



Meghalaya State Electricity Regulatory Commission

TARIFF ORDER

**Aggregate Revenue Requirement for the control
period FY 2021-22 to FY 2023-24**

and

**Transmission and Open access Charges for
FY 2021-22**

For

Meghalaya Power Transmission Corporation Limited

MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION

1ST Floor (Front Block Left Wing), New Administrative Building
Lower Lachumiere, **Shillong-793001**
East Khasi Hills District, Meghalaya

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ABBREVIATIONS

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

MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION

1ST Floor (Front Block Left Wing), New Administrative Building

Lower Lachumiere, Shillong-793001

East Khasi Hills District, Meghalaya

Case No. 03/2021

Petition In the matter of

Determination of Multiyear Aggregate Revenue Requirement (ARR) for FY 2021-22 to FY 2023-24 and Determination of Transmission and open access Tariff for FY 2021-22 in the State of Meghalaya.

AND

Meghalaya Power Transmission Corporation Limitedthe Petitioner
(Herein after referred to as MePTCL)

Coram

Shri P W Ingty, IAS (Retd)

Chairman

Shri R. Keishing

Member

(Date:25.03.2021)

1. The Meghalaya Power Transmission Corporation Limited (herein after referred to as MePTCL) is a deemed licensee in terms of section 14 of the Electricity Act 2003 (herein after referred to as Act), engaged in the business of transmission of electricity in the state of Meghalaya.
2. MSERC had notified the extension of applicability of MYT Regulations 2014 on 18th June 2020 for further period w.e.f 01.04.2021 to 31.03.2024.
3. As per provisions of Regulation 8 and 66 of the MYT Regulations, 2014, MePTCL has filed the Petition for approval of its Business Plan for the third MYT Control Period for FY 2021-22 to FY 2023-24 with capital out lay for each year of the Control Period.

4. Commission has examined the petition in detail and approved the capital investment/expenditure during the 3rd Control period keeping in view of the requirement of strengthening of intra-state transmission system and distribution system to meet 24/7 power to all and demand growth in the state of Meghalaya for FY 2021-22 to FY 2023-24 on 28.09.2020.
5. As per the Regulation 6 of MYT Regulations 2014, the Transmission licensee shall file ARR and Tariff petition in all aspects along with requisite fee as specified in Commission's fee, fines and charges Regulations on or before 30th November of the preceding year.
6. MePTCL has filed petition on 04.12.2020 for determination of 3rd MYT ARR for FY 2021-22 to FY 2023-24 and determination of Transmission Tariff and Open Access Charges for FY 2021-22.
Commission has admitted the petition on 07.12.2020 Provisionally.
7. MePTCL has filed petition along with Statement of Accounts for FY 2018-19 certified by the statutory auditors and unaudited SOA for FY 2019-20. The ARR has been compiled for MYT control period FY 2021-22 to FY 2023-24 considering the expenses reported in the SOA for FY 2018-19 as per MSERC MYT Regulations 2014 and assumptions for FY 2019-20 to FY 2020-21 considered based on the inflation rates notified by the Govt. of India wherever necessary.
8. In exercise of the powers vested under section 61 and section 64 of the Electricity Act 2003 and MSERC MYT Regulations, 2014 (herein after referred to as Tariff Regulations) and other enabling provisions in this behalf the Commission issues this order for approval of the ARR for 3rd MYT Control Period for FY 2021-22 to FY 2023-24 and determination of Transmission Tariff & Open Access charges for Transmission of electricity in the state of Meghalaya for FY 2021-22.
9. Regulation 19 of the Tariff Regulations, 2014 provides for giving adequate opportunity to all stake holders and general public for making suggestions/ objections on the Tariff Petition. Accordingly the Commission directed MePTCL to publish the MYT ARR for FY 2021-22 to FY 2023-24 and Tariff Petition for FY 2021-22 in an abridged form as public

notice in news papers having wide circulation in the state inviting suggestions/objections on the Tariff Petition.

10. MePTCL has published the Tariff Petition in the abridged form as public notice in various news papers and the Tariff petition was also placed on the website of MePTCL. The time limit for submission of suggestions/objections was fixed as 30 days from the date of publication of notice.
11. The Commission in order to ensure transparency in the process of Tariff determination and for providing proper opportunity to all stake holders and general public inviting suggestions/objections on the Tariff petition and for convenience of the consumers and general public across the state, decided to hold a public hearing at the head quarters of the state on 17.03.2021 Accordingly the Commission held public hearing at Shillong as scheduled.
12. The Petition of MePTCL was also placed before the state advisory committee in its meeting held on 22.03.2021.and various aspects of the Petition were discussed by the committee. The Commission took the advice of the State advisory committee on the MYT ARR for FY 2021-22 to FY 2023-24 and Tariff Petition of MePTCL for FY 2021-22 during the meeting of the Committee.
13. The Commission took into consideration of the business plan for 3rd MYT control period for FY 2021-22 to FY 2023-24 and the facts presented by the MePTCL in its petition and subsequent additional data, the suggestions/objections received from stakeholders, consumer organizations, general public and the State Advisory Committee and response of the MePTCL to those suggestions/objections.
14. The Commission taking into consideration of the business plan and all the facts which came up during the public hearing and minutes of the meeting of the State Advisory Committee, approved MYT ARR for FY 2021-22 to FY 2023-24 and Transmission tariff and Open access charges for FY 2021-22.
15. The Commission has reviewed the Directives issued earlier in the Tariff Orders for FY 2013-14 to FY 2018-19 and noted that some of the Directives are complied and some are partially attended. The Commission has dropped the Directives complied with and the remaining Directives are consolidated and fresh Directives are issued.

16. This Order has been divided into 7 chapters as detailed below.

Chapter 1 : Introduction

Chapter 2 : Summary of petition for MYT ARR for FY 2021-22 to FY 2023-24 & and Determination of Transmission Tariff and Open Access charges for FY 2021-22.

Chapter 3 : Public Hearing process

Chapter 4 : Commission's Approach

Chapter 5 : Analysis and approval of ARR for 3rd MYT Control period FY 2021-22 to FY 2023-24.

Chapter 6 : Determination of Transmission Tariff and Open Access Charges for FY 2021-22

Chapter 7 : Directives

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

This order shall be effective from 1st April, 2021 and shall remain in force till 31st March, 2022 or till the next Tariff Order of the Commission.

Sd/-
Member
MSERC

Sd/-
Chairman
MSERC

1. Introduction

1.0 Background

1.1 Meghalaya Power Transmission Corporation Limited

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

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

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

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

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

1.2 Meghalaya State Electricity Regulatory Commission

Meghalaya State Electricity Regulatory Commission (here in after referred to as “MSERC” or the Commission) is an independent statutory body constituted under the provisions of the Electricity Regulatory Commission (ERC) Act, 1998, which was superseded by Electricity Act (EA), 2003. The Commission is vested with the

authority of regulating the power sector in the state inter alia including determination of tariff for electricity consumers.

A. The Meghalaya Power Transmission Corporation Limited (here after referred to as MePTCL or Petitioner) has filed its petition on 04.12.2020 as per the Meghalaya State Electricity Regulatory Commission (MYT) Regulations, 2014 for determination of MYT Aggregate Revenue Requirement for FY 2021-22 to FY 2023-24 and determination of Transmission tariff and open access charges for FY 2021-22.

1.3 Admission of the Petition and Public hearing process

The MePTCL has submitted the current petition for determination of MYT Aggregate Revenue Requirement (ARR) for FY 2021-22 to FY 2023-24 and Transmission tariff and open access charges for FY 2021-22. The Commission undertook the technical validation of the Petition and admitted the Petition Provisionally on 07.12.2020.

1.4 Public Hearing on the application

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

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

Sl. No	Name of News paper	Language	Date of Publication
1	The Shillong Times	English	14.12.2020 & 15.12.2020
2	U Mawphor	Khasi	14.12.2020 & 15.12.2020
3	SalantiniJanera, Tura Edition	Khasi	14.12.2020 & 15.12.2020

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

MePTCL/Commission received some objections/suggestions from Consumers/ consumer organizations. The Commission examined the objections/ suggestions

received and sent to MePTCL for their response and fixed the date for public hearing on the petition. Communication was also sent to the objectors to take part in the public hearing process for presenting their views in person before the Commission.

The Public hearing was conducted at Commission's office in Shillong as scheduled on 17.03.2021. The Commission also held meeting with State Advisory committee on 22.03.2021 Proceedings of meeting are given in Annexure-I

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

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

2. Summary of ARR Petition for 3rd MYT Control period FY 2021-22 to FY 2023-24 and Determination of Transmission Tariff and Open access charges for FY 2021-22

2.1 Aggregate Revenue Requirement (ARR) for 3rd MYT Control Period FY 2021-22 to FY 2023-24

The Meghalaya Power Transmission Corporation Limited (MePTCL) has submitted the Petition on 04.12.2020 seeking approval for MYT Aggregate Revenue Requirement for 3rd Control Period FY 2021-2022 to FY 2023-24 and Determination of Transmission Tariff and Open Access Charges for FY 2021-22. The MePTCL has projected the revenue requirement for the control period as filed in the petition.

2.2 Company Profile and Performance Overview

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

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

As per the Meghalaya Power Sector Transfer Scheme, MePTCL has been vested with the functions of transmitting power in the State of Meghalaya. The Business Scope of the Company falls within the legal framework as specified in the Act and includes:

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

2.3 Performance Highlights

MePTCL has inherited an ageing network from MeSEB, which itself had inherited the network from Assam State Electricity Board (ASEB) in 1975. However, both the erstwhile MeSEB and MePTCL have added significant network assets in previous few years in order to sustain the load growth and to provide reliable power transmission corridor to the state of Meghalaya.

The key physical achievements of MePTCL are highlighted below:

Table 2.1: Transmission Network Data

Description of the Network	Network Quantity as for FY 2020-21	Now filed for FY 2021-22
400 KV	2	2
220 KV	4	4
132 Kv& below	32	32
Total Sub Station bays	38	38
Transmission Lines		
A. Single Circuit		
(i) Multi Circuit (Bundled conductor with Six or more Sub Conductors)	21.746	21.746
Line with Conductor Six or more Sub conductors	-	-
(ii)With four Sub Conductors	32.77	32.77
(iii)With Twin Triple Conductors	5.28	5.28
(iv)With Single Sub Conductor	13.49	13.49
B. Double Circuit lines		
(i) With four or more conductors	4.428	4.428
(ii) Twin Triple Conductors	226.84	226.84
(iii) Single Conductor	558.362	527.8946
(iv) 132 KV Double Circuit	428.428	448.155
Total Length of Lines A+B	1291.344	1280.603
Transformation Capacity (MVA)		
400/220 KV	630 MVA	630 MVA
220/132 KV	520 MVA	520 MVA
132/33 KV below	595 MVA	617.50 MVA
Total Transformer Capacity	1745 MVA	1767.50 MVA

Apart from capacity building, MePTCL has also put in a lot of efforts in order to improve its system availability thereby ensuring reliable power. The improvement in the system availability is depicted below:

Table 2. 2: Transmission System Availability from FY 2014-15 to FY 2017-18 (Present)

Transmission System Availability	FY2013-14	FY2014-15	FY2015-16	FY2016-17	FY2017-18 (At Present)
Intra-State Availability %	99.351	96.621	99.381	99.52	99.73

The licensee would constantly strive to put in efforts to enhance its system for the benefit of all stakeholders.

Energy Handled in the Transmission System for FY 2017-18 to FY 2019-20 as per Format T 4 (C)

Table 2. 3: Energy Handled in the Transmission System

Sl.no	Particulars	FY 2017-18	FY 2018-19	FY 2019-20
1	Total Energy Received (MU)	1909986657.64	2023240793.92	2073297534.64
2	Total Energy Sent Out (MU)	1833587190.91	1941328133.76	1990367133.15
3	Transmission Losses (4%)	76399466.31	80929631.76	82931901.39
4	% of Transmission Losses (3/1)x100	4%	4%	4%

2.4 True Up of Transmission Business for FY 2018-19

There was a delay in the start of audit process of MePTCL and MeECL business for FY 2018-19 on account of Covid-19 pandemic and restricted movement and lockdown imposed in the country. The statutory audited accounts of MePTCL and MeECL for FY 2018-19 is complete. However, the C&AG audit for MePTCL and MeECL for FY 2018-19 is still in process. Since the existing MSERC Regulations mandates the completion of both statutory and C&AG audit before filing of true up petition, the licensee will undertake the truing up exercise for FY 2018-19 once the C&AG audit process is completed. The licensee prays for leave of submission of true up petition for FY 2018-19.

2.5 ARR for 3rd MYT Control Period of FY 2021-22 to FY 2023-24**Approach**

In accordance with the provisions of the MYT Regulations, 2014 MePTCL hereby submits ARR for FY 2021-22 to FY 2023-24 based on actuals of FY 2018-19 and provisional of FY 2019-20 & approved business plan for the control period. The audited accounts for FY 2018-19 for MePTCL and MeECL along with the statutory audit report are attached as Annexure B and C respectively. The provisional accounts for FY 2019-20 for MePTCL and MeECL are attached as Annexure D and E respectively.

The Commission notified the Business plan order for 3rd Control Period from FY 2021-22 to FY 2023-24 on 28.09.2020 which includes capital investment plan, financing plan, physical targets etc. for the next control period. The licensee is using it as a base along with audited statement of accounts of FY 2018-19 and provisional statement of accounts FY 2019-20 for determination of ARR for future periods.

Table 2. 4: Aggregate Revenue Requirement (ATC)**(Rs. Crore)**

Sl. No.	Particulars	FY 2018-19 (Actual)	FY 2019-20 (Provisional)	FY 2020-21 (Estimated)	FY 2021-22 (Projected)	FY 2022-23 (Projected)	FY 2023-24 (Projected)
1	Return on Equity (RoE)	17.35	16.86	15.21	18.02	18.27	19.97
2	Interest and Other Finance Charges	5.91	9.06	13.09	14.01	14.83	14.77
3	Operation and Maintenance expenses						
	i)Employee Expenses	74.74	81.72	116.14	129.87	138.89	149.34
	ii)R&M Expenses	5.60	4.89	5.13	5.39	5.66	5.94
	iii)A&G Expenses	3.20	5.22	5.32	5.58	5.86	6.15
4	Interest on Working Capital	3.97	4.36	5.20	6.20	7.16	8.32
5	Depreciation as may be allowed	21.30	20.21	22.90	23.54	24.28	24.67
6	SLDC Charges	1.20	1.27	1.33	1.40	1.47	1.54
7	Prior Period Expenses	-					
8	Total Annual Expenditure	133.27	143.59	184.33	204.01	216.42	230.70
9	Less: SLDC ARR	2.40	2.54	2.67	2.80	2.94	3.09
10	Net Annual Expenditure	130.87	141.05	181.66	201.21	213.48	227.62
11	Less: Other Income	22.60	16.34	16.74	17.15	17.57	18.00
12	Net Annual Revenue Requirement	108.28	124.71	164.93	184.06	195.91	209.62

2.6 Request of the Petitioner

The licensee humbly prays the Commission to pass appropriate orders on the following:

- Approval of Net ARR for FY 2021-22, FY 2022-23 & FY 2023-24 as proposed.
- Approval of tariff for FY 2021-22 as proposed.
- To pass such orders, as Commission may deem fit and proper and necessary in view of the facts and circumstances of the case.
- To condone any inadvertent omissions, errors & shortcomings and permit the applicant to add/change/modify/alter this filing and make further submissions as required.

3. Public Hearing Process

3.1 General

Section 64 (2) of electricity act 2003 read with Regulation 19 of MSERC MYT Regulations 2014 mandates the Transmission licensee to publish the Tariff petition in an abridged format in the leading news papers inviting the objections/suggestions on the Tariff petition from the stakeholders.

3.2 Objections / Suggestions of Stake Holders

Objections by BIA

1. In pursuance of the admission order and the public notice issued pursuant thereto inviting objections and representations from the stake-holders in the State of Meghalaya, the Objector / Respondent herein, M/s Byrnihat Industries Association is filing the present objections to the petition filed by the Meghalaya Power Transmission Corporation Limited (hereinafter referred to as 'MePTCL') seeking the determination of ARR for the third Control Period (FY 2021-22 to FY 2023-24) which has been prepared in accordance with The Meghalaya State Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2014 (hereinafter referred to as "MYT Regulations, 2014") and the tariff determination for FY 2021-22. The petition has been filed based on the Audited Statement of Account for FY 2018-19, Provisional Statement of Account for FY 2019-20 & Business Plan Order dated 28.09.2020, estimations for the FY 2020-21.

MePTCL Reply

Matter of Record

Commission's View

Commission noted the Suggestion

2. The Objector is an Association of industrial consumers in the Brynihat area in the State of Meghalaya. The Industrial consumers are few in number but at the same time contribute a substantial part of the revenue requirements of the electricity

utilities in the state. It is submitted that the industries have been set up in the State of Meghalaya based on the representations made on the sustained supply of electricity at competitive prices. The cost of electricity has however increased substantially over the years which have made the operation of industries in the State increasingly unviable. It is submitted that the viability and sustainability of the industries are essential also for the economic development of the State. The HT & EHT Industrial consumers though comprise only 0.028% of the total number of consumers in the State, account for around 31% of total energy sales and 36% of total revenue from the sale of power as in 2018-19. In order to submit a comprehensive and detailed analysis of the instant Petition, the Objector has worked with expert consultant, Mercados. A copy of the report prepared by the expert consultant, Mercados, is annexed as Annexure A.

MePTCL Reply

Matter of Record

Commission's View

Commission noted the Suggestion

A. TRUE UP FOR FY 2018-19

3. The Petitioner in the instant Petition has submitted that the Statutory Audit of the MePTCL for the FY 2018-19 is completed whereas the C&AG Audit is not completed till yet. The Petitioner submits that the statutory audit process for FY 2018-19 is completed for MeECL and MePTCL. The Petitioner has undertaken to separately submit the true up petition for FY 2018-19 along with the audited reports for FY 2018-19 once the C&AG audit is completed. As such, MePTCL has filed the present petition based on the finalized statement of accounts for FY 2018-19 and provisional statement of account for FY 2019-20. The Objector submits that the Petitioner is acting in contravention to Regulation 18 of the MYT Regulations. The Petitioner's justification stating that the delay in audit proceedings is because of Covid pandemic is flawed as the pandemic induced Lockdown initiated in March 2020 and not during the whole of FY 2019-20. The MePTCL is a government company and is mandated to

get the C & AG Audit conducted in a time bound manner. Being in FY 2021-22, it is not understood as to why MePTCL cannot get the C & AG Audit for FY 2018-19 and is going on flouting the regulations and directions of this Hon'ble Commission.

4. Accordingly, this Hon'ble Commission is respectfully submitted to direct the Petitioner to conduct the Audit proceedings for FY 2018-19 as early as possible and file application to conduct the True up proceedings. Further, the Objector craves leave to submit/ file comments on the True up Petition that shall be filed by the Petitioner.

MePTCL Reply

The Statutory audit process for FY 2018-19 is completed for MeECL and MePTCL shall separately submit the True petitions for FY 2018-19 along with the audited reports for FY 2018-19 once the C&AG audit is completed. MePTCL requests the Commission to consider the MYT petition based on the finalized statement of accounts for FY 18-19 and provisional statement of account for FY 2019-20. This applicable and allowable as per Clause 18 of the MSERC Multiyear Tariff Regulations 2014.

18 Filing Procedure

18.1 The applicant shall file the petition for approval of truing up of previous year and tariff for ensuing financial year on or before 30th November each year

18.2 Provided that the information should be based on audited accounts and in case audited accounts of previous year is not available audited accounts for the year immediately preceding the previous year should be filed along with the unaudited accounts for the previous year.

Therefore MePTCL prays to the Commission to consider the MYT Petition based on the finalized Statement of Accounts FY 2018-19 and provisional statement of account for FY 2019-20.

Commission's View

Commission noted the Response.

B. INTEREST AND FINANCE CHARGES ON LOAN CAPITAL

5. The Petitioner has claimed Rs. 14.01 Crore, Rs. 14.83 Crore and Rs. 14.77 Crore towards Interest and Finance Charges considering the interest rates at 9.67%, 9.56% and 9.51% respectively for the FY 2021-24. The Petitioner, MePTCL has considered opening Loan balance as Rs. 53.17 Crore for the FY 2018-19 for the computation of opening Loan balances for FY 2021-22. This Hon'ble Commission under Regulation 32 of the MYT Regulations, 2014, has specified the trajectory for calculation of Interest and Finance charges. The relevant extract of the same is reproduced below:

“Regulation 32. Interest and finance charges on loan capital

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.”

6. It is relevant to point out that the Hon'ble Commission while conducting the True up proceedings for the FY 2017-18 had approved closing Loan balance as Rs. 38.09 Crore for the FY 2017-18. However, MeTCL vide note no. 12 of SoA has brought forward the opening loan at Rs. 53.17 Crore for FY 2018-19 in which the details of the additions of the loan is not presented in the loans schedule. By its order dated 28.09.2020 while truing up for MeTCL for 2017-18, this Hon'ble Commission has computed the closing balance of 2017-18 as below:

“Commission's Analysis

The Petitioner has claimed interest on the loans outstanding in the books of accounts for true up. The regulation 32.1 read with regulation 27.1 specify that “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.”

Regulation 32.2 specifies that – 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 approved closing balances of loans for FY 2016-17 at Rs.30.98 Crores, whereas licensee has brought forward the opening loan at Rs.46.95 Crore vide note no.9 of SOA for FY 2017-18.

The details of the additions of the loan is not presented in the loans schedule. However the Schedule of loans depicted in the note no.9 of SOA is considered for computation of interest on capital loans as per regulations considering the opening balance Rs.46.95 Crore.

Licensee has not disclosed the repayment of loan during the FY 2017-18 against REC loan. In the absence of the details the repayment is considered at 10% of the outstanding loan for computation of interest. Licensee has shown repayment amount of Rs.13.37 Crore as default against state govt. loan. The same is considered as repayment. The interest costs claimed on MeECL loans not considered, since the Regulation provides for interest cost only on capital loans borrowed by generation, transmission and distribution utilities.

