MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION

1st Floor (Front Block Left Wing), New Administrative Building
Lower Lachumiere, Shillong – 793 001
East Khasi Hills District, Meghalaya

Case No: 1/2019

In the matter of Petition for Review of True up Orders for FY 2016-17.

AND

Meghalaya Power Transmission Corporation Limited (the Petitioner)

Coram

Shri. P.W. Ingty, IAS (Retd.), Chairman

Shri. Roland Keishing, Member (Law)

ORDER

(Dated:31. 03 .2021)

1. The MePTCL is a deemed Licensee in terms of Sec' 14 of the Electricity Act 2003 (Here in after referred as Act)
2. The Commission has passed the order dated 18.11.2019 for true up of ARR of FY 2016-17, the second year of MYT control period for FY 2015-16 to FY 2017-18.
3. As per Regulation 22 of MSERC Regulation 2014 MePTCL has filed petition for Review of True up order for FY 2016-17.
4. In exercise of functions vested in MSERC (here in after referred the Commission) the MYT Regulation 2014, Commission issues this review order for the FY 2016-17.
5. Regulation 22 of MYT Regulation 2014 specifies that the Commission shall under take the review of True up of business considering the terms & Conditions laid down there in.
6. Commission taking into consideration of all the facts and Prudence check as per the Regulations, passed the review order on the true up for the FY 2016-17.
7. Commission notifies the licensee that the impact of review order if any shall be appropriated in the ARR of the ensuing year for determination of Tariff.

Sd/-	**Sd/-**
Shri. Roland Keishing	**Shri. P.W. Ingty, IAS (Retd.)**
(Member)	**(Chairman).**

Review:

1 Introduction

Petitioner's Submission

1.1. The present petition is being filed as per clause 22 of MSERC (Multi Year Tariff) Regulations 2014, which is reproduced below:

22 Review of Tariff Order

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

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

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

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

1.2. As such, the MSERC (Multi Year Tariff) Regulations 2014 provides for the petitioner or any other person aggrieved by an order of the Commission to file a review petition based on new facts and information, which was not considered during the time of issue of order or on account of apparent errors or mistakes. MePTCL, in this petition is requesting the Commission to review certain costs which were disallowed in view of the latest facts and information submitted in this petition or in view of apparent errors observed.

1.3. The present petition is also being filed as per clause 21 of MSERC (Conduct of Business) Regulations 2006, which is reproduced below:

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

other sufficient reason, by making an application within 60 days of the date of the order."

1.4. Further, as per the above clauses, the timeline specified by MSERC for submission of review petition is within 60 days of the date of the order of the Commission**.** MePTCL would like to submit that it is filing the review petition within the allowed timeline and as such, the Commission is requested to admit the same

Commission's Analysis:

Commission considers that the licensee has filed petition for Review of True up order for FY 2016-17 passed by the commission on 18.11.2019 as per the Regulation 22.1 (a) within 60 days from the date of order.

Commission considers there is no error apparent on the face of the record.

The claim for review of true up orders dated 18.11.2019 does not impact change in the expenses already approved for FY 2016-17, except a typographical error for which a corrigendum has been incorporated vide table no.8 on page no.14.

Commission considers that the true up orders for FY 2016-17 dated 18.11.2019 were passed as per the Regulation 11.1 to 11.5 of the MYT Regulations 2014 considering the audited SOA, report of C&AG, and admissible expenses have been allowed after prudence check.

Commission finds that there are no new and important facts disclosed in the review petition, which necessitates the Commission to relook into the claims of the licensee, since, the true up orders for FY 2016-17 are compiled and admissible expenses as per the Regulations were considered with reference to the audited accounts.

2 Review of True Up of MePTCL for FY 2016-17

Petitioner's Submission

The grounds of review are provided below point wise against the respective components of ARR.

2.1 Interest and Finance Charges

Petitioner's Submission

The Commission in its True Up order has approved Interest and Finance Charges at Rs. 6.64 Cr against the licensee's claim for Interest and Finance Charges of Rs. 14.38 Cr for FY 2016-17.The Commission has considered REC Loan, REC for BIA 400/220 KV, State Govt. Loan for computation of interest on loan.

