounts. However, the subsequent calculations of the dependent components are based on the GFA considered by the Hon'ble Commission only in the previous true ups.

MePDCL request the Hon'ble Commission to accept the methodology proposed by it for capital structuring and calculation of subsequent components depending on the capital structure.

4.4 POWER PURCHASE EXPENSES

As explained in the Chapter 2 the Power Purchase have been strictly considered as per the audited statement of accounts. The surcharge on delayed payment have not been considered in the power purchase. Further, as explained in details the adjustment has been done in the power purchase from NTPC and NHPC. The detailed statement of power purchase is tabulated below:

Table 10 Power Purchase Expenses for FY 2022-23

S No	Source	Quantum Approved	Quantum Procured	Amount Rs. Cr	Per Unit Cost
A	**Long Term Sources**				
1	MePGCL	1293.49	1043.53	241.67	2.32
2	NHPC	40.28	36.87	17.04	4.62
3	NEEPCO	723.70	646.64	402.56	6.23
4	OTPC	436.79	517.23	149.07	2.88
5	NTPC	589.50	0.00	4.20	0.00
6	Solar Sources	39.42			
	Total Long Terms	**3123.18**	**2244.28**	**814.54**	**3.63**
B1	**Short Term Purchase**				
1	Kreate Energy (IEX)	0.00	27.65	2.89	1.04
2	APPCL (Bilateral Purchase)	0.00	9.05		
3	APPCL (IEX)	0.00	25.92	21.68	6.20
4	DSM Intra-State	0.00	0.94		
5	DSM Inter-State	0.00	20.83	7.88	3.62

S No	Source	Quantum Approved	Quantum Procured	Amount Rs. Cr	Per Unit Cost
	Sub-Total Purchase from Short Term Sources		**84.39**	**32.44**	**3.84**
B2	**Power Swapped In**				
1	Kreate Energy (Swapping)	0.00	281.55	0.84	0.03
2	APPCL (Swapping)	0.00	85.74	0.26	0.03
3	GMRTEL (Swapping)	0.00	92.16	0.30	0.03
4	Manikaran (Swapping)	0.00	64.80	0.22	0.03
5	Subheksha (Swapping)	0.00	52.09	0.17	0.03
	Sub-Total Energy Swapped In		**576.34**	**1.78**	**0.03**
	Total Short Term	**0.00**	**660.72**	**34.23**	**0.52**
	Grand Total	**3123.18**	**2905.00**	**848.77**	**2.92**
	Transmission and Other Charges				
1	Transmission Charges MePTCL			73.49	
2	Transmission Charges PGCIL			103.11	
3	POSOCO Charges			1.21	
4	VAR Charges			0.54	
	Total Power Purchase Cost			**1027.11**	
5	Less RRA Settlement			-0.27	
	Net Power Puchase Cost	**3123.18**	**2905.00**	**1026.84**	**3.53**

MePDCL request Hon'ble Commission to allow the Power Purchase expenses of Rs. 1026.84 Cr. for FY 2022-23.

Table 11 Reconciliation of Power Purchase With Audited Accounts (Excluding RRAS)

Reco of Power Purchase with Accounts	Amount in Crs.
Power Purchase as Per Accounts	1113.24
Less: Surcharge	1.06
Less: NTPC Surcharge Included	85.07
Net Power Purchase Expenses	1027.11
Considered	1027.11
Difference	0.00

4.5 ***RETURN ON EQUITY***

MePDCL would like to submit that the return on equity has been calculated in line with the provisions of Regulation 27 of the 2014 Tariff Regulations and the capital structure presented in the Table 9 above

The calculation of Return on Equity is tabulated below:

ANNEXURE- B

MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION
SHILLONG

CASE NO. 1 /2023

In the matter of

Petition for approval of True-up of Distribution Business for FY 2021-22

AND

Meghalaya Power Distribution Corporation Limited (the Petitioner)

Coram

Shri. P.W. Ingty, IAS (Retd), Chairman

Shri. R.K. Soni, District Judge (Retd.),Member

ORDER

(Dated:13.11.2023)

The Government of Meghalaya has notified the Power Sector Reforms Transfer Scheme 2010 leading to restructuring and unbundling of erstwhile Meghalaya State Electricity Board (MeSEB) into four entities. Accordingly, Meghalaya Power Distribution Corporation Limited has started functioning as a segregated commercial operation utility independently for power Distribution in the state of Meghalaya with effect from 1st April 2013.

Commission in exercise of functions vested vide Regulation 17 of MSERC Multi Year Tariff Regulations 2014 had approved Aggregate Revenue Requirement (ARR) for FY 2021-22 in its order dated 25.03.2021.

The Regulation- 11 of MYT Regulation 2014 stipulates that the Commission shall under take true-up of the previous year's expenses and revenue approved with reference to Audited Statement of Accounts made available subject to prudence check including pass through of impact of uncontrollable factors if any.

MePDCL has filed petition for True-Up of Business for the FY 2021-22 along with audited statement of accounts on 31.03.2023.

Petitioner was asked to submit the additional information and data gaps in the commission's letter dated 12.04.2023, 28.04.2023, 03.05.2023, 21.06.2023 & 10.07.2023.

Commission's Analysis

Commission had approved Power Availability from NTPC projects of Bongaigoan TPS for 589.50 MU in the MYT Order dated 25.03.2021 for FY 2021-22.

Whereas power availability from Bongaigoan has not been reported for True up of FY 2021-22.

The availability of power declined from NEEPCO and within the state generation from MePGCL as stated below.