Computation of Interest and Finance charges for FY 2021-22 (Cr)

Sl. No	Particulars	REC Loan	REC of BIA 400/200 KV	State Govt Loan	Total	Weighted Average Interest
1	Opening Blance	-	6.34	40.61	46.95	
2	Additions during Year		5.71		5.71	
3	Repayment in default		1.20	13.37	14.57	
4	Closing Blance		10.85	27.24	38.09	
5	Average Loan (45.95+42.52)/2		8.60	33.93	42.52	
6	Rate of Interest		11.00%	9.31%	-	
7	Interest payable		0.95	3.16	4.11	9.67%
8	Total Interest				4.11	

Commission considers interest on loan capital at Rs.4.11 Crore for True up of FY 2017-18

7. While seeking interest and financing charges in the present petition, MeTCL considered the interest accrued component for both MeECL and MePTCL. Further, the Petitioner submits that the 1/3 of the MeECL Interest and Finance Charges are recovered by way of Transmission Tariff of MePTCL (and remaining 2/3 by MePGCL and MePDCL Tariff). In the said regard, the Petitioner vide Table 23 of the instant Petition submits that the interest on loan of MeECL apportioned has been considered. However, MeTCL has not submitted any documentary evidence substantiating the basis behind the claim made in respect of such debt accrued by MeECL in the FY 2019-20. There is also no document to substantiate this Hon'ble Commission approving such apportionment in the past. In view of the same, this Hon'ble Commission may follow the practice followed in order dated 28.09.2020 and disallow interest cost on MeECL loans.
8. Accordingly, the Hon'ble Commission is respectfully submitted to allow Interest charges to the tune of Rs. 18.45 Crore as against Rs. 43.60 Crore claimed by the Petitioner for the FY 2021-24 as illustrated in the tables below:

INTEREST ON LOAN CLAIMED BY THE PETITIONER FOR THE PERIOD FY 2021-24 (Rs.Cr)

Particulars	As Claimed by Petitioner					
	FY 2018-19 (Actual)	FY 2019-20 (Provisional)	FY 2020-21 (Estimated)	FY 2021-22 (Projected)	FY 2022-23 (Projected)	FY 2023-24 (Projected)
Opening balance	53.17	52.19	50.85	51.56	68.93	69.15
Addition during the Year	0.36	0	2.04	18.9	3.77	1.94
Repayment during the Year	1.34	1.34	1.34	1.52	3.56	3.68
Closing balance	52.19	50.85	51.55	68.94	69.14	67.41
Average Loan	52.68	51.52	51.20	60.25	69.04	68.28
Interest Rate (%)	9.68%	9.99%	9.67%	9.67%	9.56%	9.51%
Interest Accrued	5.10	5.15	4.95	5.83	6.60	6.49
Add: Interest on Loan for MeECL Apportioned	0.81	3.91	8.14	8.18	8.23	8.27
Add: Finance Charges	-	-	-	-	-	-
&MeECL Apportioned						
Interest & Finance Charges	5.91	9.06	13.09	14.01	14.83	14.76
G.Total				43.60		

ALLOWABLE INTEREST ON LOAN FOR THE PERIOD FY 2021-24

Particulars	As per Objector's Assessment					
	FY 2018-19 (Actual)	FY 2019-20 (Provisional)	FY 2020-21 (Estimated)	FY 2021-22 (Projected)	FY 2022-23 Projected)	FY 2023-24 (Projected)
Opening balance	53.17	52.19	50.85	50.17	66.85	66.44
Addition during the Year	0.36	-	0.66	18.20	3.15	3.00
Repayment during theYear	1.34	1.34	1.34	1.52	3.56	3.68
Closing balance	52.19	50.85	50.17	66.85	66.44	65.76
Average Loan	52.68	51.52	50.51	58.51	66.65	66.10
Interest Rate (%)	9.68%	9.99%	9.67%	9.67%	9.56%	9.51%
Interest Accrued	5.10	5.15	4.88	5.66	6.37	6.29
Add: Interest on Loan for MeECL Apportioned	-	-	-	-	-	-
Add: Finance Charges &MeECL Apportioned	-	-	-	-	-	-
Interest & Finance Charges	5.10	5.15	4.88	5.66	6.37	6.29
G.Total				18.32		

MePTCL Reply

The details of Capital expenditure to be funded by grants and debt for FY 2021-22 to FY 2023-24 have been furnished in the capital investment plan of MePTCL and are duly approved by the Commission vide order dated 28.09.2020.

MePTCL further submits that the opening loan for FY 2018-19 is Rs.53.17 crore which is the actual as per the audited SOA of MePTCL for the year 2018-19.

The State Power Transmission utility ensured smooth power flow across the state in spite of fall in Revenue for the corporation. However, it also resorts to working capital loans to meet the cash flow gap. The loans from PFC and Advance loans from MeECL come under this category. Though the working capital loans are shown in the loan statements in Format 7, Annexure F., the interest accrued is not included in the interest and finance calculations as interest on working capital loans is claimed

separately as per interest on working capital component shown in Section 3.10 in the petition. In Format 7 of the petition, it has been clearly stated that the PFC Loans and loans from MeECL are not considered in the calculation of Total interest and Finance charges since they were taken as working capital.

MePTCL has planned to take the remaining loan of Rs.24.61 Crore in FY 2021-22 to FY 2023-24 to excuse the capacity addition plans of the respective financial years in line with the approved Business plan.

Hence the MePTCL rejects the objection raised by the BIA on the Opening Loan Balance and subsequent additions for the FY 2021-22 to FY 2023-24.

Commission's View

Commission noted the Response

C. DEPRECIATION

9. The Petitioner has claimed Rs. 72.48 Crore towards Depreciation for the control period FY 2021-24. Regulation 33 of the MYT Regulations 2014 provides as follows:

"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.”*

10. Firstly, this Commission may recognize that as per the audited Balance Sheet for FY 2018-19, the average grants for the FY 2018-19 are Rs.47.29 Crore. This Commission may not allow the depreciation on assets funded out of grants. It is further submitted that the asset wise rate of depreciation being unchanged, the depreciation rate submitted by the Petitioner is grossly overvalued. The Commission may direct the Petitioner to provide the asset wise rate of depreciation considered for its claim for the FY 2021-24. In the absence of such information in the face or record, the Hon’ble Commission may be pleased to allow the weighted average rate of depreciation as per actual for FY 2018-19 for the FY 2021-24 period as well. Accordingly, this Hon’ble Commission may allow Rs. 64.27 Crore as depreciation for the period FY 2021-24 as against Rs. 72.48 Crore claimed by the Petitioner as shown in the table below:

DEPRECIATION ALLOWABLE FOR THE PERIOD FY 2021-24

Particulars	As per Objector's Assessment					
	FY 2018-19 (Actual)	FY 2019-20 (Provisional)	FY 2020-21 (Estimated)	FY 2021-22 (Projected)	FY 2022-23 (Projected)	FY 2023-24 (Projected)
Opening GFA	440.01	461.24	461.29	496.24	1,229.78	1,522.52
Less: Opening Land	4.10	4.10	4.10	4.41	10.92	13.52
Less: Opening Value of Asset funded through Grant	31.66	52.53	52.58	86.87	802.21	1,091.80
Net Opening GFA	404.25	404.61	404.61	404.96	416.65	417.20
Addition during the Year	0.36	-	0.66	18.20	3.15	3.00
Retirement during the Year	-	-	-	-	-	-
Closing GFA	404.61	404.61	405.27	423.16	419.80	420.20
Average GFA	404.43	404.61	404.94	414.06	418.23	418.70
Weighted rate of depreciation	5.14%	5.14%	5.14%	5.14%	5.14%	5.14%
Depreciation	20.78	20.79	20.80	21.27	21.49	21.51
Grand total				64.27		

MePTCL Reply:

The assets created out of the Government grants and consumer's contributions has not been considered for the calculation of Depreciation and the same has been deducted from the depreciation as amortization to arrive at the net depreciation. The projected amortization of Grants from FY 2021-22 onwards has been calculated based on the formulae: Actual Amortization of Grants of FY 2019-20 (taken from SOA)+ average projected grants for the corresponding year 5.28% (average depreciation rate). The average depreciation rate @ 5.28% is taken as per the CERC guidelines for the related assets.

Depreciation on the assets of MePTCL is a charges on a straight line method following the rates a and methodology notified by the CERC which is 5.28% for Plants and Machinery and Lines and cable Network, upto 90% of the original cost of assets after taking 10% as residual value.

MePTCL rejects the assessment of the Objector and retirements that the calculation for Depreciation is as in the Petition.

Commission's View

Commission noted the Response.

D. RETURN ON EQUITY

- 11.** The Petitioner has claimed Rs. 58.24 Crore towards Return on Equity for the period FY 2021-24 considering rate of Return on Equity @14%. Regulation 31 of the MYT Regulations, 2014 provides as below:

“31 Return on Equity

Return on equity shall be computed on the equity base determined in accordance with regulation 27 and shall not exceed 14%.

Provided that in case of generation & transmission projects commissioned after notification of these regulations, an additional return of 0.5 % shall be allowed if such projects are completed within the time line as specified in CERC Tariff Regulations.

Provided that in case of generation & transmission projects commissioned after the notification of these regulations an additional return of 1.5 % shall be allowed if such projects are completed within the original sanctioned project cost without any time and cost overrun whatsoever.

Provided that equity invested in a foreign currency may be allowed a return up to the prescribed limit in the same currency and the payment on this account shall be made in Indian Rupees based on the exchange rate prevailing on the due date of billing.

- The premium received while issuing share capital shall be treated as a part of equity provided the same is utilized for meeting capital expenditure.
- Internal resources created out of free reserves and utilized for meeting capital expenditure shall also be treated as a part of equity.”

12. The Petitioner is considering the overall GFA of Rs. 440.01 Crore which is inclusive of contribution from grants as well. The Petitioner has not deducted grants from overall GFA to arrive at Opening equity for the FY 2018-19. The funding of the capitalization is fully from grants and debt components and none from equity. Therefore, as per Regulation 27 read with 31, no additional Return on Equity shall be allowable for the period FY 2021-24. It is also submitted that the Petitioner for FY 2019-20 and FY 2020-21 has not submitted the actual equity and debt for the amount to be capitalized. Therefore, this Hon'ble Commission may allow the RoE for FY 2018-19 also for the period FY 2021-24. The Hon'ble Commission may be pleased to allow the Return on Equity for the control period as Rs. 50.74 Crore instead of Rs. 56.26 Crore claimed by the Petitioner shown below:

RETURN ON EQUITY ALLOWABLE FOR THE PERIOD FY 2021-24

Particulars	As per Objector's Assessment					
	FY 2018-19 (Actual)	FY 2019-20 (Provisional)	FY 2020-21 (Estimated)	FY 2021-22 (Projected)	FY 2022-23 (Projected)	FY 2023-24 (Projected)
Opening GFA for the Year	440.01					
Additions	21.23					
Retirement during the Year	-					
Closing GFA for the Year	461.24					
Average Assets Base for the year	450.63					
Less: Average Grants	47.29					
Net Assets	403.34					
Debt component (@70%)	282.34					
Equity component (@30%)	121.00					
Opening Equity base from True-Up Order of FY 2017-18	120.60					
Average Equity base for the Year	120.80					
RoE (%)	14%					
Return on Equity	16.91	16.91	16.91	16.91	16.91	16.91
Grand Total				50.74		

MePTCL Reply:

The Licensee has followed the consistent approach of the Honble commission for calculation of equity base and subsequent return on equity and it has been arrived by reducing the grant portion from the Asset. The MePTCL reiterated that the detailed calculation as given in Table 15 and 16 of the MYT Tariff Petition is acceptable.

MePTCL would further like to clarify that the details pertaining to the funding pattern of loan, grant and equity in the (WA has already been submitted by the petitioner in the Business Plan and the same has already been approved by the Honble Commission vide Business Plan Order dated 28.09.2020. Moreover as mentioned previously, the Petitioner while computing the equity component has not considered the grant amount. MePTCL hereby denies the ROE claim put up by the objector and shall reaffirm ROE as filed in the Petition.

Commission's view

Commission noted the Response

E. O&M EXPENSES

- 13.** The Petitioner has claimed Operation and Maintenance for the control period FY 2021-24 by (i) considering the RoP impact to the tune 27% over FY 2019-20 expenses for estimating the claim for the control period; (ii) Basic pay increment of 3%, DA increment of 2.75% and other components as % of basis pay in proportion as in FY 2019-20 expenses; and (iii) and MeECL expenses over and above MePTCL expenses in its overall claim. The O & M expenses claimed for the control period is as below:

O&M EXPENSE AS CLAIMED FOR MEPTCL FOR THE PERIOD FY 2021-24

Particulars	As Claimed by Petitioner					
	FY 2018-19 (Actual)	FY 2019-20 (Provisional)	FY 2020-21 (Estimated)	FY 2021-22 (Projected)	FY 2022-23 (Projected)	FY 2023-24 (Projected)
Employee Cost	69.68	76.27	109.04	122.48	131.2	141.34
Employee MeECL	5.07	5.45	7.10	7.39	7.69	8.00
R&M Cost	5.50	4.84	5.09	5.34	5.61	5.89
R&M MeECL	0.1	0.04	0.05	0.05	0.05	0.05
A&G Cost	2.23	2.74	2.71	2.85	2.99	3.14
A&G MeECL	0.98	2.48	2.6	2.73	2.87	3.01

Total O&M	83.56	91.82	126.59	140.84	150.41	161.43
G.Total					452.69	

14. Regulation 69 of the MYT Regulations, 2014 provide for O & M expenses as below:

“69. Operation and Maintenance Expenses

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

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

The Licensee shall submit O&M expenses budget indicating the expenditure under each head of account showing actual of the last financial year, estimates for the current year and projections for the next financial year.

The norms for O&M expenses on the basis of circuit kilometers of transmission lines, transformation capacity and number of bays in substations shall be submitted for approval of the Commission.

The Commission shall verify the budget estimates and projections and allow the expenditure depending on its views about the reasonableness of the projections.

Increase in O& M expenses due to natural calamities or insurgency or other factors not within its control may be approved by the Commission.”

15. In the absence of norms caused by absence of network data, this Hon’ble Commission by order dated 28.09.2020 has approved the O&M Expenses on the basis of Actuals for FY 2017-18. The Petitioner has escalated O&M expenses for FY 2019-20 by 27% additionally to arrive at FY 2020-21 normative numbers. However, there is no justification or basis for escalating the O & M expenses by 27%. This Hon’ble Commission mayonly allow the O & M expenses after determining the reasonableness of the Petitioner’s claim. In the present case, the Petitioner’s claim is devoid of such reasonableness. It is pointed out that in absence of any norms, various other State Commissionsuse CPI inflation indices to determine O&M expenses. The said indices account for the variations that may creep in while escalating the expenses on component level. In view of the same, the Respondent

herein submits that the actual O&M expenses for FY 2018-19 be escalated by CPI index of 4.28% to estimate employee, R&M and A&G expenses for the period FY 2019-20 and CPI index of 4.22% to estimate employee, R&M and A&G expenses for the period FY 2020-21 and beyond.

16. Further, the Petitioner in the instant Petition has wrongly considered the A&G expenses of MeECL from the provisional statement of accounts of FY 2019-20 and thus it has wrongly apportioned the same to MePTCL, MePGCL, MePDCL. It may be submitted that the expenses pertaining to the Holding company do not directly qualify for claim under the Tariff Regulations 2014. However, since the said expenses are to be incurred by the Petitioner to enable MeECL to discharge its activities, it is submitted that the MeECL apportioned expenses be allowed on actuals as that of FY 2018-19 and no escalation be considered for such claims made by the Petitioner for the control period FY 2021-24.
17. The Petitioner while submitting the O & M expenses for the control period has considered the estimation of additional expenses for the new recruitments for the MYT period FY 2021-24. However, the Petitioner has failed to consider the retirements that may take place. It is prayed that this Hon'ble Commission may allow for additional expenses towards new recruitment only after the requisite prudence check towards retirement numbers. In view of the above submissions, the allowable O&M Expenses for the period FY 2021-24 is as shown in the table below:

O&M EXPENSES ALLOWABLE FOR THE PERIOD FY 2021-24

Particulars	As per Objector's Assessment					
	FY 2018-19 (Actual)	FY 2019-20 (Provisional)	FY 2020-21 (Estimated)	FY 2021-22 (Projected)	FY 2022-23 (Projected)	FY 2023-24 (Projected)
Employee Cost	24.21	25.24	26.31	27.42	28.58	29.78
Employee MeECL	5.07	5.07	5.07	5.07	5.07	5.07
R&M	5.50	5.74	5.98	6.23	6.49	6.77
R&M MeECL	0.1	0.04	0.04	0.04	0.04	0.04
A&G	2.23	2.33	2.42	2.53	2.63	2.74
A&G MeECL	0.98	0.91	0.91	0.91	0.91	0.91
Total O&M	38.09	39.33	40.73	42.20	43.72	45.31
G.Total				131.24		

MePGCL Reply

The MePTCL has given reasons in detail as well as methodology for justifying escalation rates for O&M expenditure to support the figures submitted in the MYT Petition for FY 2021-22 to FY 2023-24. MePTCL and its subsidiary companies have implemented the revised pay scale for employees effective from January 2020. The approval of the Board for RoP 2020 along with the detailed financial implication and other supporting documents was given in Annexure G of the Petition. The Impact of RoP 2020 on the Employee cost was detailed in Table 6 of the Petition wherein the percentage change in employer cost due to RoP 2020 is 27%. The employee cost for FY 2020-21 is projected by considering the revised pay for Employees. The objector's claim that the entire O&M expenses has been escalated by 27% is incorrect. Since only the Basic pay as estimated for FY 2021-22 to FY 2023-24 by the MePTCL has the hike at the calculated percentage.

Table 8 and Format 1 of the Petition relating to the Employee cost may be studied in this respect. It may be noted that, **the payment in the Pension's A/c is considered as NIL.** In accordance with the Meghalaya Government Power Sector Reforms Transfer Scheme, 2010, the subsidiaries of MeECL have all their employees on deputation from MeECL. The expenses relating to terminal benefits of employees comprising of provident fund, pension, CPS, gratuity, leave encashment, family pension etc rests with the MeECL as MeECL holds all rights and liabilities towards settlement of dues to staffs against pension, gratuity etc of the subsidiary companies. Further the apportion amount also includes the salaries of the existing employees engaged for common services of the three subsidiaries. Hence the total employee benefits expenses (Note 21 of SOA of MeECL FY 2019-20 and Note 28.1 of SOA of MePTCL FY 2019-20) has been clearly apportioned to the subsidiaries @ 30% each.

The O&M expenses for the control period has been calculated based on the approved Business Plan, the Actual audited SOA of FY 2018-19 and the Provisional SOA of FY 2019-20. The R&M Expense as well as the A&G expenses for the control period was projected by considering average inflation rate of 5% (CPI) on the actual expenses of FY 2018-19 and FY 2019-20. Furthermore, it is submitted in the MSERC Business Plan for FY 2021-22 to FY 2023-24 dated 28.09.2020, the Hon'ble Commission has approved the

capacity addition in MVA and circuit km for the control period and the same has been considered by the MePTCL to arrive at the O&M expenditure for the control period.

The details of employees of MePTCL including retirement numbers is given below:

Total no. of Employees of MePTCL

Particulars	FY 2019-20 (Actuals)	FY 2020-21 (Estimated)	FY 2021-22 (Projected)	FY 2022-23 (Projected)	FY 2023-24 (Projected)
MePTCL	404	482	596	653	731
SLDC	31	52	74	77	78
Total	435	534	670	730	809
Total New Recruits		99	136	60	79
Retirements	13	14	12	12	12

It is not justified on the part of the objector to state that the network data was not submitted since the data has already been submitted along with the petition as Format-T1(A) and T1(B).

In view of the above, MePTCL hereby rejects the O&M expenses claim put up by the objector and shall reaffirm the O&M expenses as filed in the MYT Tariff Petition dated 04.12.2020.

Commission's View

Commission noted the Response.

F. INTEREST ON WORKING CAPITAL

18. The Petitioner has claimed Rs. 21.69 Crore towards Interest on Working Capital for the period FY 2021-24. MePTCL has claimed Interest on Working Capital in accordance with Regulation 34 of the MYT Regulations 2014 which provides as follows:

"34. Interest on Working Capital

Transmission:

- (i) *The Transmission Licensee shall be allowed interest on the estimated level of working capital 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) month of transmission charges calculated on target availability level;*
- Interest on working capital 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.”*

19. As per the objections submitted above, the consequential Interest on Working Capital allowable for the period FY 2021-24 is shown below:

INTEREST ON WORKING CAPITAL ALLOWABLE FOR THE PERIOD FY 2021-24

Particulars	As Claimed by Petitioner			As per Objector's Assessment		
	FY 2021-22 (Projected)	FY 2022-23 (Projected)	FY 2023-24 (Projected)	FY 2021-22 (Projected)	FY 2022-23 (Projected)	FY 2023-24 (Projected)
O&M for 1 Month	11.74	12.53	13.45	3.52	3.64	3.78
Maintenance Spare @ 1% of Historical Cost, escalated by 6%	8.63	13.76	20.11	5.26	13.04	16.14
Receivable for 2 Month	30.68	32.65	34.94	10.74	11.30	11.62
Total	51.04	58.95	68.50	19.51	27.98	31.53
Interest Rate (%)	12.15%	12.15%	12.15%	12.15%	12.15%	12.15%
Interest on Working Capital	6.20	7.16	8.32	2.37	3.40	3.83
G.Total	21.69			9.60		

MePTCL Reply

The objector has re-estimated the normative interest on working capital based on the changes in O&M Cost and GFA. As submitted by MePTCL above, the claims of the Objector with regard to change in O&M Cost and GFA are in fructuous and do not require any action.

Short term lending rate for computation of Interest on working capital is equal to the State Bank Advance Rate (SBAR) as on 1st April of the financial year in which the Petition is filed in line with the MSERC Regulations. The last modification to State Bank Advance Rate (SBAR) of 12.15% is applicable from 10th June 2020. Hence, as

per the latest SBAR, the Petitioner has used 12.15% for computing the Interest on working capital.

MePTCL hereby reaffirms its claim on R&M expenses, GFA, short term lending rate with justifications above and henceforth, prays to Hon'ble Commission to kindly allow the interest on Working Capital as proposed in the Tariff Petition.

Commission's View

Commission noted the Suggestion.

G. OTHER INCOME OF METCL

20. The Petitioner has claimed Rs. 52.71 Crore towards Other Income for the period FY 2021-24 as per Regulation 65 of the MYT Regulations. However, since the statement of accounts of FY 2019-20 is yet to be finalized, the Objector request the Hon'ble Commission to allow the Other Income of FY 2018-19 to the tune of Rs. 22.597 Crore for each year of the control period FY 2021-24. Therefore, total allowable other income for the control period FY 2021-24 is Rs. 67.79 Crore.

MePTCL Reply

The calculation of Other Income was based on the Actuals of FY 2018-19 and the Provisional SOA of FY 2019-20. It is also stated that the impact of Covid 19 Pandemic was felt in the short term and even as the Licensee does not anticipate any medium to long term effect, MePTCL is closely monitoring the changes to the future economic conditions which was reflected in the Petition. Any adjustment on the same will be duly carried out by the licensee in the true up petition. The petitioner hereby prays to the Hon'ble Commission to allow the provision of Other Income in the MYT petition for FY 2021-22 to FY 2023-24 as stated.

Commission's View

Commission noted the Suggestion.