The licensee in the true up petition considered the actual interest payable for the year taking into account the actual loan balance and interest rates in that period. The same is in line with the audited accounts (Note 19 of the order: Out of Rs 11.11 Cr in accounts, licensee excluded the penal amount of Rs 0.20 Cr and claimed the remaining amount of Rs 10.91 Cr in true up)

Table 1 : Revised Claim for Interest on Loan (In Rs Cr)

Particulars	Open Bal	Cl. Bal	Interest
13.25% Term Loan from REC	50.00	0.00	4.54
11.00% Term Loan from REC	6.34	6.34	0.70
9.31% Loan from State Govt.	38.06	40.60	3.47
11.75% Loan from Meghalaya Energy Corporation Limited, MeECL- Holding Company		55.92	2.20
Total	**94.40**	**102.86**	**10.91***

*** In line with the Note 19 Finance Costs of MePTCL Accounts (excluding penal charges of Rs 0.20 Cr)**

**** Opening and Closing balance of loans as per Note 9 of the audited accounts**

The Commission has also not taken into account interest and finance charges of MeECL i.e the apportioned portion (amount of Rs 3.47 Cr) in calculation of total interest and finance charges of MePTCL. Based on the above submissions, net interest and finance charges claimed by the licensee in the review is Rs 14.38 Cr as given in the table below:

Table 2 : Interest and Finance Charges Claimed in Review (In Rs Cr)

Particulars	**FY 2016-17**
Interest on Loan	10.91
MeECL Interest Charges Apportioned	3.47
Total Interest and Finance Charges	**14.38**

Based on the above submission, the Commission is requested to review the Licensee's claim for interest and finance charges in line with the true up petition as shown in the table below:

Table 3 : Interest and Finance Charges Based on Revised Components

Sr. No.	**Particulars**	**Amount in Rs. Cr.**
1	Interest and Finance Charges claimed by MePTCL in the True Up petition(1)	14.38
2	Interest and Finance Charges allowed by MSERC in the True Up order (2)	6.64
3	**Additional Interest and Finance Charges to be allowed in the review petition (3=2-1)**	**7.74**

Commission's Analysis:

Regulation 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.

Commission had considered interest on loan borrowed for capital works as per the Regulations 32.1 above, in the table 10 of the true up orders for FY 2016-17. It may be seen from the Note no.9 of SOA that Rs.50 Crores borrowed from REC was shown as opening balance as on 31.03.2016, the closing balance of the said loan is not disclosed. The licensee has not mentioned the purpose for which REC loan was drawn in the note no.9 of SOA, the Interest on REC loan is considered for 50%.

Further 11% REC loan claimed on the outstanding balance of Rs.6.34 Crore is considered as per the note 9 of the SOA. The Licensee has not shown repayment of the loan. Commission had considered that loan was drawn for construction of 400/220 KV BIA GIS substation as per the audited SOA.

Commission had considered Interest on loan capital borrowed from state Govt. at 9.31% for construction of 132 Kv D/C LILO as approved in the true up orders of FY 2015-16 wherein the closing balance was considered at Rs.31.67 Crore as per the SOA. But the Licensee has shown opening balance of outstanding State Govt. loan at Rs.38.07 Crores and closing balance shown at Rs.40.61 Crores, thus amounts to addition of the loan at Rs.2.54 Crore during the FY 2016-17. The Licensee has shown in the SOA for FY 2016-17 that repayment default as on 31.03.2017 at Rs.9.57 Crores. Commission taking into account of the approved opening balance at Rs.31.67 Crores had considered addition of loan during the year at Rs.2.54 Crores and matured repayment at Rs.9.57 Crores, interest has been computed for true up.