Particulars	Approved in the T.O dated 25.03.2021 (MU)	Actuals (MU)
North Eastern Region (NTPC, NEEPCO & OTPC)	1790.27	1067.89
MePGCL	1266.71	877.78
Bilateral Purchase		515.17
Total Availability	**3056.98**	**2460.84**

Whereas the power availability reported in the Audited accounts vide note no.26.5 is 2461.84 MU found to be erroneous.

The availability projected in the petition amounted to 2460.84 MU is approved for True up of FY 2021-22.

1.4 Energy Sales

1.4.1 Energy sold to the consumers of MePDCL

Petitioner's Submission

The comparison of actual category wise energy sold to consumers and the approved sales by the Commission is shown in the table below:

Table 3 : Comparison of Energy Sales to inside consumers in FY 2021-22 (in MU)

Sl. No.	Consumer Category	Approved in TO dt 25.03.2021	MePDCL Actual
	LT Category		
1	Domestic (DLT) (Including MeECL Establishments).	400.61	395.99
2	Commercial (CLT)	75.39	62.20
3	Industrial (ILT)	6.08	5.61
4	Agriculture (AP)	0.58	0.15
5	Public Lighting (PL)	0.12	0.56
6	Water Supply (WSLT)	11.77	11.20
7	General Purpose	17.52	15.20
8	BPL	85.11	104.39
9	Crematorium	0.21	0.12
	HT Category		
10	Domestic (DHT)	24.81	15.68
11	Commercial (CHT)	27.72	20.88
12	Water Supply (WS HT)	32.84	29.41
13	Bulk Supply (HT) including ASEB	96.96	70.40
14	Industrial (HT)	144.39	69.11

Sl. No.	Consumer Category	Approved in TO dt 25.03.2021	MePDCL Actual
15	Ferro alloy	35.03	106.48
16	Special Tariff	74.24	93.31
	EHT Category		
17	Industrial (EHT)	52.98	45.94
18	Ferro alloy	341.07	426.32
19	Special Tariff	43.36	130.65
	Total	**1470.79**	**1603.60**

The overall actual sales in FY 2021-22 is more than the approved sales by about 132.81 MUs. Therefore, the difference between the actual sales and the approved sales in the Tariff order are liable to be subjected to exercise of truing up in terms of the extant regulations.

Commission's Analysis

It is observed that there has been overall increase in Energy Sales at 9.03 %, while LT: HT ratio of sales recorded at 37:63 which is found to be encouraging.

The Category wise sales reported through Audited Accounts vide note no.24.1 are not matching with the category wise Energy sales reported in the True up petition. However total Energy sales claimed for True up at 1603.60 MU are found to be matching.

Commission approves Energy Sales at 1603.60 MU as reported for True up of FY 2021-22.

1.4.2 Energy sold to Others

Petitioner's Submission

The Energy sales to others both inside and outside the State in FY 2021-22 are as shown in the table below:

Table 4 : Energy Sales to Others in FY 2021-22

(in MU)

Sl. No.	Particulars	MePDCL Actual
	Sale at NER/ NER_ER periphery	
1	Kreate Energy (I) Pvt Ltd –Swapping	15.88
2	APPCPL – IEX	126.57
3	APPCPL – Swapping	44.08
4	APPCPL – Bilateral	15.48
5	APPCPL - RE power (Non solar)	28.59
6	GMR Energy Ltd – IEX	19.08
7	GMR Energy Ltd – Swapping	13.86
8	DSM Inter	
	Sub Total	**263.54**
	Sale at State periphery	
9	DSM Intra	30.37

		30.37
	Sub Total	**293.91**
	Total	

Commission's Analysis

The Source wise sale of surplus power reported vide note no. 24.3 of Audited accounts found to be 293.92 MU.

The Sale of Surplus power as claimed in the petition for 293.91 MU is considered for True up of FY 2021-22.

1.5 Distribution Loss and Energy Balance

1.5.1 Distribution loss

Petitioner's Submission

The actual Distribution losses in FY 2021-22 is shown in the table below:

Table 5 : Computation of Distribution Losses for FY 2021-22

Sl. No.	Particulars	Calculation	Quantity
1	Energy purchase from Eastern Region (ER)	A	0
2	Inter-State Transmission Loss in ER	B	1.80%
3	Net Power purchased from ER	C=A(1-B%)	0
4	Power purchase from CGS including Pallatana NorthEastern Region (NER)	D	1067.89
5	Total Power at NER	E=C+D	1067.89
6	Inter-State Transmission Loss in NER	F	3%
7	Net Power available at state bus from external sources onlong term	G=E*(1-F%)	1035.85
8	Power purchase from MePGCL	H	877.78
9	Power purchase from other sources (both from outside &within the State) (incl.swap/UI/bilateral)	I	515.17
10	Power sold to others (both outside & inside the State) (incl.swap/UI/bilateral)	J	293.91
11	Net power available **at State Bus** for sale of power within the state	K=G+H+I-J	2134.89
12	State Transmission Loss %	L	4.00%
13	State Transmission Loss MU	M=K*L	85.4
14	Net power available of Discom for sale of power within the state	N=K-M	2049.49
15	Power sold to consumers within the state	O	1603.6
16	Distribution Losses	P=N-O	445.89
17	**Distribution Losses (%)**	Q=P/N	21.76%

Petitioner has requested the Commission to approve 21.76% as Distribution loss for FY 2021-22. It is also submitted that every effort has been made to bring down the Distribution losses.

Commission's Analysis

Commission considers Distribution loss at 21.76 % as claimed for True up of FY 2021-22.