H. ARR for FY 2021-22 to FY 2023-24 & determination of Tariff for FY 2021-22:

21. In accordance with the objections submitted in the previous sections, the Objector has computed the Annual Revenue Requirement for MePTCL for the period FY 2021-24 as shown below:

ANNUAL TRANSMISSION CHARGES ALLOWABLE FOR THE PERIOD FY 2021-24

Particulars	As Claimed by Petitioner			As per Objector's Assessment		
	FY 2021-22 (Projected)	FY 2022-23 (Projected)	FY 2023-24 (Projected)	FY 2021-22 (Projected)	FY 2022-23 (Projected)	FY 2023-24 (Projected)
Return on Equity (RoE)	18.02	18.27	19.97	16.91	16.91	16.91
Interest and Other Finance Charges	14.01	14.83	14.77	5.66	6.37	6.29
Operation and Maintenance expenses						
Employee Expenses	129.87	138.89	149.34	32.49	33.65	34.85
R&M Expenses	5.39	5.66	5.94	6.27	6.53	6.81
A&G Expenses	5.58	5.86	6.15	3.44	3.55	3.66
Interest on Working Capital	6.20	7.16	8.32	2.37	3.40	3.83
Depreciation as may be allowed	23.54	24.28	24.67	21.27	21.49	21.51
SLDC Charges	1.40	1.47	1.54	1.40	1.47	1.54
Prior Period Expenses	0	0	0	0	0	0
Total AnnualExpenditure	204.01	216.42	230.70	89.81	93.36	95.40
Less: SLDC ARR	2.80	2.94	3.09	2.80	2.94	3.09
Net Annual Expenditure	201.21	213.48	227.62	87.01	90.42	92.31
Less: Other Income	17.15	17.57	18.00	22.60	22.60	22.60
Net Annual Revenue Requirement	184.06	195.91	209.62	64.41	67.83	69.71
Grand Total	589.58			201.95		

22. It is pertinent to note that the Commission vide Order dated 28.09.2020 has approved a Revenue Surplus of Rs. 27.63 Crore while conducting the True up for FY 2017-18. The Petitioner in lieu of the same has considered the adjustment of the said Surplus while proposing the Transmission Tariff for the FY 2021-22. In the said context, it is pertinent to mention that since the said Revenue Surplus was pertaining

to the FY 2017-18, the adjustment of the same for FY 2021-22 would require appropriate Carrying Cost during the intervening years. Keeping the consumers or the beneficiary devoid of Carrying Cost would be unfair to them as the said surplus had already been accrued in the Petitioner's Books of Accounts. In view of the same, the Petitioner herein proposes the adjustment of Carrying Cost as per the prevailing State bank Advance Rate as on 1st April of that particular year. The computation of the Carrying Cost is illustrated hereunder for the kind consideration of the Hon'ble Commission:

CARRYING COST COMPUTATION PERTAINING TO FY 2017-18 REVENUE SURPLUS

Particulars	Interest Rate	Carrying Cost	Cumulative Surplus
Surplus approved by MSERC vide Order dated 28.09.2020			27.63
FY 2017-18 (1/2 year interest applicable)	13.85%	1.91	29.54
FY 2018-19	13.45%	3.72	33.26
FY 2019-20	13.80%	3.81	37.07
FY 2020-21	12.90%	3.56	40.64
FY 2021-22 (1/2 year interest applicable)	12.05%	1.66	42.30

23. In view of the afore said submissions, the Commission is kindly requested to approve the Annual Transmission charges to the tune of Rs.64.41 Crore along with Surplus of Rs. 42.30 Crore as against the Petitioner's submission of Rs. 156.42 for the period FY 2021-22. The same is illustrated in the table below:

ALLOWABLE NET ARR FOR THE PERIOD OF FY 2021-22

Particulars	As Claimed by Petitioner	As per Objector's Assessment
ARR of FY 2021-22	184.05	64.41
Approved Gap/(Surplus) carried forward from the True up of FY 2017-18	-27.63	-42.30
Net ARR of FY 2021-22	156.43	22.11

The Transmission Tariff accordingly is illustrated in the table below:

ALLOWABLE TRANSMISSION TARIFF FOR PERIOD OF FY 2021-22

Particulars	As Claimed by Petitioner	As per Objector's Assessment
Net ARR of FY 2021-22 for computation of Tariff	156.43	22.11
Total MW Allocation	393.18	393.18
Transmission Tariff (Rs./MW/Day)	10900.31	1306.92
Energy Transfer (MU)	1422.69	1422.69
Transmission Tariff (Ps/Unit)	109.95	15.54

MePTCL Reply

The true up of FY 2017-18 was filed on 30-06-2020 and the Commission has given its order on the true up of FY 2017-18 on 28-09-2020. The surplus approved in the true up of FY 2017-18 is Rs. 27.63 crores which will be deducted from the Transmission ARR of FY 2021-22. The licensee had filed a review petition against the true up order of FY 2016-17, but the order is still due from the Hon'ble Commission. Hence, due to absence of order till date, the gap due to review of true up order FY 2016-17 is not included here and may be added as and when the order is notified during the period of consideration of this petition. MePTCL has taken care of this surplus in this petition as depicted in Table 27. Previously the Commission does not consider the carrying cost as claimed by the Licensee in its Tariff Order for FY 2020-21 on the true up gap/surplus approved for FY 2013-14, FY 2014-15, FY 2015-16 and FY 2016-17 which are appropriated in the ARR of FY 2020-21.

Based on the above submission, the Licensee prays to the Hon'ble Commission to reject the carrying cost as stated by the objector in the Net ARR of FY 2021-22.

The objector has tried to revise the projections of different heads affecting the ARR of FY 2020-21 without considering the principles of MYT as well as MSERC MYT Regulations 2014. This also defeats the purpose of MYT whose objective is projection of ARR for the control period (3 years control period in case of Meghalaya). Once the

ARR is approved by the Commission for the MYT control period, the consumer would have a fair idea of what to expect in the next three to five years and the transmission company would also be able to plan its business having known the likely tariff for the control period. This implies that the approved ARR for a particular year as per the MYT order along with gaps of previous years will be used for the tariff determination for that year. This ensures that tariffs would not fluctuate beyond a certain bandwidth unless there are force majeure conditions.

There is also provision of mid-term review of the Business plan and ARR based on the updated financial information and capex plan.

Moreover, the capitalization and capital expenditure as filed in the Business Plan for control period FY 2018-19 were projections based on the ongoing and current schemes which are scheduled to be completed as per the timelines. The same has been acknowledged by the Hon'ble Commission and approved in the Business Plan order dated 28.09.2020.

Based on the above submission, the licensee requests the Hon'ble Commission to consider the approved value of Rs 184.06 Cr as ARR for FY 2021-22.

Transmission Tariff for FY 2021-22

As stated above, the capitalization and capital expenditure as filed in the Business Plan for control period FY 2021-22 to FY 2023-24 were projections based on the ongoing and upcoming schemes which are scheduled to be completed as per the timelines. The same has been acknowledged by the Hon'ble Commission and approved in the Business Plan order dated 28.09.2020. The licensee is undertaking different capex works under schemes including NERPSIP, PSDF, State Planned Assistance and other Central sponsored schemes like NESIDS etc with huge investment outlays and the capitalization figures were submitted based on the anticipated completion of various planned and ongoing schemes. In case of any deviation from projections of capex and capitalization from the actual, the licensee shall true up the same along with the complete ARR based on the audited accounts

as per MSERC regulations. The different heads of ARR based on actual get revised in the true up petition and the gap/surplus of every year is claimed in the subsequent tariff petition.

The petitioner sticks to the methodology adopted to derive the MYT for MePTCL of FY 2021-24 as depicted in the petition and has claimed that, it is in line with the MSERC MYT regulation 2014.

Commission's View

Commission noted the Suggestion.

The List of Participants in the Public hearing on Transmission Petition filed by MePTCL held on 17.03.2021 is attached as Annexure II.

4. Commission's Approach

4.0 Tariff Determination

The Tariff petition is filed under Section 61 of Electricity Act 2003 read with MSERC (Multi Year Tariff) Regulations 2014.

Commission has to specify terms and conditions for determination of tariff and in doing so it shall be guided by the following:

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

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

Regarding transmission and distribution losses, the policy prescribed that State Government would prepare a 5 year plan with annual milestone to bring down T & D

losses expeditiously. Continuation of present level of losses would not only pose a threat to the power sector but also jeopardise the growth of the economy as a whole. Similarly electricity policy envisages encouragement of energy conservation and demand side management. Periodic energy audits are mandated for power intensive industries and encouragement of solar water heating system.

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

4.1 Background

This Chapter shall deal with the approach adopted by the Commission while determining the ARR for FY 2021-22 and transmission tariff for the State of Meghalaya for FY 2021-22. The Commission has notified MSERC (Multi Year Tariff) Regulations 2014 on 15.09.2014. These Regulations are applicable for determination of tariff from 01.04.2015. These Regulations shall be applicable to generating company MePGCL, transmission licensee MePTCL (including SLDC) and distribution licensee MePDCL. Commission has further extended Regulations for 3rd MYT control period for FY 2021-22 to FY 2023-24. While deciding the ARR, the Commission also kept in view the provisions notified in National Tariff Policy and Electricity Act 2003. The Commission has also tried to make a Balance between the interest of users of transmission system and transmission utility. The power sector in the State and in the North Eastern Region is growing and therefore it would be reasonable to consider the action plan to allow such projects which are initiated, started or sanctioned through some or other schemes. It is being done in order to protect the interest of common man. The Commission is also concerned that there is no power interruption because of fault in transmission system or due to capacity constraints. The Validation of expenses are considered based on SOA for FY 2018-19.

Commission has carefully examined the actual expenses and Revenue of the transmission utility. Accordingly, the Commission has validated the ARR on the basis of inflation rates for FY 2019-20 to FY 2020-21.

In this chapter, the Commission is dealing with the Regulations prescribed in MSERC MYT Regulations 2014 as extended till for 3rd MYT Control Period for FY 2021-22 to FY 2023-24 . The Regulations prescribes the following:

4.2 General Guidelines and Principles

The multiyear tariff shall be based on the following elements for determination of ARR for the entire control period FY 2021-22, FY 2022-23 and FY 2023-24 & the transmission tariff shall be determined for FY 2021-22.

- (a) Business plan for the 3rd control period FY 2021-22 to FY 2023-24.
- (b) Forecast of ARR for the entire control period as per the business plan.
- (c) Truing up of previous years up to FY 2019-20
- (d) In accordance with the regulations the licensee has filed the petition for approval of ARR for the 3rd MYT Control period from FY 2021-22 to FY 2023-24 and determination of transmission tariff and open access for the ensuing year FY 2021-22.

4.3 Business Plan

As per regulation 8, all utilities shall have to file a business plan for the control period of three financial years starting from 01.04.2021. The regulation provides that the licensee shall file, demand projection, power procurement plan, **capital investment plans, financing plan and fiscal targets**. It is also required that capital investment plan shall show separately ongoing projects that will be spilled over into the control period and new projects (along with justifications) that will commence in the control period but may be completed within or beyond the control period. In accordance with regulation the Commission shall only consider those investment plans which will be provided with relevant technical and commercial details.

In accordance with the regulations the licensee has filed business plan for FY 2021-22 to FY 2023-24 projecting capital investment for various existing and new projects. The Licensee filed the capital expenditure to be spent during entire control period. In accordance with the regulation the Commission has considered and approved the business plan in the matter of capital expenditure on the ongoing projects and for the new projects separately. Commission considers those investment plans which

have already commenced up to the period FY 2020-21 and also projections for MYT Control period.

4.4 Specific Trajectory

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

4.5 Truing Up

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

- A comparison of audited performance of the Licensee for the previous financial year with the approved forecast for such year subject to prudence check including pass through of impact of uncontrollable factors.
- Review of compliance of directives issued by the Commission from time to time.
- Any other relevant factors.
- licensee has submitted for leave of submission of true up petition for FY 2018-19 on account of the situation prevailing due to Covid-19 pandemic.

4.5.1 Current Petition

- a) The Licensee has filed petition for approval of ARR for 3rd MYT Control Period FY 2021-22 to FY 2023-24 and determination of transmission tariff and open access charges for FY 2021-22.
- b) As per the Regulation 11(2) of MSERC MYT Regulations 2014, the Licensee shall file petition for true up for previous year performance together with audited Accounts along with tariff petition for ensuing year. The Licensee has not filed the truing-up business for the previous year along with tariff petition for ensuing year.

- c) Commission finalized the ARR for MYT control period and transmission tariff for ensuing year considering the SOA for FY 2018-19 and processed the order in the absence of audited results for FY 2019-20 for comparison of the projections and ensured to release of tariff order on time.

4.6 Financial Principles

Capital Cost and Capital Structure

Regulation 28 specifies that the capital cost shall include the actual expenditure on the date of commercial operation subject to prudence check. The cost of the project should be reasonable as per the efficient technology and any delay in execution of the project causing cost and time overrun may not be approved by the Commission. Similarly, the assets not put to use shall be excluded from the capital cost.

Regulation 28.10 provides that capital cost of the existing and new projects shall not include any assets which have created from any grant received from either Central or State Government which does not carry any liability of repayment for the purpose of computation of interest on loan, return on equity and depreciation.

In accordance with the Regulation commission has allowed the return on equity on the projects which are completed and do not carry assets created from grants where no repayment of liability exists. Commission has also considered measures which are necessary for good governance while allowing return on it. The investment made prior to and up to 31st March immediately preceding the date of the notification of the Regulations shall be considered on the basis of audited accounts or approvals already granted by the Commission. In this proceedings the Commission has allowed the opening values of the assets as per the transfer schemes and allowed addition of assets for projects which have already taken up as per Format T-1(A) of the Tariff petition. However, the Commission shall make suitable corrections as per the audited records as and when made available.

4.7 Additional Capitalization

Regulation 29 prescribes that *the additional expenditure within the original scope of work actually incurred after the date of commercial operation and up to the cut-off*

date may be admitted by the Commission subject to prudence check and issue of completion certificate.

4.8 Debt Equity Ratio

Regulation 27 provides for debt equity ratio for projects which are declared under commercial operation. However, any grant obtained for execution of the project shall not be considered as a part of capital structure and equity should be determined accordingly. Regulation 27 also prescribes that for the purpose of determination of tariff, debt-equity ratio in the case of existing, ongoing as well as new projects commencing after the date of notification of these regulations shall be 70:30. Where equity employed is more than 30%, of the capital cost the amount of equity for the purpose of tariff shall be limited to 30% and the balance shall be treated as loan. Where actual equity employed is less than 30%, of the capital cost the actual equity employed shall be considered.

Commission may, in appropriate case, consider equity higher than 30% for the purpose of determination of tariff, where the transmission licensee is able to establish to the satisfaction of the Commission that deployment of equity more than 30% is in the interest of general public. The debt and equity amounts arrived at in accordance with regulations shall be used for calculating interest on loan and return on equity. The Commission has also taken a view that after segregation of MeECL, there are no independent financial transactions and there is apparently no change in the functioning of these Corporations as an independent entity.

4.9 Return on Equity

Regulation prescribes that Return on equity shall be computed on the equity base determined in accordance with Regulation 31 and shall not exceed 14 %. Provided that in case of projects commissioned on or after 1-4-2010, an additional return of 0.5 % shall be allowed if such projects are completed within the time line specified in Appendix --- II of CERC (Terms and Conditions of Tariff) Regulations, 2009 (Refer Annexure-2)

- i. Provided that an additional return of 1.5 % shall be allowed if such projects are completed within the original sanctioned project cost without any cost overrun.

- ii. Provided that equity invested in a foreign currency may be allowed a return up to the prescribed limit in the same currency and the payment on this account shall be made in Indian Rupees based on the exchange rate prevailing on the due date of billing.

The transfer scheme dated 31.03.2012 provides amendment to the original transfer scheme of 2010 where in it is mentioned that all assets and liabilities shall stand transferred from MeECL to MePTCL as on 01.04.2012. However, the transfer value of assets and liabilities shall be regulated as per Regulation-27 for the purpose of Return on Equity.

4.10 Interest and Finance Charges on Loan Capital

Regulation 32 provides that interest shall be computed on the outstanding loans after taking into account the schedule of loan repayment, terms and conditions of loan agreement and lending rates as defined therein. The Regulation provides that no interest on finance charges shall be allowed on the projects which are not completed. The interest and finance charges attributable to Capital Work in Progress shall be excluded. The transmission licensee shall make every effort to swap loans as long as it results in net benefit to the users. The costs associated with such swapping shall be borne by the beneficiaries. The changes to the loan terms and conditions shall be reflected from the date of such swapping and benefit shared between the beneficiaries and the licensee in a ratio 50:50. MePTCL has claimed normative interest for loan capital in FY 2021-22. Since the Regulation provides the interest charges for outstanding loans, the Commission has considered repayment of loans to the extent of depreciation allowed and the interest has been worked out accordingly. However, MePTCL is free to file the petition for claiming the interest on loan actually availed during the control period. Commission shall consider the same at the time of truing up.

4.11 Depreciation

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

- (a) The asset value for the purpose of depreciation shall be the capital cost of the assets as admitted by the Commission where:
- The opening asset's value recorded in the Balance Sheet as per the Transfer Scheme Notification shall be deemed to have been approved, subject to such modifications as may be found necessary upon audit of the accounts, if such a Balance Sheet is not audited. Consumer contribution or capital subsidy/ grant etc shall be excluded from the asset value for the purpose of depreciation.
- (b) For new assets, the approved/accepted cost for the asset value shall include foreign currency funding converted to equivalent rupee at the exchange rate prevalent on the date of foreign currency actually availed but not later than the date of commercial operation.
- (c) Depreciation shall be calculated annually as per straight-line at the rates specified in Appendix – II of CERC (Terms and Conditions of Tariff) Regulations 2009 (Refer Annexure-II) of these regulations: Provided that land is not a depreciable asset and its cost shall be excluded from the capital cost while computing the capital cost of the asset. The salvage value of the asset shall be 10% and the depreciation shall be allowed up to a maximum of 90 % of the capital cost of the asset.

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

4.12 Interest on Working Capital

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

4.13 Operation and Maintenance Cost:

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

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

Regulation prescribes that the Licensee shall submit O&M expenses budget indicating the expenditure under each head of account showing actual of the last financial year, estimates for the current year and projections for the next financial year. The norms for O&M expenses on the basis of circuit kilometres of transmission lines, transformation capacity and number of bays in substations shall be the criteria for approval of the O&M expenses for the FY 2021-22.

Commission has considered O&M Expenses in this order considering the proposal of the petitioner which includes impact of the ROP, in the absence of the Actual Transmission network and norms being proposed by MePTCL for FY 2021-22.

4.14 Income Tax

Regulation 35 prescribes that Income Tax on the Licensed business of the Transmission Licensee shall be treated as expense and shall be recoverable from users through tariff. However, tax on any income other than that of its Licensed business shall not be a pass through, and it shall be payable by the Transmission Licensee itself. The income tax actually payable or paid shall be included in the ARR.

Any under recovery or over-recovery of tax on income shall be adjusted every year on the basis of income tax assessment under the Income-Tax Act 1961 as certified by the statutory auditor. Since no payment of Income Tax proof provided, Commission does not consider income tax in the ARR for 3rd Control period.

4.15 Calculation of ARR:

Regulation 65.3 prescribes that annual expenditure of the Transmission licensee shall comprise of the following:

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

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

- (a) Income from surcharge and additional surcharge from open access consumers if any,
- (b) Transmission and / or wheeling charges recovered from open access customers, if any
- (c) Authorized portion of Income / Revenue from other business engaged in by the Licensee for optimum utilization of assets, if any.

4.16 Norms of Operation

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

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

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

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

4.17 Payment of transmission charges by customers

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

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

The Commission has allowed recovery of annual transmission charges from single distribution licensee in the State in FY 2021-22. The charges to be paid for use of transmission system by open access consumers shall be determined for FY 2021-22.

4.18 Transmission losses

Regulation says that the Commission shall fix the norm for transmission losses based on the loss reduction plan provided by the licensee. The Commission shall make a periodical review of the reduction in transmission losses with reference to the norms fixed by it. In the case of failure to achieve the target for loss reduction, the Commission will not allow the excess over the norm as a pass through. Only Transmission Losses fixed as provided for in clause (1) above shall be debited to energy account of customers of the transmission system. The Commission find difficulty in allowing transmission losses without energy audit at all interconnecting points in intra-state transmission lines. The transmission losses at north east grid are more or less same as allowed last year. Accordingly, the Commission is allowing transmission losses as allowed last year subject to verification from SLDC. On the basis of actual records, provision of regulations, practices followed by this

Commission, has determined the annual fixed charges for transmission licensee for FY 2021-22.

4.19 Open access charges

The Commission has determined the open access charges as per the Regulations for open access consumers for FY 2021-22. The charges for open access need to be collected as per Regulations and no open access shall be permitted for defaulters.

4.20 ARR for the 3rd control Period and Transmission Tariff for FY 2021-22

Commission considers that the ARR for 3rd MYT control period and transmission tariff orders are passed considering the SOA for FY 2018-19. The estimates are considered based on values of statement of accounts for FY 2018-19 certified by the statutory auditors and assumptions as per inflation rates the for FY 2019-20 to FY 2020-21 are considered for determination of ARR for 3rd control period and transmission tariff for FY 2021-22

5. Analysis and approval of Aggregate Revenue Requirement (ARR) for the 3rd MYT Control period FY 2021-22 to FY 2023-24

5.1 Tariff Regulations

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

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

5.2 Methodology for filing of ARR for 3rd control period for FY 2021-22 to FY 2023-24 and Transmission Tariff and open access charges for FY 2021-22.

In accordance with the provisions of the MYT Regulations, 2014, MePTCL submitted the ARR for the MYT Third control period FY 2021-22 to FY 2023-24 and Transmission tariff and open access charges for FY 2021-22 based on restructured segregated provisional accounts and the transfer scheme amended from time to time. MePTCL submits that, Transmission Service Agreement (TSA) for transmission of power to MePDCL has been executed on 08th August 2013 and power under TSA is being supplied on cost plus basis. Therefore, MePTCL submits that the tariff for MePTCL be determined on cost plus basis. SLDC is a Strategic Business Unit (SBU) of MePTCL and

does not maintain separate accounts. Therefore all assets, liabilities, expenditures etc. of SLDC are reflected in the accounts of MePTCL. The SLDC is functioning under Administrative control of Transmission utility, the ARR of MePTCL includes SLDC expenses and are shared by MePGCL and MePTCL equally.

For computation of the Annual Revenue Requirement, Annual Fixed Cost for the transmission system ARR needs to be separately computed. The revenues from other sources such as surcharge from open access consumers, wheeling charges and other authorized income are required to be adjusted in the ARR. MePTCL has submitted petition for MYT ARR for 3rd control period for FY 2021-22 to 2023-24 under Regulation 9 of MSERC MYT Regulations 2014.

5.3 Regulatory Accounts

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

5.4 ARR for 3rd MYT Control Period of FY 2021-22 to FY2023-24

In accordance with the provisions of the MYT Regulations, 2014, the MePTCL submitted petition for approval of ARR for 3rd MYT Control period for FY 2021-22 to FY 2023-24 based on approved provisions in the business plan.

Licensee has submitted the SOA for FY 2018-19 certified by the statutory auditors and unaudited SOA for FY 2019-20. Commission has considered ARR for 3rd MYT Control period for FY 2021-22 to FY 2023-24 based on the performance for FY 2017-18 to FY 2019-20.

5.5 Transmission Network details

The Licensee has Submitted the Transmission network data vide Format T-1(A) and (B) of the petition. The Network data validated in ARR and Tariff order processed for FY 2021-22.

Table 5.1 : Network Details of Transmission Lines and Sub Stations

Particulars	Net Work Quantity
400 KV	2
220 KV	4
132 Kv& below	32
Total Sub Station bays	38
Transmission Lines	
A. Single Circuit	
(i) Multi Circuit (Bundled conductor with Six or more Sub Conductors)	-
Line with Conductor Six or more Sub conductors	
(ii) With four Sub Conductors	-
(iii) With Twin Triple Conductors	-
(iv) With Single Sub Conductor	-
B. Double Circuit lines	
(i) With four or more conductors	4.428
(ii) Twin Triple Conductors	226.84
(iii) Single Conductor	527.8946
(iv) 132 KV Double Circuit	448.155
Total Length of Lines A+B	1245.31
Transformation Capacity (MVA)	
400/220 KV	630 MVA
220/132 KV	520 MVA
132/33 KV below	617.50 MVA
Total Transformer Capacity	1767.5 MVA

5.6 Normative Annual Transmission Availability Factor:

The Regulation 70.3 of the MYT Regulations, 2014, provides the norms of operation of MePTCL. The relevant regulation is reproduced below for ready reference: Target Availability of the Transmission System for recovery of full transmission charges. The Normative Annual Transmission Availability Factor (NATAF) of the Transmission System shall be 98%. MePTCL has projected the system availability for the control period in the Business plan as detailed below.