The Claim of the licensee for State Govt. opening loan at Rs.38.07 Crores and closing loan at Rs.40.61 Crores was not considered due to the mismatch from that of SOA for FY 2015-16 certified by C&AG at Rs.31.67 Crore and SOA for FY 2016-17 at Rs.38.07 Crore. Therefore the details of State Govt. loan for FY 2016-17 attached with the petition for review, post C&AG audit report need not be taken into account.

The claim of the licensee for interest on loan of Rs. 55.92 Crores borrowed from MeECL (the holding corporation) was not considered.
The holding corporation is not a financial institution, and the sanctity of the MeECL lending money to its subsidiary utility is not disclosed, and the copy of the loan agreement not made available as required in the Regulation 32.1.

Commission do not consider the interest on borrowing from MeECL.

Regulation 32.2 clearly specifies that, *neither penal interest nor overdue interest shall be allowed for determination of tariff.*

The functions of MeECL (the holding company) has been assigned with, vide transfer scheme to oversee the functions of the electricity Generation, Transmission and Distribution in the state of Meghalaya. The Holding Corporation is not a business centre dealing with the above GTD activities. The borrowing functions are vested with the respective corporations.

The SOA of MeECL reveal that the purpose of the loan drawl as mentioned in the **note 10 of SOA is for meeting cash-gap**. MePTCL shall not claim interest charges incurred for other than the capital works.

Commission do not consider the interest claim on MeECL loans drawn for MePTCL.

In view of the Regulatory implications stated above, commission considers that there is no need to review the interest and finance charges already approved in the true up orders for FY 2016-17 dated 18.11.2019.

2.2 Return on Equity

Petitioner's Submission

The Commission has calculated the return on equity on the average asset base of MePTCL. The following are the observations of the Licensee on the methodology used by the Commission for Return on Equity along with suitable explanations to justify the costs as claimed in true up:

a) The Commission in its calculation has not considered the assets of MeECL (apportioned portion) in calculation of total asset base for Return on Equity calculations and thus understating the return on equity.

b) The Commission has reduced the asset base by **grants amount of Rs 32.79** Cr as per the audited accounts. However, the Commission has inadvertently not considered the fact that the grant appearing in books of accounts can be a part of either gross fixed asset or capital works in progress. Considering the whole of grants to be part of asset is not apt. This methodology has led to undermining the net asset base and in turn return on equity.

c) The issue of Return on Equity (methodology of MeECL& its subsidiaries vs methodology of MSERC: APTEL Case no 46 of 2016) is still under subjudice. The Utility is reiterating the fact that the approved value of the Commission for Return on Equity is not in line with the Regulations. In sake of brevity, MePTCL is not reiterating the grounds and the justification for the claim here since the matter is already under subjudice.

Based on the above submission, the licensee is reiterating its claims as has been submitted in its True Up petition in line with the MSERC MYT regulations and is requesting to review the additional claim for Return on Equity as shown in the table below:

Table 4 : Return on Equity Based on Revised Components

Sr. No.	Particulars	Amount in Rs. Cr.
1	Return on Equity claimed by MePTCL in the True Up petition (1)	57.99
2	Return on Equity allowed by MSERC in the True Up order (2)	16.06
3	**Additional Return on Equity to be allowed in the review petition (3=2-1)**	**41.93**

Commission's Analysis:

The Regulation 31.1 of the MSERC (MYT) Regulations, 2014 specify *"**Return on Equity shall be computed on the equity base determined in accordance with Regulation 27 and shall not exceed 14%"**. Regulation 27.1 specifies that actual equity shall be considered at 30% of the capital cost and equity in excess of 30% shall be treated as normative loan.*

Conjoint reading of Regulations 31.1 and 27.1 explicitly specify that Return on Equity shall be considered at 30% of the project cost (Original Cost of Fixed Assets).

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.

As already stated in the case of interest and finance charges, the MeECL is not a business centre, the OCFA was not employed in generating the revenue for MeECL and no liability towards ROE is payable by the MeECL.

Commission does not consider assets of the MeECL for the purpose of ROE of MePTCL for FY 2016-17.

Regulation 31.1 read with 27.1 clearly specifies that,

"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, Commission does not

consider the grant part and excluded from capital structure of MePTCL for computation of ROE."