Table 5.2 : Transmission System Availability from FY 2020-21 to FY 2023-24

Transmission System availability	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Intra-State (%)	99.80	99.80	99.80	99.80
Inter State (%)	95.80	96.00	96.10	96.20
Overall (%)	97.80	97.90	97.95	98.00

5.7 Transmission Loss Trajectory

MePTCL has submitted that continuous efforts are being made to reduce transmission losses by replacing meters and metering system at interface/boundary with the Generators and Distributors and also established a Central Data Centre at NEHU sub-station. MePTCL, with these initiatives, has been able to reduce the transmission losses from 5.18% in FY 2016-17 to 4.0% in FY 2020-21, which comes well within the target set by the Commission as detailed in the tables below.

Table 5.3 : Transmission Loss from FY 2016-17 to FY 2020-21

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21 (up to August 2020)
Transmission Loss (%)	5.18	5.13	4.08	3.78	4.00

Table 5.4 : Projected Transmission loss from FY 2020-21 to FY 2023-24

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Transmission loss (%)	3.80%	3.80%	3.80%	3.70%

MePTCL has submitted that following steps are initiated for further reduction in transmission losses:-

- a. **Metering Up gradation:** Replacing the existing meters & the metering system at interface boundary with the GENCO & the DISCOM by ABT compliant class 0.2S accuracy meters as per the latest CEA metering regulations. Detailed project report has been prepared at an estimated cost of Rs.22.24 crore, for which funding is yet to be finalized.

MePTCL, for more accuracy and as per the latest CEA regulations, has taken up the work for replacing current transformers, potential transformers (of 132kV and above) etc of accuracy class 0.5S with accuracy class of 0.2S under the project, 'Renovation and Up gradation of Protection & Control System of MePTCL', funded under the Power System Development Fund (PSDF) at an estimated cost of Rs.69.19 crore. The work is completed in December 2019.

b. Transmission line up-gradation: MePTCL has taken up the Re-engineering work of the 132Kv line from Mawlai sub-station to Nangalbibra sub-station by way of replacing of conductor; insulators etc and the works are completed in September, 2018. Further, two DPRs for Re-conductoring of the 132 Kv single circuit line from Khliehriat to Ratacherra with High Temperature and Low Sag (HTLS) conductor (Meghalaya portion) and Re-engineering and strengthening by HTLS for 132 kV double circuit transmission line from Stage-I – Stage-III Power Station have been prepared for funding under PSDF. DPR has been prepared for funding under ADB and other Central sponsored schemes for 400kV LILO of 400kV Silchar-Killing at Mynkre, LILO of 400kV Silchar-Killing at Saisiej (new Shillong), 400kV Mynkre-Ichamati and 400kV Nangal-Nongstoin-Mawkyrwat-Cherra-Ichamati(to be initially charged at 220kV) for Indo-Bangla cross border trade,

Capacity addition (Physical targets): The rollout plan prepared as per the business plan considering the ongoing and up-coming schemes/projects/works for the control period is as given below:

Table 5.5: Rollout Plan for FY 2020-21 to FY 2023-24

Plan	Existing Capacity (31.03.2020)	Rollout Plan				Total	Total expected Capacity FY 2021-22
		FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21		
Transmission (Inter-State)							
New Line (Ckt Km)	411.885	0	0	0	0	0	411.885
Transformation Capacity(MVA)	200	0	0	0	0	0	200
Transmission (Intra-State)							
New Line (Ckt Km)	1202.308	675	85	806	120	1686	2888.308
Transformation Capacity (MVA)	1505	720	455	752	560	2487	3992

An additional transmission lines totalling 1686Ckt-km and transformation capacity of 2487 MVA at an estimated cost of Rs.2364.77 crore have been planned by MePTCL to enhance the transmission capacity. The target date of commissioning of these transmission lines is spread between FY 2020-21 and FY 2023-24. Additional transmission capacity so created will be adequate to meet the increased demand on Inter and Intra state transmission lines till the year FY 2023-24.

The existing intra-state transmission network for evacuation and transfer of power within the state is mainly at 132 kV level. Presently the state has 1202.308Ckt. Km at 132 kV, 226.84 Ckt. Km at 220 kV and 4.428Ckt. Km at 400 kV of inter & intra level which are more or less adequate to meet the present peak requirements of the state. The aggregate capacity at 132/33 kV is 595 MVA. The above capacity is generally adequate to meet the present peak requirements of the state.

Commission Analysis:

Commission had approved intra state transmission loss at 4% for each year of the 2nd control period of FY 2018-19 to FY 2020-21 in Tariff order dated 31.03.2018.

It is observed from the submission made by the MePTCL for business plan, the actual transmission loss is at 3.78% in FY 2019-20. Whereas MePTCL has filed Format T-4 (B) & (C) of the petition, wherein the actual Intra state Transmission losses are at 4% for the FY 2017-18 to FY 2019-20. MePTCL has estimated transmission loss of 3.80% for FY 2020-21. MePTCL has further projected the transmission loss level of 3.80% for FY 2021-22 and FY 2022-23 and at 3.7% for FY 2023-24 in the business plan.

The Commission, however, considering the accelerated renovation and up gradation of the Network and system improvements contemplated during the third control period FY 2021-22 to FY 2023-24, proposes a moderate improvement of 0.05% year on year over the estimated transmission of 3.8% for FY 2020-21 and accordingly approves the transmission loss for the third control period of FY 2021-22 to FY 2023-24 as under:

Table 5.6 : Transmission loss approved for FY 2021-22 to FY 2023-24

Particulars	FY 2021-22	FY 2022-23	FY 2023-24
Transmission loss (%)	3.75%	3.70%	3.65%

5.8 Approved Capital Expenditure and Capitalization

5.8.1 Capital Expenditure

In the approved Business Plan Order, the Commission has approved the year wise capital expenditure for the control period for the licensee. The same is given below for reference:

Table 5.7 : Approved Capital Expenditure

(in Rs Cr.)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
Total Capex Approved in the Business Plan Order dated 28.09.2020	151.69	559.56	652.62	449.60	1813.46

The Loan, Equity and Grant Portion of the approved capex for the next control period is given below:

Table 5.8 : Loan, Equity & Grant Breakup of Approved Capex

(in Rs Cr.)

Capital Expenditure Plan	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
Loan	1.66	18.50	3.35	1.50	25.01
Grant/Consumer Contribution	150.01	541.06	649.27	448.10	1788.44
Equity	0	0	0	0	0

The capex components shown above has been used in the subsequent sections for calculation of different components of tariff.

5.8.2 Capitalization

In the approved Business Plan Order, the Commission has approved the year wise capitalization for the control period for the licensee. The same is given below for reference:

Table 5.9 : Approved Capitalization

(in Rs. Cr.)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
Total Capitalization Approved in the Business Plan Order dated 28.09.2020	34.95	733.54	292.74	977	2038.23

The Loan, Equity and Grant Portion of the capitalization for the next control period is given below:

Table 5.10 : Loan, Equity & Grant breakup of Capitalization

(in Rs. Cr.)

Capitalization	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
Grant Portion of Capitalization	34.29	715.34	289.59	974	2013.22
Equity Portion of Capitalization	0	0	0	0	0
Loan Portion of Capitalization	0.66	18.20	3.15	3.00	25.01
Total	34.95	733.54	292.74	977.00	2038.22

The grant portion of capitalization has been used for calculation of amortization element in the depreciation head.

5.8.3 Asset Base for the Licensee

From FY 2018-19, the Licensee has implemented IND AS Accounting Standard in line with Ministry of Corporate Affairs (MCA) norms. The IND AS are basically standards that have been harmonised with the IFRS to make reporting by Indian companies more in line with the global standards.

Impact of Ind AS on Asset Value in Accounts:

Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognized in the financial statement as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition.

On transition to Ind AS, the company had elected during the Financial Year 2016-17 to continue with the carrying value of its property, plant and equipment recognized as at 1st of April, 2015 measured as per the previous GAAP and used that carrying value as the deemed cost of the property, plant and equipment for furtherance of recognition and presentation thereon. Thus, the asset value in Note 2 “PROPERTY, PLANT AND EQUIPMENT” for FY 2018-19 and FY 2019-20 accounts is the deemed asset value.

However, components like depreciation is calculated on the historical value of the asset which is the Gross Fixed Asset value i.e. GFA (as per MSERC MYT Regulations, 2014). The historical asset value of asset is the asset base without IND AS adjustment and the same is shown in Note 2: PROPERTY, PLANT AND EQUIPMENT Without IND AS Adjustment portion of the FY 2019-20 accounts.

Based on the capitalization schedule of the licensee (used for addition of asset in the control period FY 2021-22 to FY 2023-24) and asset as in FY 2018-19 and FY 2019-20 accounts (non IND-AS adjusted), the total asset base for the licensee is given below. It may be noted that the opening asset value for FY 2018-19 has already been approved by the Commission in the past true up order for FY 2017-18:

Table 5.11 : Asset Base

(in Rs. Cr.)

Particulars	FY 2018-19 (Actual)	FY 2019-20 (Provisional)	FY 2020-21 (Estimated)	FY 2021-22 (Projected)	FY 2022-23 (Projected)	FY 2023-24 (Projected)
Opening GFA	440.01	461.24	461.30	496.25	1229.79	1522.53
Additions during the year (Based on the capitalization schedule above and actual figures as per accounts)	21.23	0.05	34.95	733.54	292.74	977.00
Retirements during the year	-	-	-	-	-	-
Closing GFA	461.24	461.30	496.25	1229.79	1522.53	2499.53

Commission's Analysis

MePTCL has submitted the capital investment plan for the control period FY 2021-22 to FY 2023-24 which provide a road map to implement the following salient features in the business plan vide table no.7 & 8.

- Strengthening of Aging Network
- Evacuation of Power from upcoming generating stations
- Transmission Corridor development for new load centres.
- Increasing Transmission capacity for increased load
- Increased Quality and Reliability of Power Transmitted
- Appropriate Loading of Transmission Network
- Increased Control and Protection for Grid Stability
- Metering and Loss Assessment
- Loss Reduction
- Outage Reduction

Further the licensee has submitted the funding pattern of the capital investment in the business plan as detailed in the table below:

Table 5.12 : Summary of capital investment plan (Ongoing & Upcoming schemes)

(Rs. cr)					
Sl. No.	Schemes	Project Cost	Funding Pattern		
			Equity	Loan	Grant
New Schemes					
1	State Govt				
	Construction/ Upgradation of Transmission lines	208.00	0.00	0.00	208.00
	Construction/ Upgradation of Substations	144.00	0.00	0.00	144.00
	Sub-total	352.00	0.00	0.00	352.00
2	Center Sponsored Schemes				
a	SPA				
	Construction/ Upgradation of Substations	451.00	0.00	0.00	451.00
b	NEC/ CSS				
	Construction/ Upgradation of Transmission lines	431.00	0.00	0.00	431.00
	Construction/ Upgradation of Substations	225.00	0.00	0.00	225.00
	Sub-total	656.00	0.00	0.00	656.00
3	PSDF				
	Construction/ Upgradation of Transmission lines	78.68	0.00	0.00	78.68
	Other New Works	98.46	0.00	14.50	83.96
	SLDC	8.48	0.00	0.00	8.48
	Sub-total	185.62	0.00	14.50	171.12
4	Others				
	Construction/ Upgradation of Transmission lines	9.60	0.00	0.00	9.60
	SLDC	10.51	0.00	10.51	-
	Sub-total	20.11	0.00	10.51	9.60
	Total	1664.73	0.00	25.01	1639.72
Ongoing/ Completed Schemes					
1	Center Sponsored Schemes				
a	SPA				
	Construction/ Upgradation of Transmission lines	35.58	0.00	0.00	35.58
	Construction/ Upgradation of Substations	18.91	0.00	0.00	18.91
	Sub-total	54.49	0.00	0.00	54.49
b	NEC				
	Construction/ Upgradation of Transmission lines	9.66	0.00	0.00	9.66
2	PSDF				
	Other on-going works	10.13	0.00	0.00	10.13
	SLDC	2.07	0.00	0.00	2.07
	Sub-total	12.20	0.00	0.00	12.20
3	NERPSIP				
	Construction/ Upgradation of Transmission lines	598.73	0.00	0.00	598.73
	Construction/ Upgradation of Substations				
	Sub-total				
5	Others				
	Other on-going works	49.97	0.00	0.00	49.97
	Total	725.05	0.00	0.00	725.05
	Grand total	2389.78	0.00	25.01	2364.77

The Commission has examined the capital investment/expenditure plan submitted by the MePTCL. The Commission provisionally approves the capital investment/expenditure plan keeping in view the requirement of strengthening of intra-state transmission system and distribution system requirement to meet the 24/7 Power to All and to meet the demand growth in the state.

Commission provisionally considers the scheme wise capital investment plan for MYT control period FY 2021-22 to FY 2023-24 as depicted in the table below:

Table 5.13: Scheme-wise/work-wise capital investment plan approved for FY 2020-21 and MYT control period from FY2021-22 to FY 2023-24

Sl. No.	Name of the scheme	Approved Outlay	Source of funding				FY 2020-21		FY 2021-22		FY 2022-23		FY 2023-24		Total	
			Grant	Equity	Loan	Total	Capex	Capitalisation	Capex	Capitalisation	Capex	Capitalisation	Capex	Capitalisation	Capex	Capitalisation
			4	5	6	7=(4+5+6)	8	9	10	11	12	13	14	15	16=(8+10+12+14)	17=(9+11+13+15)
A	Ongoing schemes															
	Transmission lines															
1	Stringing of second circuit of the 132 kV Agia-Nangalbibra line	21.19	21.19			21.19	19.07	21.19							19.07	21.19
2	Augmentation of 132/33 kV sub-station from 35 MVA to 50 MVA, at Rongkhon.	4.69	4.69			4.69	0.70	4.69							0.70	4.69
3	Construction of 132 kV double circuit LILO on Mawlai-Cherra line at Mawngap sub- station	4.97	4.97			4.97	1.24	4.97							1.24	4.97
4	Construction of 132 kV double circuit LILO line of 132 kV Rongkhon-Ampati line at Praharinagar	14.39	14.39			14.39	4.10		4.10	14.39					8.20	14.39
	Sub-stations															
5	132 kV sub-station at Praharinagar	18.91	18.91			18.91	6.33		6.33	18.91					12.66	18.91
	Others works														0.00	0.00

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Sl. No.	Name of the scheme	Approved Outlay	Source of funding				FY 2020-21		FY 2021-22		FY 2022-23		FY 2023-24		Total	
			Grant	Equity	Loan	Total	Capex	Capitalisation	Capex	Capitalisation	Capex	Capitalisation	Capex	Capitalisation	Capex	Capitalisation
1	2	3	4	5	6	7=(4+5+6)	8	9	10	11	12	13	14	15	16=(8+10+12+14)	17=(9+11+13+15)
6	Installation of Numerical Line Differential Relays in 132 KV Lines	3.27	3.27			3.27	1.14	3.27							1.14	3.27
7	Replacement of the 400 KV, Bus Reactor at 400/220/132 KV Substation, Killing	6.86	6.86			6.86	4.00		2.86	6.86					6.86	6.86
8	Augmentation of 132/33KV, 2X20 MVA Mawlai substation to 132/33KV, 3x50 MVA substation including re-engineering of the 33KV Busbar'	49.80	49.80			49.80	23.41		23.41	49.80					46.81	49.80
9	Survey work for Construction of 220KV D/C Mawphlanglchamati Line and 220/132/33 KV Ichamati substation	0.17	0.17			0.17	0.17	0.17							0.17	0.17
	NERPSIP: Tranche-I															
10	220 kV double circuit Byrnihat (Killing) – Mawngap – New Shillong line	598.73	598.73			598.73	89.81		89.81	598.73					179.62	598.73
11	LILO of both circuit of MLHEP-Khliehriat 132 kV double circuit line at Mynkre															
12	132 kV double circuit line from Phulbari to Ampati															

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Sl. No.	Name of the scheme	Approved Outlay	Source of funding				FY 2020-21		FY 2021-22		FY 2022-23		FY 2023-24		Total	
			Grant	Equity	Loan	Total	Capex	Capitalisation	Capex	Capitalisation	Capex	Capitalisation	Capex	Capitalisation	Capex	Capitalisation
1	2	3	4	5	6	7=(4+5+6)	8	9	10	11	12	13	14	15	16=(8+10+12+14)	17=(9+11+13+15)
13	220/132 kV sub-station at New Shillong															
14	220/132 kV sub-station at Mawngap															
15	132 / 33 kV, 2 x 50 MVA sub-station at New Shillong															
16	132/ 33 kV, 2 x 50 MVA sub-station at Mynkre															
17	132/ 33 kV, 2 x 50 MVA sub-station at Phulbari															
	SLDC															
18	Automatic Demand Management System' (ADMS)	2.07	2.07			2.07	0.04								0.04	0.00
	Sub-total - Ongoing schemes	725.05	725.05	0.00	0.00	725.05	150.03	34.29	126.51	688.69	0.00	0.00	0.00	0.00	276.53	722.98
B	<u>Upcoming/new schemes</u>															
	Transmission Lines - New works															
1	Construction of the 220 KV D/C line from Mawphlang to Ichamati including LILO at Mawmihthied/Cherra	110.00	110.00			110.00			44.00		33.00		33.00	110.00	110.00	110.00

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Sl. No.	Name of the scheme	Approved Outlay	Source of funding				FY 2020-21		FY 2021-22		FY 2022-23		FY 2023-24		Total	
			Grant	Equity	Loan	Total	Capex	Capitalisation	Capex	Capitalisation	Capex	Capitalisation	Capex	Capitalisation	Capex	Capitalisation
1	2	3	4	5	6	7=(4+5+6)	8	9	10	11	12	13	14	15	16=(8+10+12+14)	17=(9+11+13+15)
2	Construction of the 132 KV D/C line from Nangalbibra to Baghmara	81.00	81.00			81.00					32.40		24.30		56.70	0.00
3	Construction of the 220KV D/C Nangalbibra (PG)-Mawphlang line including 220 KV LILO of Mawphlang – New Shillong line at Mawmihthied/Cherra	230.00	230.00			230.00			92.00		69.00		69.00	230.00	230.00	230.00
4	Construction of the LILO of the 132 KV D/C line from Stage-III Powerhouse to Umtru Powerhouse on Multi Circuit Towers at Nongpoh.	20.00	20.00			20.00			8.00		6.00		6.00	20.00	20.00	20.00
5	Construction of 132 KV D/C LILO of Umtru – Kahelipara Line at Killing with HTLS.	45.00	45.00			45.00			18.00		13.50		13.50	45.00	45.00	45.00
6	Re-conductoring of 132 KV UPS-Sarusajailine with HTLS.	40.00	40.00			40.00					16.00		12.00		28.00	0.00
7	Construction of 132 KV line from New Shillong – IIM Shillong	13.00	13.00			13.00			5.20		3.90		3.90	13.00	13.00	13.00
8	132 KV D/C Nangalbibra – Nangal (PG) line with HTLS	15.00	15.00			15.00					6.00		4.50		10.50	0.00

MePTCL – ARR for Control Period FY 2021-22 to 2023-24&Determination of Tariff for FY 2021-22

Sl. No.	Name of the scheme	Approved Outlay	Source of funding				FY 2020-21		FY 2021-22		FY 2022-23		FY 2023-24		Total	
			Grant	Equity	Loan	Total	Capex	Capitalisation	Capex	Capitalisation	Capex	Capitalisation	Capex	Capitalisation	Capex	Capitalisation
1	2	3	4	5	6	7=(4+5+6)	8	9	10	11	12	13	14	15	16=(8+10+12+14)	17=(9+11+13+15)
9	Construction of the 132 KV S/C line on D/C towers from Mawphlang to Balat	85.00	85.00			85.00							34.00		34.00	0.00
10	132 kV single circuit from Rongkhon sub-station to Ganol HEP	9.60	9.60			9.60			9.60	9.60					9.60	9.60
11	Re-conductoring and strengthening of the 132 kV S/C line from Khliehriat to Ratacherra by HTLS conductor	51.82	51.82			51.82			31.09		20.73	51.82			51.82	51.82
12	for Re-conductoring and strengthening of the 132 kV D/C line from Stage-I to Stage -III Power Station by HTLS conductor	26.86	26.86			26.86			16.12		10.74	26.86			26.86	26.86
	Sub-Station New works					0.00									0.00	0.00
13	Construction of a 220/132 KV, 2X 160MVA and 132/33KV, 2 x 50 MVA Sub-stations at Ichamati	60.00	60.00			60.00					24.00		18.00		42.00	0.00
14	Construction of a 132/33 KV, 2 x 25 MVA Sub-station at Baghmara	45.00	45.00			45.00					18.00		13.50		31.50	0.00
15	Construction 220/132 KV, 2x160 MVA Sub-station at Mawmihthied/ Cherra.	70.00	70.00			70.00			28.00		21.00		21.00	70.00	70.00	70.00

MePTCL – ARR for Control Period FY 2021-22 to 2023-24&Determination of Tariff for FY 2021-22

Sl. No.	Name of the scheme	Approved Outlay	Source of funding				FY 2020-21		FY 2021-22		FY 2022-23		FY 2023-24		Total	
			Grant	Equity	Loan	Total	Capex	Capitalisation	Capex	Capitalisation	Capex	Capitalisation	Capex	Capitalisation	Capex	Capitalisation
1	2	3	4	5	6	7=(4+5+6)	8	9	10	11	12	13	14	15	16=(8+10+12+14)	17=(9+11+13+15)
16	Construction of 132/33 KV, 2 x 25 MVA sub-station at Nongpoh.	45.00	45.00			45.00			27.00		18.00	45.00			45.00	45.00
17	Construction of the 132/33 KV, 2 x 25 MVA GIS sub-station at the 400/220/132 KV sub-station at Killing, Byrnihat	35.00	35.00			35.00			14.00		10.50		10.50	35.00	35.00	35.00
18	Replacement of 5 MVA, 132/33 KV transformer with 20 MVA transformer at Rongkhon 132/33KV substation	5.00	5.00			5.00			3.00		2.00	5.00			5.00	5.00
19	Construction of 25 MVA, 132/33 KV Transformer s at IIM Shillong	12.00	12.00			12.00			7.20		4.80	12.00			12.00	12.00
20	Provision of additional 25 MVA, 132/33 KV transformer with terminal equipments at Ampati 132/33KV substation	7.00	7.00			7.00			4.20		2.80	7.00			7.00	7.00
21	Augmentation of the 132/33 KV NEHU sub-station from 2 x 20 MVA to 2 x 50 MVA capacity along with reengineering of Bus-bar	20.00	20.00			20.00			12.00		8.00	20.00			20.00	20.00
22	Augmentation of the 132/33 KV Nangalbibra sub-station from 2 x 12.5 MVA to 2 x 50 MVA capacity along with	30.00	30.00			30.00			18.00		12.00	30.00			30.00	30.00

MePTCL – ARR for Control Period FY 2021-22 to 2023-24&Determination of Tariff for FY 2021-22

Sl. No.	Name of the scheme	Approved Outlay	Source of funding				FY 2020-21		FY 2021-22		FY 2022-23		FY 2023-24		Total	
			Grant	Equity	Loan	Total	Capex	Capitalisation	Capex	Capitalisation	Capex	Capitalisation	Capex	Capitalisation	Capex	Capitalisation
1	2	3	4	5	6	7=(4+5+6)	8	9	10	11	12	13	14	15	16=(8+10+12+14)	17=(9+11+13+15)
	reengineering of Bus-bar															
23	Augmentation of the 132/33 KV Cherra sub-station from 1 x 12.5 MVA to 2 x 25 MVA capacity.	25.00	25.00			25.00			15.00		10.00	25.00			25.00	25.00
24	Construction of 2x25 MVA, 132/33 KV sub-station at Balat and bay extension at Mawphlang sub-station	15.00	15.00			15.00					6.00		4.50		10.50	0.00
25	Construction of 132/33KV, 2*10 MVA Substation at Kharkhutta, North Garo Hills	90.00	90.00			90.00					54.00		36.00	90.00	90.00	90.00
26	Construction of 132/33KV, 2*10 MVA Substation at Chokpot, South Garo Hills	101.00	101.00			101.00					60.60		40.40	101.00	101.00	101.00
27	Construction of 132/33KV, 2*20 MVA Substation at Chokchokia, West Garo Hills	90.00	90.00			90.00					54.00		36.00	90.00	90.00	90.00
28	Construction of 220/132/33KV, 2*100 MVA Substation at Rongsai, West Garo Hills	170.00	170.00			170.00					102.00		68.00	170.00	170.00	170.00
	Others New Works															