Licensee has stated that the methodology of MSERC for computation of ROE is still under subjudice in APTEL case no.46 of 2016, commission does not consider the claim in the review petition.

In view of the Regulatory implications stated above, commission considers that there is no need to review the Return on Equity already approved in the true up orders for FY 2016-17.

2.3 Depreciation

Petitioner's Submission

MePTCL has used the asset- wise breakup as per the audited accounts and their corresponding rates for computation of depreciation. The grants capitalization as on 31st March 2017 has been used for amortization of grants. The methodology used is in line with the MSERC Regulations. The licensee based on audited accounts has claimed the Depreciation at 21.09 Crore in the true up of 2016-17.

The following are the observations of the Licensee on the methodology used by the Commission for calculation of Depreciation along with suitable explanations to justify the costs as claimed in true up:

a) The Commission has approved Rs 16.32 Cr for depreciation in true up order. The methodology used by the Commission for depreciation computation (using average rate of depreciation on net asset value) is not in line with MSERC (Multi Year Tariff) Regulations, 2014. Using average rate of depreciation, while the actual asset wise break up along with corresponding rates of depreciation is available defies any logic.

b) The Commission in the Order has considered an average depreciation rate of 4.67%, without providing any justification of how it arrived at the figure. It is important to note that most of the assets in the transmission are in the category of line & cables or plant& machinery which has a depreciation rate of 5.28%. As such, the actual depreciation rate as per audited accounts is 4.91%.

c) The Commission has also not taken depreciation charges of MeCEL i.e the apportioned portion (amount of Rs 0.21 Cr) in calculation of depreciation charges of MePTCL. This is a stark contrast to MePDCL and MePGCL true up order where the apportioned MeECL depreciation charges is considered for depreciation calculation of their respective business.

d) Moreover, the effect of amortization of grants is already taken into account by the Licensee in the component “other income” (as per note 16 of accounts) and also approved by the Commission in “Non-tariff and other income” head (Table 16 of the order). Considering it again in the calculation of depreciation (i.e reducing the net GFA by grants amount) will lead to double accounting and undermine the ARR.

e) While it is true that as per the clause 33 of the regulations that depreciation shall be allowed up to 90% of the cost of the asset, this does not imply that the rate of depreciation is to be multiplied on 90 % of cost for asset category, instead of 100% of the depreciable asset. The Commission has inadvertently calculated depreciation rate on 90 % of the average assets instead of whole 100% of the asset, thereby undermining the depreciation amount.

f) The Commission has considered grants amount of Rs 32.79 Cr and reduced the total asset by the same amount to arrive at depreciable GFA. However, the grants contribution appearing in accounts can either be a part of asset (already put into use) or part of capital works in progress. Considering the whole of grant as a part of GFA seems to be an inadvertent error from the Commission, thereby undermining the depreciation amount approved. Moreover, the grants appearing in **note 8.5** which has been considered by Commission for depreciation calculation, has been converted to equity and under equity pending allotment head (Note 8 of the accounts). Thus, the same amount of Rs 13.89 Cr cannot be considered a part of grants.

Based on the above submission the Licensee is reiterating its claims of Rs. 21.09 Cr. as has been submitted in its True Up petition in line with the MSERC MYT regulations and it is requesting the Commission to pass the additional gap of Rs. 4.77 Cr. as shown in the table below:

Table 5 : Depreciation Based on Revised Components

Sr. No.	Particulars	Amount in Rs. Cr.
1	Depreciation claimed by MePTCL in the True Up petition (1)	21.09
2	Depreciation allowed by MSERC in the True Up order (2)	16.32
3	**Additional Depreciation to be allowed in the review petition (=2-1)**	**4.77**

Commission's Analysis:

As per Regulation 33.1 (c), "*the salvage value of the assets shall be considered at 10% and depreciation allowed up to maximum of 90% of the capital cost of the asset at the rates indicated by the CERC vide annexure to CERC Regulations 2009 and depreciation shall be chargeable on prorate basis for the assets added for part of the year. Consumer contribution or capital subsidy/ grant etc shall be excluded from the asset value for the purpose of depreciation as per Regulation 33.1 (a).*"

Commission had computed the depreciation considering the 90% of average asset value of opening and closing balance as reported in note no.1 of audited SOA for FY 2016-17 which is consistent with the above Regulation.