MePTCL – ARR for Control Period FY 2021-22 to 2023-24&Determination of Tariff for FY 2021-22

Sl. No.	Name of the scheme	Approved Outlay	Source of funding				FY 2020-21		FY 2021-22		FY 2022-23		FY 2023-24		Total	
			Grant	Equity	Loan	Total	Capex	Capitalisation	Capex	Capitalisation	Capex	Capitalisation	Capex	Capitalisation	Capex	Capitalisation
1	2	3	4	5	6	7=(4+5+6)	8	9	10	11	12	13	14	15	16=(8+10+12+14)	17=(9+11+13+15)
29	Reliable Communication & Data Acquisition System Upto 132 KV	29.00	14.50		14.50	29.00			29.00	29.00					29.00	29.00
30	Upgradation and Integration of RTU For Improvement of Real Time Telemetry Status of Sub Stations In Meghalaya	2.55	2.55			2.55			2.55	2.55					2.55	2.55
31	Additional Detailed Project Report for Renovation and Upgradation of Protection & Control System	45.42	45.42			45.42			27.25		18.17	45.42			45.42	45.42
32	Remote Monitoring & Time Synchronization of Numerical Relays	21.49	21.49			21.49			12.89		8.60	21.49			21.49	21.49
	SLDC															
33	MIS automation Data Analytics & Data Science for Management Information Services	1.00			1.00	1.00			1.00	1.00					1.00	1.00
34	Weather Forecasting: Installation of weather stations and their telemetry to transmit real time data to SLDC	0.70			0.70	0.70			0.70	0.70					0.70	0.70
35	Load Forecasting: Installation of Load Forecasting tool for forecasting data for operational and planning purposes	1.00			1.00	1.00			0.30		0.70	1.00			1.00	1.00

MePTCL – ARR for Control Period FY 2021-22 to 2023-24&Determination of Tariff for FY 2021-22

Sl. No.	Name of the scheme	Approved Outlay	Source of funding				FY 2020-21		FY 2021-22		FY 2022-23		FY 2023-24		Total	
			Grant	Equity	Loan	Total	Capex	Capitalisation	Capex	Capitalisation	Capex	Capitalisation	Capex	Capitalisation	Capex	Capitalisation
1	2	3	4	5	6	7=(4+5+6)	8	9	10	11	12	13	14	15	16=(8+10+12+14)	17=(9+11+13+15)
	utilising SCADA and weather data															
36	Scientific Earthing of SLDC assets: Chemical Earthing of SLDC assets in line with IEEE-80 standards	0.06			0.06	0.06	0.06	0.06							0.06	0.06
37	System Study of Meghalaya power system: Steady state and dynamic study of the power system using load flow study software	0.60			0.60	0.60	0.60	0.60							0.60	0.60
38	Construction of SAMAST building: Housing of SAMAST infrastructure & office	2.00			2.00	2.00	1.00		1.00	1.00					2.00	1.00
39	Synchrophasor Wide Area Dynamic Measurement System: Installation of PMUs in EHV grid and power stations	3.00			3.00	3.00					1.50		1.50	3.00	3.00	3.00
40	ADMS Expansion project: Installation and integration of FRTUs at grid substations	2.00			2.00	2.00			1.00		1.00	2.00			2.00	2.00
41	SLDC SCADA System Expansion: Expansion of Video Projection System in Control Room	0.15			0.15	0.15					0.15	0.15			0.15	0.15

MePTCL – ARR for Control Period FY 2021-22 to 2023-24&Determination of Tariff for FY 2021-22

Sl. No.	Name of the scheme	Approved Outlay	Source of funding				FY 2020-21		FY 2021-22		FY 2022-23		FY 2023-24		Total	
			Grant	Equity	Loan	Total	Capex	Capitalisation	Capex	Capitalisation	Capex	Capitalisation	Capex	Capitalisation	Capex	Capitalisation
1	2	3	4	5	6	7=(4+5+6)	8	9	10	11	12	13	14	15	16=(8+10+12+14)	17=(9+11+13+15)
42	Implementation of Scheduling, Accounting, Metering, and Settlement of Transaction in Electricity (SAMAST)	8.48	8.48			8.48			4.95	1.00	3.53				8.48	1.00
	Sub-total Upcoming/new schemes	1664.73	1639.72	0.00	25.01	1664.73	1.66	0.66	433.05	44.85	652.62	292.74	449.60	977.00	1536.93	1315.25
	Total capital investment	2389.78	2364.77	0.00	25.01	2389.78	151.69	34.95	559.56	733.54	652.62	292.74	449.60	977.00	1813.46	2038.23

5.9 Gross Fixed Assets and Asset Base for Control period

Petitioner's Submission

From FY 2018-19, the Licensee has implemented IND AS Accounting Standard in line with Ministry of Corporate Affairs (MCA) norms. The IND AS are basically standards that have been harmonised with the IFRS to make reporting by Indian companies more in line with the global standards.

Impact of IND AS on Asset Value in Accounts:

IND AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognized in the financial statement as at the date of transition to IND AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition.

On transition to IND AS, the company had elected during the Financial Year 2016-17 to continue with the carrying value of its property, plant and equipment recognized as at 1st of April, 2015 measured as per the previous GAAP and used that carrying value as the deemed cost of the property, plant and equipment for furtherance of recognition and presentation thereon. Thus, the asset value in Note 2 "PROPERTY, PLANT AND EQUIPMENT" for FY 2018-19 and FY 2019-20 accounts is the deemed asset value.

However, components like depreciation is calculated on the historical value of the asset which is the Gross Fixed Asset value i.e. GFA (as per MSERC MYT Regulations, 2014). The historical asset value of asset is the asset base without IND AS adjustment and the same is shown in Note 2: PROPERTY, PLANT AND EQUIPMENT Without IND AS Adjustment portion of the FY 2019-20 accounts.

Based on the capitalization schedule of the licensee (used for addition of asset in the control period FY 2021-22 to FY 2023-24) and asset as in FY 2018-19 and FY 2019-20 accounts (non IND-AS adjusted), the total asset base for the licensee is given below. It may be noted that the opening asset value for FY 2018-19 has already been approved by the Commission in the past true up order for FY 2017-18:

Table 5.14 : Projected Assets Base

Particulars	(Rs. Cr)					
	FY 2018-19 (Actual)	FY 2019-20 (Provisional)	FY 2020-21 (Estimated)	FY 2021-22 (Projected)	FY 2022-23 (Projected)	FY 2023-24 (Projected)
Opening GFA	440.01	461.24	461.30	496.25	1229.79	1522.53
Additions during the year (Based on the capitalization schedule above and actual figures as per accounts)	21.23	0.05	34.95	733.54	292.74	977.00
Retirements during the year	-	-	-	-	-	-
Closing GFA	461.24	461.30	496.25	1229.79	1522.53	2499.53

Commission's Analysis

Commission had approved closing GFA as on 31.03.2018 at Rs. 440.01 Crore in the True Up orders for FY 2017-18 as reported in the audited accounts for FY 2017-18. Licensee has reported opening balance as on 31.03.2018 at Rs. 352.62 Crore vide note no. 2 of SOA certified by Statutory Auditors.

Auditors have stated in their report for year ended 31.03.2019 that the company is in the process of compiling certain data and reconciling the accounts under the various agreements entered with regard to:-

- Inventory & asset under the scheme & otherwise
- Reconciliation as to assets yet to be installed.
- Assets installed pending capitalisation,
- Assets capitalised (including capitalisation of related direct & indirect cost) and assets against which revenue is booked (as per applicable Indian Accounting Standards) as per agreements.
- Reconciliation of the assets acquired under lease is also under process (Note-2.1,49)

Licensee has yet to file petition for True up of FY 2018-19 along with audited accounts certified by the C&AG. Pending reconciliation of assets base pointed out by the auditors, the GFA and assets base for the FY 2017-18 is considered as reported in SOA for FY 2018-19 and FY 2019-20.

Table 5.15 : GFA Computed as per the Statement of Accounts

GFA	(Rs. Cr)		
	FY 2017-18 (actual)	FY 2018-19 (Provisional)	FY 2019-20 (Provisional)
Opening GFA	427.30	440.01	461.24
Additions during year	12.72	21.23	0.05
Retirements	-	-	-
Closing GFA	440.01	461.24	461.29

The Licensee has filed petition for the approval of the business plan for 3rd MYT control period for FY 2021-22 to FY 2023-24 projecting a huge capital investment at Rs. 2038.23 Crore.

According to the approved business plan, the status of the GFA and assets base stands as detailed in the table below:

Table 5.16 : GFA for FY 2020-21 to FY 2023-24

(Rs. Cr)				
Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Opening GFA	461.29	496.24	1229.78	1522.52
Additional during the year	34.95	733.54	292.74	977.00
Retirements during the year	-	-		
Closing GFA	496.24	1229.78	1522.52	2499.52

The funding source of above huge investment is however projected as 100% Grant.

The Huge capitalisation projected for FY 2021-22 at Rs. 733.54 Crore includes Rs. 598.73 Crore for implementation of NERPSIP Tranch 1 project for construction of 220 KV and 132 KV Substations and connecting lines. The NERPSIP Tranch 1 project is being implemented by PGCIL, the projected capitalisation of Rs.733.54 Crore includes Rs. 598.73 Crore shall be taken into the assets base of the licensee after the completed project has been taken over by the MePTCL. The remaining capitalisation of Rs.134.81 Crore included Rs.53.26 crore for the projects scheduled for completion beyond FY 2021-22 and shall be considered in the next FY 2022-23.

Commission considers capitalisation for FY 2021-22 at Rs.81.55 Crore only. The huge capitalisation would be a herculean task considering the past performance by the utility. So also the capitalisation proposed during FY 2022-23 and FY 2023-24 would also be tough task.

Commission observed that the licensee had projected huge capitalisation during the 2nd MYT Control Period FY 2018-19 to FY 2020-21 was not achieved as could be noted from the table below.

A comparison of projections and actual performance is detailed in the statement below

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Opening GFA (Cr)	422.95	427.30	440.01	461.24	461.29
Additions projected	4.39	140.03	172.76	709.58	390.14
Actual performance	4.35	12.72	21.23	0.05	34.95*

(Note * : Approved in the business plan)

The abnormal projection of capitalisation during the 3rd MYT Control period for FY 2021-22 to FY 2023-24 as at table no.3 of the petition would result in Tariff shock to the users and the stake holders.

In the circumstances commission keeping in view of the past performance and tough task ahead, considers capitalisation of the works scheduled for completion during the FY 2021-22 at Rs.81.55 Crore excluding the NERSIP Project being implemented by PGCIL at Rs.598.73 Crore and Rs.53.26 Crore for works scheduled to be completed in FY 2022-23 and Rs.100 Crore each year for FY 2022-23 and FY 2023-24 provisionally subject to however correction after completion of the FY 2021-22.

Commission considers the GFA and assets base for determination of ARR for 3rd MYT control period FY 2021-22 to FY 2023-24 and Transmission Tariff for FY 2021-22 as depicted in the table below:

Table 5.17 : Approved GFA and asset base for FY 2021-22

(Rs.Cr)				
Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Opening GFA	461.29	496.24	577.79	677.79
Additions	34.95*	81.55	100.00	100.00
Retirements	-	-	-	-
Closing GFA	496.24	577.79	677.79	777.79

(Note * : Approved in the business plan)

Commission approves GFA and asset base for 3rd MYT Control period for FY 2021-22, FY 2022-23 and FY 2023-24 at Rs.577.79 Crore, Rs.677.79 Crore and Rs.777.79 Crore respectively.

5.10 Operation and Maintenance Expenses (O&M)

Petitioners Submission

Employee Expenses:-

Before corporatization, Meghalaya State Electricity Board (MeSEB) had a policy for revising pay scale of employees every 5 years. Further, at the time of corporatization in the year 2010, the Management and Employees Association have mutually decided that the earlier policy of revision of pay (ROP) will continue in future.

As per this policy, MeECL and its subsidiary companies has implemented the revised pay scale of employees effective from January 2020. The Board approval for ROP 2020 along with the detailed financial implication and other supporting documents is given in Annexure G. The employee cost for FY 2020-21 is projected by considering

the revised pay of Employees. The following assumptions were taken to arrive at the revised pay of Employees:

- Monthly Employee Cost Implications to MeECL and its subsidiaries due to ROP 2020:

Table 5.18 : Impact of ROP 2020 on Employee Expenses

Particulars	Amount (In Rs Cr)
Existing Monthly Employee Costs before ROP 2020	23.37
Revised Monthly Employee Costs after ROP 2020	29.68
Total Financial Implications due to ROP 2020	6.31
% Change in Employee Costs due to ROP 2020	27%

- Basic Pay: Increment of Average Salary (Combination of Dearness Allowance with Basic Pay of FY 2019-20 and thereafter an increase of 27% to arrive at new basic pay) by 27% due to ROP 2020 as shown in the table above and a subsequent increment of 3% (given on a yearly basis to the permanent employees of MePTCL).
- Rest of the Components: Other Components have been calculated as a % of basic pay in the proportion as in FY 2019-20 employee expenses head
- Dearness Allowance: There would be no revision in DA component for FY 2020-21 as per the State Government Directive, so DA component is retained at 1% of basic pay for the year (same DA as applicable during 01.01.2020 when ROP was implemented)

Employee Cost Projections for FY 2021-22 to FY 2023-24

It is submitted that Employee expenses projections for control period FY 2021-22 to FY 2023-24 have been arrived at using the following assumptions:

- Basic Pay: On a yearly basis the permanent employees of MePTCL are given an increment of 3%.
- Rest of the Components: Other Components have been calculated as a % of basic pay in proportion as in FY 2019-20 employee expenses.
- Dearness Allowance: As per MeECL policy, employees have 2 half-yearly increments based on the price index announced by Labor Department every year. The Licensee has considered the average half-yearly inflation factor as 2.75% based on the past trends of price inflation considered for DA and is shown below:

Table 5.19 : % of DA Increments

	DA % of Basic	DA Increments
Jul-15	2%	
Jan-16	6%	4%
Jul-16	9%	3%
Jan-17	11%	2%
Jul-17	13%	2%
Jan-18	14%	1%
Jul-18	16%	2%

	DA % of Basic	DA Increments
Jan-19	19%	3%
Jul-19	24%	5%
	Average Half Yearly Increment in DA	2.75%
	Average Yearly Increment in DA	2.75% * 2 =5.5%

Thus, The DA component for the control period is arrived by adding 5.5% increment yearly for its calculation as a % of basic which implies for FY 2021-22, FY 2022-23 and FY 2023-24, DA component will be 6.5%, 12% and 17.5% as % of basic pay.

- The yearly recruitment of new technical and non-technical staff is considered separately from the projection of employee cost for the existing staff in the table detailed below. The variation due to recruitment is shown in a separate table.

Based on the above submissions, the MePTCL employee expenses projected for the control period is as shown below:

Table 5.20 : Projected Employee Expense of MePTCL

Sl	Particulars	FY 2018-19 (Actual)	FY 2019-20 (Provisional)	FY 2020-21 (Estimated)	FY 2021-22 (Projected)	FY 2022-23 (Projected)	FY 2023-24 (Projected)
	SALARIES & ALLOWANCES						
1	Basic Pay	16.86	19.98	27.80	28.63	29.49	30.38
2	Dearness Pay						
3	Dearness Allowance	2.64	2.71	0.28	1.86	3.54	5.32
4	House rent Allowance						
5	Fixed medical allowance						
6	Other Allowances	3.81	3.94	5.49	5.65	5.82	5.99
7	Medical reimbursement charges	0.21	0.22	0.31	0.32	0.33	0.34
8	Over time payment	0.14	0.16	0.23	0.24	0.24	0.25
9	ROP 2015						
10	Generation incentive						
11	Leave Travel Concession						
12	Apportionment of Holding Exp	45.47	48.60	67.64	69.67	71.76	73.92
13	Sub-Total	69.13	75.62	101.75	106.37	111.19	116.19
	Terminal Benefits						
14	Leave encashment						
15	Gratuity						
16	Commutation of Pension						
17	Staff Welfare expenses	0.01	0.00	0.00	0.00	0.00	0.00
18	CPS	0.53	0.64	0.90	0.92	0.95	0.98
19	Workman compensation						
20	Ex- gratia	0.00	0.00	0.004	0.004	0.004	0.005
21	Sub-Total	0.54	0.65	0.90	0.93	0.95	0.98
	Pension Payment						
22	Basic Pension						
23	Dearness Pension						
24	Dearness allowance						
25	Any other expenses						
26	Sub-Total						
27	Total Amount (12+21+26)	69.68	76.27	102.65	107.30	112.14	117.18

****Apportionment of Employee Expenses:** This pertains to the 30% of the employee costs of MeECL working in transmission function. MePTCL has the policy to bear the Employees Cost of MeECL (Holding Company) to the tune of 30% of the total cost in a financial year for such staff (As stated in Note 27.2 of the FY 2019-20 accounts).

Further the same amount has been deducted from the MeECL employee expenses to arrive at MeECL employee costs (Note 21 of MeECL accounts FY 2019-20). Thus, there is no double counting of MeECL expenses and only 30% of the MeECL employee expenses is loaded in MePTCL employee expenses. Since 30% of employee expenses is loaded in MePGCL, MePTCL and MePDCL accounts, the apportioned portion is exactly the same in the employee expenses projections for MePTCL, MePDCL (as per MYT tariff petition filed) and MePGCL (as per the MYT petition filed). Also, this element should not be considered as an additional new expense item as it reflects the employee cost of existing employees working in transmission business only and whose costs have been earlier approved by the Commission also.

The total number of employees of MePTCL based on the year wise recruitment plan as approved in the Business Plan of MePTCL for the 3rd MYT Control Period from FY 2021-22 to FY 2023-24 dated 28.09.2020 is given below:

Table 5.21 : Total no. of Employees of MePTCL

Particulars	FY 2019-20 (Actuals)	FY 2020-21 (Estimated)	FY 2021-22 (Projected)	FY 2022-23 (Projected)	FY 2023-24 (Projected)
MePTCL	404	482	596	653	731
SLDC	31	52	74	77	78
Total	435	534	670	730	809
Total New Recruits		99	136	60	79

As per the order to calculate the impact of new recruitments on the employee cost, we have estimated the average salary of the new recruits and the same has been estimated to be INR 6.46 lakhs per employee per annum. This is multiplied by the number of new recruits joining each year. The final employee expense of MePTCL considering the effect due to new recruitment of employees is given as below:

Table 5.22 : Final Employee Expense of MePTCL considering effect of new recruitment

Particulars	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Employee cost of existing employees	69.68	76.27	102.65	107.30	112.14	117.18
Employee Cost of Employees to be recruited during FY 2020-2024 (Avg Employee Cost*80%*No. of new recruits)			6.40	15.18	19.06	24.16
Total Employee Cost	69.68	76.27	109.04	122.48	131.20	141.34

The MeECL employee expenses projected for the control period is as shown below:

Table 5.23 : Projected Employee Expenses of MeECL

Sl	Particulars	FY 2018-19 (Actual)	FY 2019-20 (Provisional)	FY 2020-21 (Estimated)	FY 2021-22 (Projected)	FY 2022-23 (Projected)	FY 2023-24 (Projected)
	SALARIES & ALLOWANCES						
1	Basic Pay	2.39	2.90	3.93	4.05	4.17	4.29
2	Dearness Pay						
3	Dearness Allowance	0.32	0.31	0.04	0.26	0.50	0.75
4	House rent Allowance						
5	Fixed medical allowance						
6	Medical reimbursement charges	0.10	0.09	0.12	0.12	0.12	0.13
7	Over time payment						
8	Other Allowances	0.30	0.31	0.42	0.44	0.45	0.46
9	Generation incentive						
10	Leave Travel Concession						
11	Sitting Fees of Independent Directors						
12	Time Bound Fixation Benefit						
13	Recreation						
14	Honorariums						
15	Sub-Total	3.11	3.61	4.51	4.87	5.24	5.64
	Terminal Benefits						
16	Leave encashment	0.73	0.70	0.94	0.97	1.00	1.03
17	Gratuity	1.26	0.94	1.27	1.31	1.35	1.39
18	Commutation of Pension						
19	Staff Welfare expenses	0.00	0.15	0.20	0.21	0.22	0.22
20	CPS	0.02	0.03	0.04	0.04	0.04	0.04
21	Workman compensation	0.00	0.01	0.01	0.01	0.01	0.01
22	Stipend Charges	0.06	0.02	0.02	0.02	0.02	0.02
23	EPF Contribution	0.12	0.37	0.50	0.52	0.53	0.55
24	Sub-Total	2.19	2.21	2.49	2.56	2.64	2.72
	Pension Payment						
25	Pension Payment	9.48	10.09	13.68	14.09	14.51	14.95
26	Dearness Pension						
27	Dearness allowance						
28	Pension Contribution to Deputations						
29	medical Expenses of Pensioners	0.43	0.46	0.63	0.65	0.67	0.69
30	Sub-Total	9.91	10.55	14.31	14.74	15.18	15.63
31	Total (15+24+30)	15.21	16.36	21.31	22.17	23.06	23.99

Similar assumptions have been used to arrive at MeECL employee expenses as used to arrive at MePTCL employee expenses.

The above figures represent 10% MeECL employee costs (30% each has been again apportioned in MePGCL, MePDCL and MePTCL).

MePTCL humbly prays before the Commission to kindly consider the assumptions as stated above for the computation of Employee Expenses and approve the employee expenses for the control period as shown below.

Table 5.24 : Projected Total Employee Expense of MePTCL

(in Rs Cr.)

Particulars	FY 2018-19 (Actual)	FY 2019-20 (Provisional)	FY 2020-21 (Estimated)	FY 2021-22 (Projected)	FY 2022-23 (Projected)	FY 2023-24 (Projected)
MePTCL Employee Costs (Table 10 figures)	69.68	76.27	109.04	122.48	131.20	141.34
Employee Expenses of MeECL Apportioned (Table 11 figures/3)	5.07	5.45	7.10	7.39	7.69	8.00
Net Total	74.74	81.72	116.14	129.87	138.89	149.34

Repair and Maintenance Expenses (R&M)

Meghalaya, being a hilly terrain, demands comparatively more investment for maintaining the transmission network particularly where a lot of assets are old and ageing and limited investments have happened for upkeep and renovation and modernization of the assets given the poor financial position of the utilities. Under these circumstances there is a genuine need for incurring repair & maintenance expenses to keep the current assets in good health and under satisfactory running condition. Further with new addition of assets, there is increased requirement of repair and maintenance expense. The R&M Expense for the control period was projected by considering average inflation rate of 5% (CPI) on the actual expenses of FY 2018-19 and FY 2019-20.

Based on the above submissions, the R&M Expense projections for the third control period is as shown below:

Table 5.25 : Repair & Maintenance (R&M) Expense Projected for Control Period

(in Rs. Cr.)