Commission had computed the depreciation at the rates communicated by the CERC vide annexure to CERC Regulations 2009. The average rate of Depreciation is arrived at based on the depreciation computed at the rates notified by the CERC on average of 90% of the asset value as per the Regulation 33.1 (c).

As already stated in the interest and finance charges and ROE, the MeECL is not a business center, the depreciation charges on the assets of the MeECL need not be considered for the claim of MePTCL which will be an excess of the regulatory allowance to the transmission charges of MePTCL. The Depreciation charges if any apportioned in the true up orders of MePDCL and MePGCL for FY 2016-17 as pointed out will be rectified in the next tariff orders to be approved by the commission.

The Licensee has reported other income vide note no. 16 of SOA at Rs.4.43 Crores which includes Rs.0.46 crore as amortization grants. Commission had not considered the amortization grant as other income for the True up. Note 20 of SOA does not disclose the amortization of grant provided to meet the depreciation expense.

The Licensee is supposed to maintain Regulatory accounts and submit to the commission for determination of tariff and for True up as per the Regulation 4.2 (c) of MYT Regulations 2014. Depreciation shall be computed excluding the retirement asset value of the GFA on expiry of the useful life of the asset. The Licensee shall submit the details of the retirement asset value.

Commission shall reduce the asset value as on the date of retirement of asset as per the CERC Regulations and compute the depreciation on remaining value of the assets.

Regulation 33.1 specifies that consumer contribution or capital Subsidy/grant etc shall be excluded from the asset value for the purpose of Depreciation. The Depreciation shall be applicable only on the assets put to use.

The claim of the licensee that, part of the grants can be capital works in progress, the deduction of whole of the grant from the depreciable GFA, seems to be an inadvertent error by the commission, is not maintainable.

The whole of the project cost (OCFA) appeared in the note no.1 of SOA used for carrying out the Business of the corporation. The total of GFA is the funds acquired through borrowings and equity contributions which remains in the Business till its liquidation. The equity contributions shall be funded by the stakeholders, the State and Central Governments, and the debt is borrowed from the banks and financial institutions.

The Regulation provides interest on borrowings and equity contributions at applicable rates for determination of tariffs which is being recovered by the licensee.

In view of the Regulatory implications stated above, commission considers that there is no need to review the Depreciation already approved in the true up orders for FY 2016-17.

2.4 Interest on Working Capital

Petitioner's Submission

Based on the revision of components, the interest on working capital has been computed in line with the existing MSERC Regulations as given below:

Table 6 : Interest on Working Capital Based on Revised Components

(In Rs. Cr)

Particulars	FY 2016-17
O&M Expenses for one (1) month (70.22/12) (a)	5.85
Maintenance Spares at 1% of Opening GFA Historical Cost escalated by 6%(Opening Asset of MePTCL +1/3 Opening Asset of MeECL) *1%*1.06 (b)	4.85
Receivables equivalent to two (2) months (169.41-2.00-8.4-17.28-16.38-(-11.93))/6	22.88
Working Capital requirement (d=a+b+c)	**33.58**
SBI short term PLR as on 01 April 2016 (e)	14.05%
Interest on Working Capital (f=d*e)	**4.72**

The Commission has inadvertently not considered the assets of MeECL (apportioned portion) in calculation of total asset base for maintenance spares component (table 18 of the order)

Based on the above submission, the Commission is requested to review the additional claim of the Licensee for Interest on Working Capital as shown in the table below:

Table 7 : Interest on Working Capital Based on Revised Components

Sr. No.	Particulars	Amount in Rs. Cr.
1	Interest on Working Capital allowed by MSERC in the true up order	4.22
2	Interest on Working Capital claimed by MePTCL in the review	4.72
3	**Additional Interest on Working Capital to be allowed in the review petition (3=2-1)**	**0.50**

Commission's Analysis:

Commission has calculated the interest on working capital as per the Regulations in the true up orders already passed for FY 2016-17. The review of the interest on working capital component does not require any change.