S. No	Particulars	FY 2018-19 (Actual)	FY 2019-20 (Provisional)	FY 2020-21 (Estimated)	FY 2021-22 (Projected)	FY 2022-23 (Projected)	FY 2023-24 (Projected)
1	Buildings	0.02	0.06	0.06	0.07	0.07	0.07
2	Plant and Equipment	0.70	0.35	0.37	0.38	0.40	0.42
3	Civil Works	0.02	0.17	0.18	0.19	0.20	0.21
4	Lines & Cables	4.17	3.70	3.89	4.08	4.28	4.50
5	Vehicles	0.03	0.03	0.03	0.04	0.04	0.04
6	Furniture and Fixtures	0	0	0	0	0	0
7	Office equipment	0.55	0.53	0.55	0.58	0.61	0.64
8	Total R&M Expenses of MePTCL	5.50	4.84	5.09	5.34	5.61	5.89
9	R&M Expenses of MeECL Apportioned	0.10	0.04	0.05	0.05	0.05	0.05
10	Net R&M Expenses	5.60	4.89	5.13	5.39	5.66	5.94

MePTCL therefore, humbly prays before the Commission to kindly approve the R&M expenses as shown above.

Administrative and General Expenses (A&G)

The A&G Expense for the control period has been projected by considering inflation rate of 5% (CPI) on the actual expenses of FY 2018-19 and FY 2019-20. as shown below:

Table 5.26 : Administrative & General Expenses Projected for Control Period

(in Rs. Cr.)

S.No	Particulars	FY 2018-19 (Actual)	FY 2019-20 (Provisional)	FY 2020-21 (Estimated)	FY 2021-22 (Projected)	FY 2022-23 (Projected)	FY 2023-24 (Projected)
1	Insurance Charges	0.35	0.58	0.61	0.64	0.67	0.70
2	Rent, Rates and Taxes	-	-	-	-	-	-
3	Telegram, Postage, Telegraph and Telex charges	0.04	0.05	0.05	0.06	0.06	0.06
4	Training, conveyance and vehicle running expenses	1.45	1.59	1.67	1.75	1.84	1.93
5	Printing and stationery expenses	0.10	0.04	0.04	0.04	0.04	0.04
6	Auditors' remuneration	0.04	0.04	0.05	0.05	0.05	0.05
7	License and Registration Charges	-	-	-	-	-	-
8	Technical fees	0.00	0.00	0.00	0.01	0.01	0.01
9	Books & Periodicals	-	-	-	-	-	-
10	Fees and subscription expenses	-	-	-	-	-	-
11	Advertisement charges	0.15	0.10	0.10	0.10	0.11	0.12
12	Legal and professional charges	0.03	0.08	0.09	0.09	0.09	0.10
13	Fees to Meghalaya State Electricity Regulatory Commission (MSERC)	0.05	0.07	0.07	0.07	0.08	0.08
14	Electricity and Water Charges	-	-	-	-	-	-
15	Franchisee Commission	-	-	-	-	-	-
16	POC Rebate	-	0.11	0.12	0.13	0.13	0.14
17	Bank Charges	-	-	-	-	-	-
18	Entertainment expenses	-	-	-	-	-	-
19	Excess Interest on FD	-	0.04	0.04	0.04	0.05	0.05
20	Miscellaneous expenses	0.02	0.03	0.03	0.04	0.04	0.04
21	Total expenses of MePTCL	2.23	2.74	2.71	2.85	2.99	3.14
22	A&G Expenses of MeECL Apportioned	0.98	2.48	2.60	2.73	2.87	3.01
23	Net expenses	3.20	5.22	5.32	5.58	5.86	6.15

MePTCL therefore, humbly prays before the Commission to kindly approve the A&G expenses as shown above.

Commission's Analysis

Employee Expenses:

As per the Regulation 69.1 of MSERC MYT Regulations 2014-

O&M expenses shall mean the total of all expenditure under the following heads

a. Employee cost

b. Repairs and Maintenance

c. Administration and General Expenses

The Licensee has yet to file petitions for True up of business for FY 2018-19 and FY 2019-20.

Licensee was asked to submit additional information/data on 04.01.2021 calling for the network details and norms for computation of O&M expenses for 3rd MYT control period as per the Regulation 69.3.

It was also called for therein the details of the nature of the expenses of MeECL proposed to be apportioned in the Employee expenses of MePTCL at Rs.48.60 Crore.

The norms for O&M expenses on the basis of circuit kilometres of Transmission lines, transformation capacity (MVA) and number of Bays in substations shall be the criteria for computation of O&M expenses for Transmission system as notified vide Regulation 35.3 (a) & (b) of CERC Regulations 2019.

The Licensee has submitted the Transmission network data vide their letter dated 03.02.2021 without assigning value per bay/per MVA of Transformation capacity and per circuit km length of line for assessing the O&M expenses. The O&M expenses for substations projected at 855.03 does not indicate unit rate and monetary value in Units/Tens/Hundreds/Thousands/Lac etc., similarly O&M expenses projected for Transmission lines at 550.61 does not indicate the above details.

The Licensee has submitted the additional information as called for, in their letter dated 03.02.2021 in Annexure I and II.

The Annexure I contains Transmission Network Data which is varying from the data filed along with the petition vide Format T-1(a) and T-1(b) in respect of Transformation capacity and No. of substation bays and circuit km of length of line without the no. of conductors. The details are as noted below.

Particulars	As filed in the petition	Filed in the Addl. Information
Transformation Capacity in MVA	1767.50	1568.13
No. of Substation Bays	0.00 (38 No.s)*	146
Ckt KM of Length of lines	1245.31	1098.608

** 38 No.s indicated as No. of Transformers in the substations*

It can be seen from the above analysis, there is inconsistency in the data, and commission constrained to formulate a norm for fixation of O&M expenses for the control period.

In the absence of the complete norm for fixation of O&M expenses as per the Regulations, commission considers O&M expenses shall be computed based on the actuals reported in the petition vide table no.8 for FY 2019-20 provisionally.

The MePTCL shall invariably file actual quantity of network and norms for assessing O&M expenses as per the Regulations by 30th June 2021.

The Management of MeECL has approved revision of Pay Scales effective from 01.01.2020 to employees of all the subsidiaries (Generation, Transmission and Distribution) vide notification no. MeECL/CA/PB/112/2019/23 dated 19th November 2019.

MePTCL has projected apportionment of holding expenses in the table no.8 of the petition for employee expenses at Rs.48.60 Crore for FY 2019-20.

Licensee was asked to submit the details of the apportionment of Holding Expenses of MeECL proposed to be apportioned in the Employee expenses of MePTCL in the letter dated 04.01.2021.

MePTCL has submitted details of apportionment of Holding company's expenses for FY 2019-20 wherein a breakup of Pay and allowances split into 30% each for subsidiaries ie., MePGCL, MePTCL, MePDCL and 10% expenses retained in the MeECL employee expenses for Rs.35.20 Crore.

Commission does not consider the apportionment of holding expenses projected for computation of Employee expenses of MePTCL for FY 2019-20.

It is to be stated that any transaction related to the employee benefits made under provisions schedule (note) shall not be considered for determination of Tariff.

The Licensee is further informed that commission had notified in the Tariff Order for FY 2011-12 and FY 2012-13 (combined utility) that as per the Govt. of Meghalaya notification 2010 in connection with the reforms and re organization of MeSEB, directed the MeECL to get complete the exercise of actuary and start funding the **pension trust** so that the liabilities towards pension etc., shall be discharged from the Trust fund and not from the Tariffs.

MePTCL has claimed the ROP impact effective from 01.01.2020 for the Employee's cost from FY 2020-21.

The Basic pay existed prior to ROP has been escalated at 27% as projected for FY 2020-21.

The impact of the ROP has been factored as per the following assumptions.

1. Basic Pay is increased by adding 27% for FY 2020-21 as proposed by the licensee and 3% increase considered for annual increment for subsequent years.
2. 1% DA considered on the revised Basic pay
3. The Petitioner has submitted, as per MeECL policy Employees have a 2 half yearly increments based on the price index announced by labour department every year. The Computation of DA is considered at 6.5%, 12% and 17.5% of Basic pay for the control period.

Accordingly DA component is considered for 3rd MYT control period as claimed.

4. Other allowances are escalated at inflation rates notified by Govt. of India for FY 2019-20 at 3.12% and also for subsequent years.
5. Commission has considered 1/3rd of MeECL employee expenses for FY 2020-21 at Rs.5.85 Crore and escalated for MYT control period for arriving O&M expenses of MePTCL for the 3rd MYT control period.

The licensee has filed actual employee cost for the FY 2019-20 (provisional) and projections for FY 2020-21 including the impact of the RoP and for 3rd MYT control period vide table No. 8 of the petition in the format No. 1.

Considering the impact of the RoP, Commission has computed the employee expenses for FY 2020-21 and escalated for 3rd MYT control period provisionally in the table below.

Table 5.27 : Computation of Employee Expense for MePTCL**(Rs. Cr)**

Sl	Particulars	FY 2018-19 (Actual)	FY 2019-20 (Provisional)	FY 2020-21 (Estimated)	FY 2021-22 (Estimated)	FY 2022-23 (Estimated)	FY 2023-24 (Estimated)
1	2	3	4	5	6	7	8
	SALARIES & ALLOWANCES						
1	Basic Pay	16.86	19.98	27.80	28.63	29.49	30.38
2	Dearness Pay						
3	Dearness Allowance	2.64	2.21	0.28	1.86	3.54	5.32
4	House rent Allowance						
5	Fixed medical allowance						
6	Other Allowances	3.81	3.94	4.06	4.19	4.32	4.46
7	Medical reimbursement charges	0.21	0.22	0.23	0.23	0.24	0.25
8	Over time payment	0.14	0.16	0.17	0.17	0.18	0.18
9	ROP 2015						
10	Generation incentive						
11	Leave Travel Concession						
12	Apportionment of Holding exp	0.00	0.00	0.00	0.00	0.00	0.00
13	Sub-Total	23.66	26.51	32.54	35.08	37.77	40.59
	Terminal Benefits						
14	Leave encashment						
15	Gratuity						
16	Commutation of Pension						
17	Staff Welfare expenses	0.01	0.00	0.00	0.00	0.00	0.00
18	CPS	0.53	0.64	0.66	0.68	0.70	0.72
19	Workman compensation						
20	Ex-gratia	0.00	0.00	0.00	0.00	0.00	0.00
21	Sub-Total	0.54	0.64	0.66	0.68	0.70	0.72
	Pension Payment						
22	Basic Pension						
23	Dearness Pension						
24	Dearness allowance						
25	Any other expenses						
26	Sub-Total	0.00	0.00	0.00	0.00	0.00	0.00
27	Total (13+21+26)	24.20	27.15	33.20	35.76	38.47	41.31

The additional employee cost projected at Rs.15.18 Crore for FY 2021-22 towards commitment for new recruits shall not be considered, in view of the fact that the O&M expenses for Transmission utility shall be limited to the network data as per the norms. Any additions to the O&M expenses shall be based on the Network addition progressively.

The Petitioner has filed employee expenses of MeECL from FY 2018-19 to FY 2023-24 in the Format No. 1 as depicted in the Table 5.23.

Commission has computed admissible Employee expenses including impact of RoP for MeECL as depicted in the table below provisionally.

Table 5.28 : Computation of Employee Expense for MeECL (Rs. Cr)

Sl. No.	Particulars	FY 2018-19 (Actual)	FY 2019-20 (Provisional)	FY 2020-21 (Estimated)	FY 2021-22 (Estimated)	FY 2022-23 (Estimated)	FY 2023-24 (Estimated)
	SALARIES & ALLOWANCES						
1	Basic Pay	2.39	2.90	3.93	4.05	4.17	4.29
2	Dearness Pay						
3	Dearness Allowance	0.32	0.31	0.04	0.26	0.50	0.75
4	House rent Allowance						
5	Fixed medical allowance						
6	Medical reimbursement charges	0.10	0.09	0.09	0.09	0.10	0.10
7	Over time payment						
8	Othe Allowances	0.30	0.31	0.32	0.33	0.34	0.35
9	Generation incentive						
10	Leave Travel Concession						
11	Sitting Fees of Independent Directors						
12	Time Bound Fixation Benifit						
13	Recreation						
14	Honorariums						
15	Sub-Total	3.11	3.61	4.38	4.73	5.11	5.49
	Terminal Benefits						
16	Leave encashment	0.73	0.70	0.72	0.74	0.77	0.79
17	Gratuity	1.26	0.94	0.97	1.00	1.03	1.06
18	Commutation of Pension						
19	Staff Welfare expenses	0.00	0.15	0.15	0.15	0.16	0.16
20	CPS	0.02	0.03	0.04	0.04	0.04	0.04
21	Workman compensation	0.00	0.01	0.01	0.01	0.01	0.01
22	Stipend Charges	0.06	0.02	0.02	0.02	0.02	0.02
23	EPF Contribution	0.12	0.37	0.38	0.39	0.40	0.42
24	Sub-Total	2.19	2.21	2.29	2.35	2.43	2.50
	Pension Payment						
25	Pension Payment	9.48	10.09	10.40	10.72	11.06	11.40
26	Dearness Pension						
27	Dearness allowance						
28	Pension Contribution to Deputations						
29	medical Expenses of Pensioners	0.43	0.46	0.47	0.48	0.50	0.52
30	Sub-Total	9.91	10.55	10.87	11.20	11.56	11.92
31	Total (15+24+30)	15.21	16.36	17.54	18.28	19.10	19.91

1/3rd of MeECL employee expenses at Rs. 5.85 Crore is apportioned to the Employee expenses of MePTCL for FY 2020-21.

Table 5.29 : Computation of Employee expenses of MePTCL inclusive of 1/3rd MeECL cost for 3rd MYT control period (Rs.Cr)

Particulars	FY 2017-18 (actuals)	FY 2018-19 (Provisional)	FY 2019-20 (Estimated)	FY 2020-21 (Estimated)	FY 2021-22 (Estimated)	FY 2022-23 (Estimated)	FY 2023-24 (Estimated)
MePTCL O&M exp.	21.20	24.20	27.15	33.20	35.76	38.47	41.31
1/3 rd MeECL	4.08	5.07	7.98	5.85	6.09	6.37	6.64
Total	25.28	29.27	35.13	39.05	41.85	44.84	47.95

(Licensee has yet to file petition for true up of business from FY 2018-19)

R&M and A&G Expenses including 1/3rd MeECL Expenditure:

MePTCL has projected R&M and Adm. General Expenses Inclusive of 1/3rd MeECL for MYT control period vide table 5.25 and table no.5.26 as detailed in the table below

Commission considers R&M and Adm & general expenses Provisionally as proposed for control period.

Computation of R&M Expenses and Adm.& general Exp. inclusive of 1/3rd MeECL cost for 3rd MYT control period

Particulars	FY 2020-21 (Estimated)	FY 2021-22 (Estimated)	FY 2022-23 (Estimated)	FY 2023-24 (Estimated)
R&M Expenses incl. MeECL Cost	5.13	5.39	5.66	5.94
Adm & General Exp Incl. MeECL Cost	5.32	5.58	5.86	6.15
Total	10.45	10.97	11.52	12.09

Table 5.30 : Computation of O&M expenses of MePTCL inclusive of 1/3rd MeECL cost for 3rd MYT control period

Particulars	FY 2020-21 (Estimated)	FY 2021-22 (Estimated)	FY 2022-23 (Estimated)	FY 2023-24 (Estimated)
MePTCL O&M exp.	33.20	35.76	38.47	41.31
1/3 rd MeECL	5.85	6.09	6.37	6.64
R&M Expenses incl. MeECL Cost	5.13	5.39	5.66	5.94
Adm & General Exp Incl. MeECL Cost	5.32	5.58	5.86	6.15
Total	49.50	52.82	56.36	60.04

Commission considers O&M expenses Provisionally for 3rd MYT control period for FY 2021-22, FY 2022-23 and FY 2023-24 at Rs.52.82 Cr, Rs.56.36 Cr and Rs.60.04 Crore respectively.

5.11 Return on Equity:-

Petitioner's Submission

The Licensee has projected the Return on Equity for the next control period based on the average existing asset base for MePTCL (funded by non-grants). This is similar to the approach followed by the Commission in its past few tariff and true up orders. The asset base used for calculation of equity base and subsequent return on equity has been arrived by reducing the grant portion from the asset.

The asset creation is a result of funding through equity or grants or loan. The licensee has further calculated the grant portion of the asset base by taking into account the total equity, grants and loans of the licensee as shown below. This component as calculated below is important to calculate the asset base w/o grant portion which can be used for further calculation of the equity base.

Table 5.31 : Calculation of Grant Portion of Asset

(Rs. Cr.)							
Sl. No	Particulars	FY 2018-19 (Actual)	FY 2019-20 (Provisional)	FY 2020-21 (Estimated)	FY 2021-22 (Projected)	FY 2022-23 (Projected)	FY 2023-24 (Projected)
		Actuals from the accounts		Addition of the loan, grants and equity for the years to arrive at closing cumulative loan, grants and equity has been calculated from the capital expenditure schedule as shown in the Table 2 of Section 3.3.1 of the petition			
1	Opening GFA for the Year	440.01	461.24	461.30	496.25	1229.79	1522.53
2	GFA Addition for the Year	21.23	0.05	34.95	733.54	292.74	977.00
3	Closing GFA for the Year	461.24	461.30	496.25	1229.79	1522.53	2499.53
4	Average Assets Base for the Year	450.63	461.27	478.77	863.02	1376.16	2011.03
5	Opening Equity Base for the Year	423.82	425.59	425.59	425.59	425.59	425.59
6	Closing Equity Base for the Year	425.59	425.59	425.59	425.59	425.59	425.59
7	Average Equity Base for the Year	424.71	425.59	425.59	425.59	425.59	425.59
8	Opening Grant for the Year	26.57	61.18	81.67	231.68	772.74	1422.01
9	Closing Grant for the Year	61.18	81.67	231.68	772.74	1422.01	1870.11
10	Average Grant for the Year	43.87	71.42	156.67	502.21	1097.37	1646.06
11	Opening Long Term Loan for the Year	65.46	47.90	59.83	61.49	79.99	83.34
12	Closing Long Term Loan for the Year	47.90	59.83	61.49	79.99	83.34	84.84
13	Average Long-Term Loan for the Year	56.68	53.86	60.66	70.74	81.66	84.09
14	Grant Portion of the Asset 14=4*{10/ (7+10+13)}	37.64	59.81	116.67	434.05	941.13	1535.56

Based on the grant portion of the asset (above table), the total asset base (Section 3.3.3 of the petition) and the Commission's methodology, the return on equity for the control period is given below:

Table 5.32 : Return on Equity Projected for Control Period 2021-22 to FY 2023-24

(Rs.Cr)							
Sl	Particulars	FY 2018-19 (Actual)	FY 2019-20 (Provisional)	FY 2020-21 (Estimated)	FY 2021-22 (Projected)	FY 2022-23 (Projected)	FY 2023-24 (Projected)
1	Opening GFA for the Year	440.01	461.24	461.30	496.25	1229.79	1522.53
2	Closing GFA for the Year	461.24	461.30	496.25	1229.79	1522.53	2499.53
3	Average Assets Base for the Year	450.63	461.27	478.77	863.02	1376.16	2011.03
6	Average Grant Portion of the Asset Base (From the above table)	37.64	59.81	116.67	434.05	941.13	1535.56
7	Asset Base excluding Grant Portion	412.99	401.46	362.10	428.97	435.03	475.47
8	Debt component (70% of GFA)	289.09	281.02	253.47	300.28	304.52	332.83
9	Equity component (30% of GFA)	123.90	120.44	108.63	128.69	130.51	142.64
10	RoE (%)	14%	14%	14%	14%	14%	14%
11	Return on Equity (in Rs. Cr.)	17.35	16.86	15.21	18.02	18.27	19.97

The Licensee would however like to submit that 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. Further the licensee has challenged the methodology in the review petition of true up of FY 2016-17 whose order is still due from the Commission. In case of a favourable order to the licensee with respect to the methodology adopted for return on equity, the licensee will reclaim/adjust the additional claim of return on equity in the subsequent tariff petitions. However, the petitioner has herein claimed return based on the methodology adopted by the Commission in its past orders to avoid ambiguities in figures/calculation resulting in wrong calculation and lower amount of RoE being approved by the Commission. MePTCL humbly prays before the Honourable Commission to kindly approve the RoE for the remaining part of the Control Period as per the above computations.

Commission's Analysis

As discussed in the paragraph GFA and asset base in this order, commission considers GFA and capital base as depicted below for the MYT control period provisionally.

Table 5.33 : Approved GFA and asset base for FY 2021-22

(Rs.Cr)				
Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Opening GFA	461.29	496.24	577.79	677.79
Additions	34.95*	81.55	100.00	100.00
Retirements	-	-	-	-
Closing GFA	496.24	577.79	677.79	777.79

(Note * : Approved in the business plan)

Regulation 31 read with 27 of MSERC regulations 2014 specifies that

“Return on equity shall be computed on the equity base determined in accordance with regulation 27 and shall not exceed 14%.

Provided that in case of generation & transmission projects commissioned after notification of these regulations, an additional return of 0.5 % shall be allowed if such projects are completed within the time line as specified in CERC Tariff Regulations.

Provided that in case of generation & transmission projects commissioned after the notification of these regulations an additional return of 1.5 % shall be allowed if such projects are completed within the original sanctioned project cost without any time and cost overrun whatsoever.

Provided that equity invested in a foreign currency may be allowed a return up to the prescribed limit in the same currency and the payment on this account shall be made in Indian Rupees based on the exchange rate prevailing on the due date of billing.

- The premium received while issuing share capital shall be treated as a part of equity provided the same is utilized for meeting capital expenditure.*
- Internal resources created out of free reserves and utilized for meeting capital expenditure shall also be treated as a part of equity.*

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.”

MePTCL has yet to file the petition for true up of business from FY 2018-19 onwards. Licensee has projected abnormal Capex and capitalisation during the 3rd MYT control period for FY 2021-22 to FY 2023-24.

The Capex and Capitalisation as approved in the business plan is considered against 100% govt. grants.

Commission considers the capitalisation during the FY 2021-22 would be happening as approved in the business plan excluding the NERPSIP project and also the works scheduled to be completed in FY 2022-23 vide Table No. 11 of business plan to a tune of Rs. 81.55 Crore only.

The Grants available for FY 2019-20 as per the note 17.1 of SOA is considered the basis for computation of cumulative grants and for arriving at the admissible ROE.

Considering the above assumptions, computation of ROE is drawn in the table below.

Table 5.34 : Approved Return on Equity for 3rd MYT Control period

(Rs.Cr)

Sl.No	Particulars	FY 2021-22	FY 2022-23	FY 2023-24
1	Opening GFA	496.24	577.79	677.79
2	Additions	81.55	100.00	100.00
3	Retirements	-	-	-
4	Closing GFA	577.79	677.79	777.79
5	Average GFA (1+4)/2	523.52	627.79	727.79
6	Less: Grants and Contributions	154.62	254.62	354.62
7	Net GFA	368.90	373.17	373.17
8	Equity @ 30%	110.67	111.95	111.95
9	ROE at 14%	15.49	15.67	15.67

Commission approves Return On Equity for the 3rd MYT Control period FY 2021-22, FY 2022-23 and FY 2023-24 at Rs.15.49 Cr, Rs.15.67 Cr and Rs.15.67 Crore respectively.

5.12 Depreciation

Licensee's Submission

The Gross Fixed Asset (GFA) base for FY 2018-19 and FY 2019-20 as shown in Section 3.3.3 (without IND AS adjustment) represents the historical asset value of asset which has been used in the calculation of depreciation component. The additions in GFA for the control period has been considered based on the capitalization schedule as shown in Section 3.3.2 of the petition. The rate of depreciation for various categories of assets has been considered strictly as per the depreciation rates as stipulated in the MSERC MYT Regulations, 2014.

The assets created out of government grants and consumer contribution has not been considered for the calculation of depreciation and thus the same has been

deducted from the depreciation as amortization to arrive at the net depreciation. The projected amortization of grants from FY 2020-21 onwards has been calculated by the formula: Actual Amortization of Grants of FY 2019-20 (from SOA) + average projected grants for the corresponding year * 5.28% (average depreciation rate). Based on the above, the actual depreciation in FY 2018-19, FY2019-20, estimated depreciation in FY 2020-21 and projections for FY 2021-22, FY 2022-23, FY 2023-24 are shown in the following tables. The detailed calculation is also shown in Annexure F for reference.

Table 5.35 : Actual Depreciation Projected for FY 2018-19

(Rs. Cr)

Sl. No	Particulars	Opening GFA	Addition	Withdrawn	Closing GFA	Depreciation
1	Land	4.10	-	-	4.10	-
2	Buildings	14.03	0.77	-	14.80	0.48
3	Plant & Equipment	151.69	1.25	-	152.94	7.86
4	Furnitures & Fixtures	0.87	0.02	-	0.89	0.05
5	Vehicles	0.11	-	-	0.11	0.01
6	Office Equipment	5.52	0.10	-	5.62	0.35
7	Others:					
A	Hydraulic Works	0.09	-	-	0.09	0.00
B	Other Civil Works	10.60	0.15	-	10.76	0.36
C	Lines and Cable Network	253.02	18.94	0.00	271.96	13.81
	Total	440.01	21.23	0.00	461.24	22.94
8	Less: Amortization of Assets Created out of Grants					1.64
	Net Depreciation					21.30

Table 5.36 : Actual Depreciation Projected for FY 2019-20

(Rs. Cr)

Sl. no	Particulars	Opening GFA	Addition	Withdrawn	Closing GFA	Depreciation
1	Land	4.10	-	-	4.10	-
2	Buildings	14.80	-	-	14.80	0.49
3	Plant & Equipment	152.94	-	-	152.94	7.81
4	Furnitures & Fixtures	0.89	-	-	0.89	0.05
5	Vehicles	0.11	-	-	0.11	0.01
6	Office Equipment	5.62	-	-	5.62	0.46
7	Others:					
A	Hydraulic Works	0.09	-	-	0.09	0.00
B	Other Civil Works	10.76	-	-	10.76	0.36
C	Lines and Cable Network	271.96	0.05	-	272.01	12.66
	Total	461.24	0.05	-	461.30	21.85
8	Less: Amortization of Assets Created out of Grants					1.64
	Net Depreciation					20.21

Table 5.37 : Depreciation FY 2020-21 (Estimated)

(Rs. Cr)

Sl. No	Particulars	Opening GFA	Addition	With drawn	Closing GFA	Rate of Depreciation (%)	Depreciation
1	Land	4.10	0.31		4.41	0%	-
2	Buildings	14.80	1.12		15.92	3.34%	0.51
3	Plant & Equipment	152.94	11.59		164.52	5.81%	9.21
4	Furnitures & Fixtures	0.89	0.07		0.95	6.33%	0.06
5	Vehicles	0.11	0.01		0.11	9.50%	0.01
6	Office Equipment	5.62	0.43		6.05	6.33%	0.37
7	Others:	-	-		-		-
A	Hydraulic Works	0.09	0.01		0.10	5.28%	0.00
B	Other Civil Works	10.76	0.81		11.57	3.34%	0.37
C	Lines and Cable Network	272.01	20.61		292.62	5.28%	14.91
	Total	461.30	34.95		496.25		25.45
8	Less: Amortization of Assets Created out of Grants						2.55
	Net Depreciation						22.90

Table 5.38 : Depreciation Projected for FY 2021-22

(Rs. Cr)

Sl. NO	Particulars	Opening GFA	Addition	With drawn	Closing GFA	Rate of Depreciation (%)	Depreciation
1	Land	4.41	6.51		10.92	0%	-
2	Buildings	15.92	23.53		39.45	3.34%	0.92
3	Plant & Equipment	164.52	243.19		407.72	5.81%	16.61
4	Furnitures & Fixtures	0.95	1.41		2.36	6.33%	0.10
5	Vehicles	0.11	0.17		0.28	9.50%	0.02
6	Office Equipment	6.05	8.94		14.99	6.33%	0.67
7	Others:	-	-		-		-
A	Hydraulic Works	0.10	0.14		0.24	5.28%	0.01
B	Other Civil Works	11.57	17.10		28.67	3.34%	0.67
C	Lines and Cable Network	292.62	432.54		725.16	5.28%	26.87
	Total	496.25	733.54		1,229.79		45.87
8	Less: Amortization of Assets Created out of Grants						22.34
	Net Depreciation						23.54

Table 5.39 : Depreciation Projected for FY 2022-23

(Rs. Cr)

Sl. No	Particulars	Opening GFA	Addition	With drawn	Closing GFA	Rate of Depreciation (%)	Depreciation
1	Land	10.92	2.60		13.52	0%	-
2	Buildings	39.45	9.39		48.84	3.34%	1.47
3	Plant & Equipment	407.72	97.05		504.77	5.81%	26.49
4	Furnitures & Fixtures	2.36	0.56		2.92	6.33%	0.17
5	Vehicles	0.28	0.07		0.35	9.50%	0.03
6	Office Equipment	14.99	3.57		18.56	6.33%	1.06
7	Others:	-	-		-		-
A	Hydraulic Works	0.24	0.06		0.30	5.28%	0.01
B	Other Civil Works	28.67	6.83		35.50	3.34%	1.07
C	Lines and Cable Network	725.16	172.62		897.77	5.28%	42.85
	Total	1,229.79	292.74		1,522.53		73.15
8	Less: Amortization of Assets Created out of Grants						48.87
	Net Depreciation						24.28

Table 5.40 : Depreciation Projected for FY 2023-24

(Rs. Cr)

Sl. No	Particulars	Opening GFA	Addition	With drawn	Closing GFA	Rate of Depreciation (%)	Depreciation
1	Land	13.52	8.67		22.19	0%	-
2	Buildings	48.84	31.34		80.17	3.34%	2.15
3	Plant & Equipment	504.77	323.91		828.68	5.81%	38.70
4	Furnitures & Fixtures	2.92	1.88		4.80	6.33%	0.24
5	Vehicles	0.35	0.23		0.58	9.50%	0.04
6	Office Equipment	18.56	11.91		30.47	6.33%	1.55
7	Others:	-	-		-		-
A	Hydraulic Works	0.30	0.19		0.48	5.28%	0.02
B	Other Civil Works	35.50	22.78		58.28	3.34%	1.57
C	Lines and Cable Network	897.77	576.10		1,473.87	5.28%	62.61
	Total	1,522.53	977.00		2,499.53		106.90
8	Less: Amortization of Assets Created out of Grants						82.23
	Net Depreciation						24.67

MePTCL humbly prays before the Honourable Commission to kindly approve the depreciation as computed above.

Commission Analysis:

According to Regulation 33.1 of MSERC Regulations 2014-

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

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.

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.

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.

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.

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.”

According to the approved business plan, the status of the GFA and assets base stands as detailed in the statement below:

Table 5.41 : GFA for FY 2020-21 to FY 2023-24

Particulars	(Rs. Cr)			
	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Opening GFA	461.29	496.24	1229.78	1522.52
Additional during the year	34.95	733.54	292.74	977.00
Retirements during the year	-	-		
Closing GFA	496.24	1229.78	1522.52	2499.52

The funding source of above huge investment is however projected as 100% Grant.

The Huge capitalisation projected for FY 2021-22 at Rs.733.54 Crore includes Rs.598.73 Crore for implementation of NERPSIP Tranch 1 project for construction of 220 KV and 132 KV Substations and connecting lines. The NERPSIP Tranch 1 project is being implemented by PGCIL, the projected capitalisation of Rs.733.54 Crore includes Rs.598.73 Crore shall be taken into the assets base of the licensee after the completed project has been taken over by the MePTCL. The remaining capitalisation of Rs.134.81 Crore included Rs.53.26 crore for the projects scheduled for completion beyond FY 2021-22 and shall be considered in the next FY 2022-23.

Commission considers capitalisation for FY 2021-22 at Rs. 81.55 Crore only. The huge capitalisation would be a herculean task considering the past performance by the utility. So also the capitalisation proposed during FY 2022-23 and FY 2023-24 would also be tough task.

Commission observed that the licensee had projected huge capitalisation during the 2nd MYT Control Period FY 2018-19 to FY 2020-21 was not achieved as could be noted from the table below.

A comparison of projections and actual performance is detailed in the statement below:

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Opening GFA (cr)	422.95	427.30	440.01	461.24	461.29
Additions projected	4.39	140.03	172.76	709.58	390.14
Actual performance	4.35	12.72	21.23	0.05	34.95*

(Note * : Approved in the business plan)

The abnormal projection of capitalisation during the 3rd MYT Control period for FY 2021-22 to FY 2023-24 as at Table No.3 of the petition would result in Tariff shock to the users and the stake holders.

In the circumstances commission keeping in view of the past performance and tough task ahead, considers capitalisation of the works scheduled for completion during

the FY 2021-22 at Rs.81.55 Crore and Rs.100 Crore each year for FY 2022-23 and FY 2023-24 provisionally subject to however correction after completion of the FY 2021-22.

Commission considers the GFA and assets base for determination of ARR for 3rd MYT control period FY 2021-22 to FY 2023-24 and Transmission Tariff for FY 2021-22 as depicted in the table below:

Table 5.42 : Approved GFA and asset base for FY 2021-22 (in Cr)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Opening GFA	461.29	496.24	577.79	677.79
Additions	34.95*	81.55	100.00	100.00
Retirements	-	-	-	-
Closing GFA	496.24	577.79	677.79	777.79

(Note * : Approved in the business plan)

As already discussed in the GFA and ROE chapters in the foregoing paragraphs, commission has considered depreciation admissible based on the Approved GFA in Table No.5.17 for determination of ARR for 3rd MYT control period.

The Depreciation is calculated on the 90% of the Average Assets excluding the land value in the table below after deducting the depreciation on grants.

The amortization of assets created out of grants proposed in the petition shall be considered at actuals on filing of True up petition for the 3rd MYT control period.

Accordingly the GFA and depreciation has been computed in the table below

Table 5.43 : Approved Depreciation for MYT Control Period

(Rs.Cr)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Opening GFA Excl. Land Value	457.20	491.84	566.88	664.28
Additions during the Year Excl. Land Value	34.64	75.04	97.40	91.33
Retirements	-	-	-	-
Closing GFA	491.84	566.88	664.28	755.61
Average GFA	474.52	529.36	615.58	709.94
90% of GFA	427.07	476.42	554.02	638.94
Computed Depreciation	22.64	25.25	29.36	33.86
Average rate of Depreciation	5.30%	5.30%	5.30%	5.30%
Grants available	73.07	77.31	88.66	94.33
Less: Depreciation on grants	3.87	4.10	4.70	5.00
Net Depreciation Admissible for Tariff	18.77	21.15	24.66	28.86

Commission considers Depreciation for 3rd MYT control period at Rs.21.15 Crore, Rs.24.66 Crore and Rs.28.86 Crore for FY 2021-22, FY 2022-23 and FY 2023-24 respectively.

5.13 Interest and Financial Charges on Loan Capital

Petitioner's Submission

As per Regulation 32 of the MYT Regulations, 2014, 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 prevailing lending rate of bank and financial institution. It is submitted that the Interest on Loan for the control period has been computed by considering Interest obligation for existing loans as well as for new loans projected to be taken based on the approved capital investment plan for the control period. The details of the loan statement for actuals FY 2018-19, FY 2019-20, estimated FY 2020-21 and projected FY 2021-22, FY 2022-23 and FY 2023-24 along with the interest accrued component for both MeECL and MePTCL is given in **Annexure F**.

MePTCL and MeECL Loan Statements: The loan portion of the capex in the approved Business Plan have been added over and above the existing loan commitments to arrive at MePTCL interest on loan. The same loan portion is also shown in Section 3.3.1 of the petition. Justifications for some of the new loans in given below:

- a) REC Kiling – Byrnihat – This loan has been taken for capital works related to the development of the Transmission system and has been earlier approved and considered for interest calculation.
- b) State Govt. Loans: This loan has been availed by the licensee from the State Government to help the Transco for the construction of new transmission lines and substations as well as renovation and modernization of existing substations under various State or Central schemes. The details about the State Govt. loans are present in Note 12.4 of FY 2018-19 MePTCL audited accounts and Note 16.3 in the accounts of FY 2019-20. The State Government loans have also been earlier approved in the past tariff orders and considered for interest calculation.
- c) Additional Loans Due to Capex: These pertain to the new loan portion of the approved capital expenditure in the next control period. As stated above, the year wise loan portion has been shown in Section 3.3.1 of the petition (Table 2). The interest rate for the loans have been assumed at the average interest rates for MePTCL with a loan tenure of 10 years including 1-year moratorium.

- d) Working Capital Loans: The Covid-19 pandemic created severe liquidity crisis to utilities across the country due to delay in billing as well as collection. The various restrictions put in place to control the effects of the virus has triggered shortages of raw material and manpower and disrupted the supply chain. The state power transmission utility ensured smooth power flow across the state in spite of fall in revenue for the corporation. However, it also had resort to working capital loans to meet the cash flow gap. The loans from PFC and Advance loans from MeECL come under this category. Though the working capital loans are shown in the loan statements in Format 7, Annexure F, the interest accrued is not included in the interest and finance calculations as interest on working capital loans is claimed separately through interest on working capital component (Section 3.10)

Details of Statement of loans for the capital expenditure has been given in format 7 of Annexure F. The summarized statement of Interest and Finance charges to be considered for the Control Period is shown in the table below:

Table 5.44 : Interest and Finance Charges Projected for Control Period 2021-24

(Rs. Cr)

Particulars	FY 2018-19 (Actual)	FY 2019-20 (Provisional)	FY 2020-21 (Estimated)	FY 2021-22 (Projected)	FY 2022-23 (Projected)	FY 2023-24 (Projected)
Opening Balance	53.17	52.19	50.85	51.56	68.93	69.15
Addition During the Year	0.36	-	2.04	18.90	3.77	1.94
Repayment during the year	1.34	1.34	1.34	1.52	3.56	3.68
Closing Balance	52.19	50.85	51.56	68.93	69.15	67.40
Average Interest Rate	9.68%	9.99%	9.67%	9.67%	9.56%	9.51%
Interest Accrued	5.10	5.15	4.95	5.83	6.60	6.49
Add: Interest on Loan for MeECL Apportioned	0.81	3.91	8.14	8.18	8.23	8.27
Total Interest and Finance Charges	5.91	9.06	13.09	14.01	14.83	14.77

MePTCL humbly prays before the Honourable Commission to kindly approve the Interest and Finance Charges as computed above.

Commission's Analysis

ARR as per the Regulation 32 of MSERC MYT Regulations 2014 specifies-

"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.

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.

The Generating Company or the Transmission Licensee or the Distribution Licensee, as the case may be, shall make every effort to re-finance the loan as long as it results in net savings on interest and in that event the costs associated with such re-financing shall be borne by the beneficiaries and the net savings shall be shared between the beneficiaries and the Generating Company or the Transmission Licensee or the Distribution Licensee, as the case may be, in the ratio of 50:50.

In case any moratorium period is availed of in any loan by the generating company, depreciation provided for in the tariff during the years of moratorium shall be treated, as repayment during those years and interest on loan capital shall be calculated accordingly.”

The computation of interest on capital loans outstanding as of 31.03.2020 is considered for opening balances during the MYT control period.

The outstanding loan borrowed from state govt. at 9.31% is considered.

The proposal for additional loans for Capex as shown in the petition is considered.

The interest on loans projected from MeECL are not considered.

The purpose of drawl of short term loans is not mentioned as such the PFC short term loans are not considered.

Commission considers 10% of the outstanding loan towards repayment against outstanding loans of State Govt.

Taking into account of the above aspects, the schedule of interest computed for MYT control period is drawn in the table below.

Table 5.45 : Computation of Interest on Capital Loans considered for the control period
(Rs. Cr)

Sl. No.	Source of Loan with Rate of Interest	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
I	11.25% REC (for Keling Byrnihat) Opening Balance	9.36	8.03	6.70	5.37
1	Additions during the year	-	-		
2	Repayment	1.33	1.33	1.33	1.33
3	Closing Balance	8.03	6.70	5.37	4.04
4	Average Loan	8.70	7.36	6.03	4.70
5	Interest Charges	0.98	0.83	0.68	0.53
II	State Government Loan at 9.32%-Opening Balance	41.48	37.69	34.28	31.23
6	Additions during the year	0.38	0.40	0.42	0.44
7	Repayment	4.17	3.81	3.47	3.16
8	Closing Balance	37.69	34.28	31.23	28.51
9	Average Loan	39.58	35.98	32.75	29.87
10	Interest Charges	3.69	3.35	3.05	2.78
III	Additional loan for Capex -Opening balance	-	1.66	18.64	19.77
11	Additions during year	1.66	18.50	3.35	1.50
12	Repayment	-	1.52	2.22	2.35
13	Closing Balance	1.66	18.64	19.77	18.92
14	Average Loan	0.83	10.15	19.20	19.34
15	Interest Charges	0.08	1.07	1.83	1.84
16	Total Interest Charges for Control Period (5+10+15)	4.94	5.25	5.56	5.15

Commission considers interest on capital loans at Rs. 5.25 Crore, Rs. 5.56 Crore, Rs 5.15 Crore for the 3rd MYT Control Period FY 2021-22, FY 2022-23 and FY 2023-24 respectively.

5.14 Interest on Working Capital

Petitioner's Submission

As per Regulation 34.3 (i) of the MYT Regulations, 2014, the components of working capital will be:

"34.2 Transmission Business

(i) The Transmission Licensee shall be allowed interest on the estimated level of working capital 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) month of transmission charges calculated on target availability level;

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.”

As per Regulation 34.2 (i) of the MYT Regulations, 2014, the State Bank Advance Rate (SBAR) as on 1st April of the financial year in which the Petition is filed need to be considered as interest rate for computation of Interest on Working Capital.

The projections of Working Capital and Interest on working capital for the control period is calculated as shown in the table below:

Table 5.46 : Projected Interest on Working Capital

		(Rs. Cr)					
Sl. No	Particulars	FY 2018-19 (Provisional)	FY 2019-20 (Estimated)	FY 2020-21 (Projected)	FY 2021-22 (Projected)	FY 2022-23 (Projected)	FY 2023-24 (Projected)
A	O&M Expenses for 12 months	83.55	91.83	126.59	140.84	150.41	161.43
B	O&M Expense for 1 month (C/12)	6.96	7.65	10.55	11.74	12.53	13.45
C	Average Fixed Assets for the Year	450.63	461.27	478.77	863.02	1376.16	2011.03
D	1% Maintenance Spares (1% of C)	4.51	4.61	4.79	8.63	13.76	20.11
E	Receivables for 2 months	18.05	20.78	27.49	30.68	32.65	34.94
F	Total Working Capital (B+D+E)	29.51	33.05	42.82	51.04	58.95	68.50
G	SBI short term PLR	13.45%	13.20%	12.15%	12.15%	12.15%	12.15%
H	Interest on Working Capital	3.97	4.36	5.20	6.20	7.16	8.32

MePTCL humbly prays before the Honourable Commission to kindly approve the Interest on working Capital Charges as computed above.

Commission's Analysis

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

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

The Interest on working capital is computed in the table below for MYT control period.

Table 5.47 : Approved Interest on Working Capital for the Control Period**(Rs. Cr)**

Sl. No	Parameter	FY 2021-22	FY 2022-23	FY 2023-24
A	O & M Expenses for 12 months (Excl. MeECL Cost).	46.73	49.99	53.40
B	O&M Expenses for 1 Month (A/12)	3.89	4.16	4.45
C	Average GFA for the year	523.52	627.79	727.79
D	1% Maintenance Spares (1% of C) escalated at 6% from date of commercial operation	5.55	6.65	7.71
E	Receivables for 2 months of Transmission charges calculated on Target availability level	12.53	13.70	14.85
F	Total working capital (B+D+E)	21.97	24.51	27.01
G	Rate of Interest as per SBAR on 1 st April of year in which the petition is filed.	12.15%	12.15%	12.15%
H	Interest on working capital	2.67	2.98	3.28

Commission considers Interest on Working Capital at Rs.2.67 Cr, Rs. 2.98 Cr & Rs. 3.28 Cr for 3rd MYT Control period FY 2021-22, FY 2022-23 and FY 2023-24 respectively.

5.15 ARR for SLDC Charges

Petitioner's Submission

As per Regulation 1, 3(3), 3(6) of MSERC (Levy and Collection of State Load Despatch Centre Fees and Charges) Regulations, 2009, MePTCL will need to bear 50% of the Annual Revenue Requirement of SLDC. As per PL notes in the SOA of FY 2018-19 & FY 2019-20 for MePTCL, the actual SLDC Charges incurred are Rs 1.20 Cr and Rs 1.27 Cr for FY 2018-19 & FY 2019-20. The SLDC Charges for the subsequent years are projected with a growth percentage of 5%. Therefore, it is submitted that Rs. 1.20 Cr, Rs 1.27 Cr, Rs 1.33 Cr, Rs 1.40 Cr, Rs 1.47 Cr and Rs 1.54 Cr for the FY 2018-19, FY 2019-20, FY 2020-21, FY 2021-22, FY 2022-23, FY 2023-24 and FY 2023-24 respectively may kindly be allowed to be passed through as SLDC charges as a part of Transmission ARR. The total SLDC ARR is worked out to be twice the SLDC Charges as per the regulations.

Commission's Analysis

As per Regulation 59 of MSERC MYT Regulations 2014- Connectivity and SLDC charges shall be considered as expense for ARR and Transmission Tariff.

The functions of MePTCL includes:-

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

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

These expenses shall be shared between generation and Transmission utilities.

The licensee has projected SLDC charges for the MYT Control period at Rs.1.40 Crore, Rs.1.47 Crore and Rs.1.54 Crore for FY 2021-22, FY 2022-23 and FY 2023-24 respectively.

The SLDC ARR for 2nd MYT control period FY 2018-19, FY 2019-20 and FY 2020-21 was determined at Rs.2.42 Crore, Rs.2.54 crore and Rs.2.66 Crore respectively as projected by the licensee. The licensee has not filed separate ARR for SLDC wing and stated that the SLDC ARR shall be twice the SLDC charges claimed for 3rd MYT control period.

Thus the SLDC ARR shall be considered at Rs. 2.80 Crore, Rs. 2.94 Crore and Rs. 3.08 Crore for FY 2021-22, FY 2022-23 and FY 2023-24 respectively and claim of 50% SLDC expenses for Transmission tariff at Rs. 1.40 Crore, Rs. 1.47 Crore and Rs. 1.54 Crore for 3rd MYT control period.

Commission approves SLDC charges at Rs. 1.40 Crore, Rs. 1.47 Crore and Rs. 1.54 Crore for 3rd MYT Control period FY 2021-22, FY 2022-23 and FY 2023-24 respectively.

5.16 Non Tariff and Other Income

Petitioner's Submission

The Regulation 65 of the MYT Regulations, 2014, provides the cost components of MePTCL. The relevant regulation is reproduced below for ready reference:

"65 Components of tariff

65.4 The Annual Transmission Charge of the Transmission Licensee shall be determined after deducting the following components from the Annual Expenditure as determined above:

*Income from surcharge and additional surcharge for Open Access Consumers if any
Transmission/wheeling charges recovered from Open Access Consumers, if any*

Authorised portion of Income/ Revenue from other business engaged in by the Licensee for optimum utilization of assets, if any."