Corrigendum:

2.5 Non Tariff and Other Income:

There has been a typographical mistake occurred in the Table no.16 of the True up orders dated 18.11.2019 wherein the 1/3rd Other income of MeECL was typed as Rs.3.98 Crore as against Rs.3.12 Crore.

The revised table is drawn in this review order and net revenue surplus has been arrived and net ARR is approved for true up of FY 2016-17.

Table 8: Non Tariff income and other income approved for True up of FY 2016-17

Sl. No	Particulars	MePTCL
1	Interest income	3.88
2	Misc. Receipts & Amortization grant	0.55
3	Income from open access charges, etc.(NTI)	17.28
	Sub Total	**21.71**
4	1/3rd of MeECL	3.12
5	**Total Non Tariff & other income**	**24.83**

Commission approves Revised Non Tariff and other income at Rs.24.83 Crore for FY 2016-17(True up).

3 Revised ARR & Net Additional Claim in Review for True up FY 2016-17

Petitioner's Submission

Based on the above submission, the revised ARR and additional amount claimed for MePTCL in review is given below:

Table 9 : Revised ARR and additional amount claimed for True Up of FY 2016-17

<table>
<tr><th>Sl. No.</th><th>Particulars</th><th>MSERC Approved in Order (dated 18.11.2019)</th><th>MePTCL Claimed in Review</th><th>Additional Gap to be Passed</th></tr>
<tr><td>1</td><td>O&M Expenses (a+b+c)</td><td>70.22</td><td>70.22</td><td></td></tr>
<tr><td></td><td>a) Employee Expenses</td><td>64.65</td><td>64.65</td><td></td></tr>
<tr><td></td><td>b) R&M Expenses</td><td>3.26</td><td>3.26</td><td></td></tr>
<tr><td></td><td>c) A&G Expenses</td><td>2.31</td><td>2.31</td><td></td></tr>
<tr><td>2</td><td>Depreciation</td><td>16.32</td><td>21.09</td><td>4.77</td></tr>
<tr><td>3</td><td>Interest & Finance Charges</td><td>6.64</td><td>14.38</td><td>7.74</td></tr>
<tr><td>4</td><td>Return on equity</td><td>16.06</td><td>57.99</td><td>41.93</td></tr>
<tr><td>5</td><td>SLDC Charges</td><td>1.00</td><td>1.00</td><td></td></tr>
<tr><td>6</td><td>Prior Period Expenses</td><td></td><td></td><td></td></tr>
<tr><td>7</td><td>Interest on Working Capital</td><td>4.22</td><td>4.72</td><td>0.50</td></tr>
<tr><td>8</td><td>Gross Annual Revenue Requirement</td><td>114.46</td><td>169.41</td><td>54.95</td></tr>
<tr><td>9</td><td>Less: SLDC ARR</td><td>2.00</td><td>2.00</td><td></td></tr>
<tr><td>10</td><td>Less: Other Income</td><td rowspan="2">25.68</td><td>8.40</td><td></td></tr>
<tr><td>11</td><td>Less: Income from Open Access, etc.</td><td>17.28</td><td></td></tr>
<tr><td>12</td><td>Less: Prior period Income</td><td rowspan="2">4.45</td><td>16.38</td><td></td></tr>
<tr><td>13</td><td>Less: Prior Period Items already considered in FY 2015-16 true up</td><td>(11.93)</td><td></td></tr>
<tr><td>14</td><td>Net Revenue Requirement</td><td>82.33</td><td>137.28</td><td>54.95</td></tr>
</table>

Based on the above submission, MePTCL requests the Commission to approve the above-mentioned amount of **Rs. 54.95 Cr** and allow MePTCL to recover the same in the ARR of FY 2020-21.