The summary of Other Income is given below:

Table 5.48 : Projected Other Income Summary

(Rs Cr.)							
SL No	PARTICULARS	FY 2018-19 (Actual)	FY 2019-20 (Provisional)	FY 2020-21 (Estimated)	FY 2021-22 (Projected)	FY 2022-23 (Projected)	FY 2023-24 (Projected)
1	Interest Income:						
	From Banks	0.710	0.894	0.921	0.949	0.977	1.006
	From Others		0.000	0.000	0.000	0.000	0.000
2	Other non-operating income:						
	Rental and Hiring Income	0.136	0.135	0.139	0.143	0.148	0.152
	Discount Received	0.018	0.016	0.016	0.017	0.017	0.018
	Fees and Penalties	0.095	0.065	0.067	0.069	0.071	0.073
	Miscellaneous receipts	0.319	0.004	0.004	0.004	0.004	0.004
	Sale of Tender Forms		0.079	0.081	0.084	0.086	0.089
3	Other operating revenues						
	Transmission and Operating Charges	-					
	State Transmission Utility (STU) and Open Access Charges	5.527	5.607	5.775	5.948	6.126	6.310
	State Load Dispatch Centre (SLDC) Charges	0.455	0.414	0.426	0.439	0.452	0.466
	**Point of Connection Charges (Inter State Transmission System, ISTS) from Power Grid Corporation of India Limited, PGCIL	8.252	3.082	3.082	3.082	3.082	3.082

SL No	PARTICULARS	FY 2018-19 (Actual)	FY 2019-20 (Provisional)	FY 2020-21 (Estimated)	FY 2021-22 (Projected)	FY 2022-23 (Projected)	FY 2023-24 (Projected)
4	Total Other Income (MePTCL)	15.511	10.295	10.512	10.735	10.964	11.201
5	Apportionment of Other Income (from Holding Company)	7.085	6.043	6.224	6.411	6.603	6.801
6	Total Other Income (MePTCL+1/3rd MeECL)	22.595	16.338	16.736	17.145	17.567	18.002

** MePTCL had filed a petition before CERC through Letter No MePTCL/DT/T-1(Pt-I)/2017-18/5 dated 09/06/2017 for Determination of Tariff of The Inter-State Transmission Lines of Meghalaya FY 2014-19. The order on the same is still due from CERC. The licensee is pursuing the matter with CERC and requests the Commission to accept the ISTS charges of FY 2019-20 as the charges for the control period. Any adjustment on the same will be duly carried out by the licensee in the true up petition.

Since Amortization Expense is already adjusted in the Depreciation head to arrive at net depreciation, these charges have not been included again in the Other Income to avoid double accounting. MePTCL submits before the Commission to kindly approve the Other Income as computed above.

Commission's Analysis

The Licensee has assessed meagre other operating revenues receivables from open access consumers and ISTS POC charges. It is submitted that MePTCL has filed petition before CERC for determination of tariff of ISTS charges which is awaited.

The same shall be appropriated in the True up petition as fixed by CERC.

The amortization expense adjusted in the depreciation head shall be considered as receipt of other income utilised to meet operating expense to the extent of loss anticipated in the operation of business. This element however shall be treated in the true up process.

Licensee has submitted SLDC income at Rs.0.439 Crore, Rs.0.452 Crore and Rs.0.466 Crore vide SI.No 3 of Table No.25 of the petition for 3rd MYT control period FY 2021-22, FY 2022-23 and FY 2023-24 as against the projected SLDC expense at Rs. 1.40 Crore, Rs. 1.47 Crore and Rs. 1.54 Crore respectively.

The same amount of expense shall be shared by the user MePGCL as SLDC expense. Accordingly SLDC charges receivable as other income from the user (MePGCL) shall be considered at Rs. 1.40 Crore, Rs. 1.47 Crore and Rs. 1.54 Crore for 3rd MYT control period FY 2021-22, FY 2022-23 and FY 2023-24 respectively.

Table 5.49 : Approved Other Income

(Rs Cr.)

SL No	PARTICULARS	FY 2021-22 (Estimate)	FY 2022-23 (Estimated)	FY 2023-24 (Estimated)
1	Interest Income:			
	From Banks	0.949	0.977	1.006
	From Others	0.000	0.000	0.000
2	Other non-operating income:			
	Rental and Hiring Income	0.143	0.148	0.152
	Discount Received	0.017	0.017	0.018
	Fees and Penalties	0.069	0.071	0.073
	Miscellaneous receipts	0.004	0.004	0.004
	Sale of Tender Forms	0.084	0.086	0.089
3	Other operating revenues			
	Transmission and Operating Charges			
	State Transmission Utility (STU) and Open Access Charges	5.948	6.126	6.310
	State Load Dispatch Centre (SLDC) Charges from MePGCL	1.40	1.47	1.54
	**Point of Connection Charges (Inter State Transmission System, ISTS) from Power Grid Corporation of India Limited, PGCIL	3.082	3.082	3.082
4	Total Other Income (MePTCL)	11.696	11.981	12.274
5	Apportionment of Other Income (from Holding Company)	6.411	6.603	6.801
6	Total Other Income (MePTCL+1/3rd MeECL)	18.11	18.59	19.08

Commission considers the non tariff and other income at Rs.18.11 Crore, Rs.18.59 Crore and Rs.19.08 Crore for 3rd MYT Control period for FY 2021-22, FY 2022-23 and FY 2023-24 respectively.

5.17 ARR for the Control Period

Petitioner's Submission

Based on the detailed computation of ARR components, the abstract of ARR is shown in the table below. MePTCL submits before the Commission to kindly approve Net ARR of **184.06 Cr, 195.91 Cr, 209.62 Cr** for FY 2021-22, FY 2022-23 & FY 2023-24 respectively. The component-wise summary of ARR is given in table below:

Table 5.50 : Annual Transmission Charges Projected

(Rs. Cr)				
Sl. No.	Particulars	FY 2021-22 (Projected)	FY 2022-23 (Projected)	FY 2023-24 (Projected)
1	Return on Equity (RoE)	18.02	18.27	19.97
2	Interest and Other Finance Charges	14.01	14.83	14.77
3	Operation and Maintenance expenses			
	i) Employee Expenses	129.87	138.89	149.34
	ii) R&M Expenses	5.39	5.66	5.94
	iii) A&G Expenses	5.58	5.86	6.15
4	Interest on Working Capital	6.20	7.16	8.32
5	Depreciation as may be allowed	23.54	24.28	24.67
6	SLDC Charges	1.40	1.47	1.54
7	Prior Period Expenses			
8	Total Annual Expenditure	204.01	216.42	230.70
9	Less: SLDC ARR	2.80	2.94	3.09
10	Net Annual Expenditure	201.21	213.48	227.62
11	Less: Other Income	17.15	17.57	18.00
12	Net Annual Revenue Requirement	184.06	195.91	209.62

Commission's Analysis

Commission after prudence check of the petition with reference to the MSERC MYT Regulations 2014, taking into consideration of statement of accounts for FY 2018-19 certified by Statutory Auditors, un audited statement of accounts for FY 2019-20, Minutes of the Public hearing process, Advice of the State Advisory Committee, approved business plan for 3rd MYT control period and also the additional information/data filed on 03.02.2021 has considered ARR for FY 2021-22, FY 2022-23 and FY 2023-24 as depicted in the table below.

Table 5.51 : Approved ARR for the control period FY 2021-22 to FY 2023-24**(Rs.Cr)**

Sl. No.	Particulars	Filed by MePTCL			Approved by MSERC		
		FY 2021-22 (Projected)	FY 2022-23 (Projected)	FY 2023-24 (Projected)	FY 2021-22 (Estimated)	FY 2022-23 (Estimated)	FY 2023-24 (Estimated)
1	Return on Equity (RoE)	18.02	18.27	19.97	15.49	15.67	15.67
2	Interest and Other Finance Charges	14.01	14.83	14.77	5.25	5.56	5.15
3	Operation and Maintenance expenses incl. of MeECL Cost	140.84	150.41	161.43	52.82	56.36	60.04
4	Interest on Working Capital	6.20	7.16	8.32	2.67	2.98	3.28
5	Depreciation as may be allowed	23.54	24.28	24.67	21.15	24.66	28.86
6	SLDC Charges	1.40	1.47	1.54	1.40	1.47	1.54
7	Prior Period Expenses						
8	Total Annual Expenditure	204.01	216.42	230.70	98.78	106.70	114.54
9	Less: SLDC ARR	2.80	2.94	3.09	2.80	2.94	3.08
10	Net Annual Expenditure	201.21	213.48	227.62	95.98	103.76	111.46
11	Less: Other Income	17.15	17.57	18.00	18.11	18.59	19.08
12	Net Annual Revenue Requirement	184.06	195.91	209.62	77.87	85.17	92.38
13	Less: Surplus of Revenue in the True up for FY 2017-18				27.63		
14	Net ARR	-	-	-	50.24	85.17	92.38

Commission Approves ARR for 3rd MYT Control Period at Rs.50.24 Crore, Rs.85.17 Crore and Rs.92.38 Crore for FY 2021-22, FY 2022-23 and FY 2023-24 respectively.

6. Transmission Tariff and Open Access Charges

6.1 Computation of Transmission and Open Access Charges:

Table 6. 1 : Determination of Transmission Tariff for FY 2021-22

Sl.No	Particulars	Transmission ARR Projected	Approved by Commission
1	MePTCL ARR (Rs.Cr.)	156.43	50.24
2	Average Load in (MW)	393.18	393.18
3	Units to be Handled (MU)	1422.69*	1470.79
4	Transmission Tariff (1/3)	0.68/kwh	0.34/kwh
5	Open Access Charges(1/2/365)		Rs.3501/MW per day

**The Energy Transfer Values for FY 2021-22 refers to sale of power by MePDCL within the state and has been taken from the Approved Business Plan for FY 2021-22 (Table 3.28)*

Commission considers the Transmission Tariff at Rs. 0.34/Kwh for FY 2021-22 and the open access charges shall be billed at Rs. 3501/MW/per day.

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

7. Directives

1. Filing of Tariff Petition for FY 2020-21

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

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

Status:

The Regulatory accounts audited by C&AG for FY 2019-20 for True up of business shall be submitted when the same is available.

Commission's View:

Delay in filing of the True up petitions causing delay in recovery of charges attributing to levy/claim of interest on the borrowed money.

The Licensee shall expedite filing of petitions as per the due dates.

2. Regulatory Accounts

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

Status:

MePTCL shall comply with the above directive.

Commission's View:

Noted.

3. Audited Accounts

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

Status:

C&AG has submitted the certificate of statement of accounts for the FY 2017-18. The Annual Accounts of the Corporation for the FY 2018-19 is under statutory Audit. It

may be mentioned that due to the outbreak of COVID-19 pandemic, Statutory Auditor of MePTCL for the FY 2018-19 (M/S Hari Singh & Associates, CA, Guwahati) could not reach this office for closure of the ongoing audit.(Copy of CAOs letter attached). It may also be mentioned here that on receipt of Statutory Audit report, Principal & Accountant General shall be informed for commencement of supplementary CAG Audit.

Commission's View:

Delay in filing of the True up petitions causing delay in recovery of charges attributing to levy/claim of interest on the borrowed money.

The Licensee shall expedite filing of petitions as per the due dates.

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

Status:

All the accounting records and date till FY 2017-18 are maintained separately for SLDC under MePTCL and presentation of Accounts for SLDC and Consolidation of the same with MePTCL is assured to be taken up at the earliest.

Commission's View:

Noted.

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

Status:

Irrespective of location, the accounting treatment in terms of Fixed Assets pertaining to depreciation etc., are being carried out as per the prescribed rate of Central Electricity Regulatory Commission. Valuation of assets transferred from MSEB to MeECL and subsequent transfer to MePTCL from MeECL at time of restructuring (effecting on 01.04.2012), had been done on the basis of book value of various such assets maintained centrally at the Head Office Compilation Section. The Government of Meghalaya has also agreed the same and accordingly published in the Notification which complies with clause 132(2) of Electricity Act 2003. Assets owned or acquired by erstwhile MSEB have been recorded separately on the basis of nature of utility i.e.

Generation, Transmission and Distribution of power and depreciation at the prescribed rate of CERC have been accounted and reflected in the books of MeSEB and MeECL accordingly. On restructuring into MeECL and its subsidiaries viz. MePGCL, MePTCL and MePDCL, depreciation has been charged simultaneously in the respective books of three entities. The depreciation has been charged on straight line basis and procurement of new assets is recorded separately so as to ascertain that in any case, no depreciation is being charged on and above 90% of its actual cost. However, in the Books of Accounts, only the Net Assets (Gross Block-Depreciation) as on the date, is reflected. As the records pertaining to Asset are maintained in a systematic order as explained above and Actual Accounts of the Corporation is being audited by Statutory Auditor as well as Supplementary audit by CAG hence audited figures are reflected in the Annual Accounts and as such no separate audit on Asset Records has so far been conducted.

Commission's View:

Noted.

6. Open Access Procedure:

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

While allowing open access, the STU shall ensure that the availability / capacity of the line on which open access shall take place is sufficient. In no case it should hinder the power flow to the distribution licensee. It is further directed that STU, while computing the spare capacity in the Transmission lines, shall include the evacuation of power from new central generating stations that are being allocated to Meghalaya in the ensuing Tariff period. Any failure of the grid on account of over utilization of the present capacity by Open Access consumers shall be investigated and suitable action shall be taken to plug the Revenue loss.

Status:

The spare capacity of the local transmission lines is always evaluated while granting open access clearance to consumers. The sufficient availability/capacity of the lines

in which open access takes place have always been considered while allowing open access. Consideration and care were taken so as not to hinder power flow to the Distribution licensee. The evacuation of power from Central generating stations to Meghalaya has been considered while determining the spare capacity of the lines. The utilisation of power by the open access consumers including distribution licensee (but not at the cost of the distribution licensee) is always monitored so as not to put at risk the security and reliability of the grid and to prevent grid failure.

MSERC's Regulation are adhered to strictly while recovering charges from OA consumers. However, additional charges relating to imbalance and Reactive Energy charges as applicable have not been fixed in the Transmission Tariff Order of the commission, although this is a requirement according to clause 12(3) Table-2 Sl.No.1&2 of the Terms and conditions of Open Access Regulations, 2012.

Commission's View:

Noted.

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

Status:

SLDC is always ensuring compliance of the principles of Grid code, CERC Regulations while allowing Open Access. The Open Access charges (including DSM) allowed by MSERC have been strictly followed and apply to all to state entities. However, there are some clauses of the MSERC's State Grid code, Terms and conditions of open Access Regulations 2012, Deviation Settlement -Mechanism and Related Matters Regulation 2018 which need to be reviewed/amended, since similar CERC clauses are more stringent, the consequences of which only the MeECL/MePDCL/MePTCL have to bear penalty/measures at the inter-state level on behalf of all intra-state entities including open access consumers.

Commissions' View:

Noted.

8. MePTCL has proposed transmission losses at 4%. Accordingly Commission adopted. In no case the transmission losses shall be allowed in excess of 4%. The Licensee shall

ensure the network availability at 98% without any interruptions for the contracted capacity with the distribution Licensee. The losses are to be examined voltage wise by conducting energy audit.

Status:

The losses are being examined voltage wise via means of Boundary Metering between the Generation and the distribution at all 220KV,132 Kv and power stations. Monthly Energy reading of all Grid substations of MePTCL are collected from the respective Resident Engineers for loss calculation.

Commission's View:

Noted.

9. Fresh Directives

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

Status:

The data on grants and contributions shall be made available during the course of project execution.

Commission's View:

The Data on Grants and Contributions shall be made available along with the True up petitions for FY 2018-19 to FY 2020-21.

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

Status:

Installation of smart meters at every boundary point of Intra state EHT levels is currently being initiated for implementation through settlement, Accounting,

Metering and Settlement of Transformation in Electricity (SAMAST) under PSDF funding. Tender for the project (invited on behalf of NER states by NERPC shilling) is completed.

Commission's View:

Action Shall be Accelerated.

11. Transmission system availability

Transmission system availability is stated to be 98% without adequate data. Commission accepted the proposal. To assess the system availability MePTCL should maintain record of performance of each transmission line voltage wise by showing details of interruptions, break downs with duration. Based on monthly reports maintained, system availability should be arrived and shown in the next tariff petition for accepting the system availability.

Status:

Transmission system availability has been maintained at 98%. Monthly reports are submitted from the field offices and monthly system availability report for the month of May 2020 is hereby enclosed along with a sample of details of interruptions, breakdowns with duration report of a 132/33KV substation for the month of July 2020.

Commission's View:

Noted.

New Directives

- 12.** The useful life of the Transmission lines is 35 years from the date of commissioning. The Fixed assets of the STU are in use for more than 35 years of its life for which the MePTCL is claiming Depreciation and Return on Equity. The Licensee shall ensure withdrawal from Gross fixed assets block whose life term has been completed. Licensee shall ensure reduction in the claim of depreciation and ROE for the assets completed lifetime for determination of tariff henceforth, so that the cost and tariff can be reduced.
- MePTCL shall file the data as pointed out for commission's review by 30th June 2021.

- 13.** The O&M expenses for Transmission utility shall be determined based on the Network quantity and data as notified under Regulation 69.3.

The Network data filed with the petition for ARR of 3rd MYT control period and additional information/data filed on 03.02.2021 is contradicting/not matching each other by which the commission constrained to formulate a norm for computation of admissible O&M expense for Tariffs for FY 2021-22 as per the Regulations.

MePTCL shall file Actual Transmission Network data for fixing of O&M norms as called for on 04.01.2021 by 30th June 2021.

Annexure-I

RECORD NOTE OF THE STATE ADVISORY COMMITTEE MEETING HELD ON 22.03. 2021

at Pine Wood Hotel, SHILLONG .

Time: 13:00 Hours

Members Present in the Meeting

- 1 Shri. P W Ingty, IAS (Retd.),**
Chairman Meghalaya State Electricity Regulatory Commission Shillong.
- 2 Shri. Roland Keishing,**
Member(Law) Meghalaya State Electricity Regulatory Commission Shillong.
- 3 Principal Secretary/ Commissioner and Secretary Food,**
Civil Supplies and Consumer Affairs, Government of Meghalaya.
- 4 Shri. Shyam Sunder Agarwal,**
CMD(Pioneer Carbide Pvt. Ltd.), Byrnihat, Ri-Bhoi District, Meghalaya.
- 5 J.B Poon**
Chairman/Former Chairman, The Institution of Engineers(India), Meghalaya
- 6 Shri. Eswoll Slong,**
Secretary MSERC, Convenor

Minutes

- (1) Chairman MSERC has welcomed the Honorable members of State Advisory Committee**
- (2) Director MePDCL, has made Power point Presentation of the Tariff petition filed by MePDCL.**
- (3) Principal Secretary/ Commissioner and Secretary Food Civil Supplies and Consumer Affairs, Government of Meghalaya has addressed the Meeting.**

The Member stated that the State of Meghalaya has been experiencing unprecedented power cuts. The member opined the distribution company in consultation with the Govt. jointly address the present crisis of power interruptions.

The people of the state expect good services from the Distribution company while justifying a marginal increase in the Tariffs and extend the support for improvement of the performance by the Discom in a Win-Win corporation.

(4) Shri. Shyam Sunder Agarwal, CMD(Pioneer Carbide Pvt. Ltd.), Byrnihat, Ri-Bhoi District, Meghalaya.

The Member suggested that MeECL shall provide the T&D loss data for the Previous year mandatorily along with the petition for fixation of ARR for FY 2021-22.

It is suggested that ABT meters should be provided mandatorily at 132 KV and 33 KV voltage level to monitor the Transmission losses to the individual feeders at injection and consumers end.

The member also suggested, MePDCL shall file month wise sale of surplus power outside the state with details of buyer. It is pointed out during FY 2019-20 was shown for 554.26 MU surplus power sold at Rs.1.66 Ps/kwh. Table 34 of the petition for FY 2021-22 reveals 286.18 MU surplus power sold against swapping agreement (FY note 23). The above sale as compared to IEX average rate of Rs.2.98 per unit during the FY 2019-20.

The Member further pointed out that Total power sold to HT and EHT consumers within the state was 544 MU inclusive of 379.94 MU sold to Ferro Alloy consumers which is 69.79% during the FY 2019-20.

It is suggested to incentive vise the Ferro Alloy consumers to increase their consumption to reduce the sale of power out side the sate at the rate of Rs.1.66 ps per unit only.

The Surplus power can be offered to HT:EHT level industries at a discounted rate of 30 to 40% which provides utlity better revenue realization and reduces T&D losses.

There was a confesses on this proposal during the public hearing on 18.3.2021.

The Utility may be advice to file voltage wise Network data and T&D losses.

(5) J.B Poon Chairman/Former Chairman, The Institution of Engineers(India), Meghalaya

The Member has suggested that MePDCL shall expedite audited accounts for the previous years which enables to claim Revenue gap in the ARR's and Tariff petitions.

(6) Shri. Roland Keishing, Member (Law) Meghalaya State Electricity Regulatory Commission Shillong.

The Member deliberated that all the suggestions and advices proposed by the Members/participants will be shared in the Tariff Orders. The Member also welcomed the corporation and good advices suggested for best welfare of the licensee and consumers at large.

The Chairman MSERC has conveyed thanks to the members/participants for their views and suggestions in the State Advisory committee meeting.

Secretary MSERC has invited members and participants for the lunch hosted by MSERC.

Sd/-
Secretary
MSERC

Annexure-II

**List of Participants in the Public Hearing on Transmission Petition for FY 2021-22 filed by
MePTCL**

Date: 17.03.2021 | Venue: MSERC Conference Hall | Time: 13:00Hours

Present :

1. Mr. P. W, Ingty, IAS (Retd), Chairman, MSERC.
2. Mr. R. Keishing, Member(Law) MSERC.
3. Mr. E. Slong, Secretary, MSERC.

MeECL/MePTCL

1. Shri. A.Kharpran,Chief Engineer,MePTCL
2. Shri.G.S.Mukherjee, Company Secretary, MePTCL
3. Smti.P.Sun,Superintending Engineer,MePTCL
4. Shri.B.Saibon,Superintending Engineer,SLDC
5. Shri.R.Marbaniang,AAO,Compilation
6. Shri.B.N.Marak,AEE
7. Smti. I.Pyngrope,AAO Commercial
8. Shri. Avijit.M.Tripathi,Advocate,MeECL
9. Shri. A.Battacharjee,Assistant Techno-Legal
10. Shri.Sunny Kr. Singh,Techno-Commercial Assistant.
11. Shri. G.A.Dkhar,LawOfficer,MeECL

Byrnihat Industries Association (BIA)

1. Smti. Meera Agarwal, Director Pioneer Carbide
2. Shri. Shyam Sunder Agarwal,Secretary BIA
3. Shri. Mohit Goyal,BIA
4. Shri. S. Asati,Consultant BIA
5. Shri. Abhijeet Srivastav, Executive R.A

Others

1. Shri. Fernando Dkhar, Advocate
2. Shri. Thrumen M. Sangma, General Secretary MeECL Pensioner Association
3. Shri. P.K. Shullet, President JAC, MEA
4. Shri. A Dkhar, Secretary Dorbar Shnong Lumawbah
5. Shri. E. Lyngdoh, Pensioners Association
6. Shri. O.L. Warjri, Pensioners Association
7. Shri. A.M. Kyndiah, Pensioners Association
8. Shri. C.W. Pariat, Member MEA
9. Shri. P. Marwein, Member MEA