Commission's Analysis:

Commission has considered the review petition filed by the licensee and observed that the expenses admitted in the True up order dated 18.11.2019 are found to be as per the Regulations, with reference to the audited SOA certified by the C&AG. The ARR after review of the petition is approved as depicted in the table below:

Table 10 : Approved Transmission Charges for FY 2016-17 (Review)

<table>
<tr><th>Sl. No.</th><th>Particulars</th><th>MSERC Approved in Order (dated 18.11.2019)</th><th>MePTCL Claimed in Review</th><th>Approved in Review</th></tr>
<tr><td>1</td><td>O&M Expenses (a+b+c)</td><td>70.22</td><td>70.22</td><td>70.22</td></tr>
<tr><td></td><td>a) Employee Expenses</td><td>64.65</td><td>64.65</td><td>64.65</td></tr>
<tr><td></td><td>b) R&M Expenses</td><td>3.26</td><td>3.26</td><td>3.26</td></tr>
<tr><td></td><td>c) A&G Expenses</td><td>2.31</td><td>2.31</td><td>2.31</td></tr>
<tr><td>2</td><td>Depreciation</td><td>16.32</td><td>21.09</td><td>16.32</td></tr>
<tr><td>3</td><td>Interest & Finance Charges</td><td>6.64</td><td>14.38</td><td>6.64</td></tr>
<tr><td>4</td><td>Return on equity</td><td>16.06</td><td>57.99</td><td>16.06</td></tr>
<tr><td>5</td><td>SLDC Charges</td><td>1.00</td><td>1.00</td><td>1.00</td></tr>
<tr><td>6</td><td>Prior Period Expenses</td><td></td><td></td><td></td></tr>
<tr><td>7</td><td>Interest on Working Capital</td><td>4.22</td><td>4.72</td><td>4.22</td></tr>
<tr><td>8</td><td>Gross Annual Revenue Requirement</td><td>114.46</td><td>169.41</td><td>114.46</td></tr>
<tr><td>9</td><td>Less: SLDC ARR</td><td>2.00</td><td>2.00</td><td>2.00</td></tr>
<tr><td>10</td><td>Less: Other Income</td><td rowspan="2">25.68</td><td>7.55</td><td rowspan="2">24.83</td></tr>
<tr><td>11</td><td>Less: Income from Open Access, etc.</td><td>17.28</td></tr>
<tr><td>12</td><td>Less: Prior period Income</td><td rowspan="2">4.45</td><td>16.38</td><td>4.45</td></tr>
<tr><td>13</td><td>Less: Prior Period Items already considered in FY 2015-16 true up</td><td>(11.93)</td><td></td></tr>
<tr><td>14</td><td>Net Revenue Requirement</td><td>82.33</td><td>137.28</td><td>83.18</td></tr>
</table>

Commission approves Net ARR at Rs.83.18 Crores for FY 2016-17 True up.

4 Revenue Gap/(Surplus) for FY 2016-17 (Review)

Table 11 : Revenue Gap/ (surplus) approved for true up of FY 2016-17 (Review)

(Rs. Crore)

Sl. No.	Particulars	Approved in True up order FY 2016-17 Dt.18.11.2019	Claimed by MePTCL for Review Petition FY 2016-17	Now approved in truing up for FY 2016-17
1	**Net Aggregate Revenue Requirement**	84.02	137.28	83.18
2	Transmission charges approved/recovered	83.28	82.33	83.28
3	**Revenue Gap / (Surplus) for the year (1-2)**	**0.74**	**54.95**	**(0.10)**

There has been a typographical mistake occurred in the Table no.16 of Non Tariff and other income which is now rectified and revenue surplus is arrived at Rs.0.10 Crores as against gap of Rs.0.74 Crores approved in the True up orders dated 18.11.2019.

The Revenue Surplus for Rs.0.10 Crore shall be appropriated in the next tariff order to be issued.

The Review petition stands disposed of.

Sd/-
Member
MSERC

Sd/-
Chairman
MSERC