

**MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION  
SHILLONG**

**CASE NO. 20/2021**

In the matter of True-up of Distribution Business for FY 2018-19 of  
2<sup>nd</sup> MYT Control Period FY 2018-19 to FY 2020-21.

**AND**

Meghalaya Power Distribution Corporation Limited (the Petitioner)

**Coram**

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

Shri Roland Keishing, Member (Law)

**ORDER**

(Dated:22.02. 2022)

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

Commission in exercise of functions vested vide Regulation 16 of MSERC Multi Year Tariff Regulations 2014 had approved Aggregate Revenue Requirement (ARR) and Distribution Tariff for FY 2018-19 of 2<sup>nd</sup> MYT control period of FY 2018-19 to FY 2020-21 in its order dated 31.03.2018.

The Regulation-11 of MYT Regulation 2014 dt.15.09.2014 stipulates that the Commission shall under take true-up of the previous year's expenses and revenue approved with reference to Audited Statement of Accounts made available subject to prudence check including pass through of impact of uncontrollable factors if any.

The Commission has amended the Regulation-11 of MYT Regulations, 2014 as below vide MSERC (Multi Year Tariff) (1st Amendment) Regulations, 2021.

Regulation 11.3 shall be substituted by the following:

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

In compliance, MePDCL has filed petition for True-Up of Business for the FY 2018-19 on 20.09.2021.

Commission taking into consideration of all the facts, additional information/data and after prudence check of the claims as per the MYT Regulations, approves true up order for FY 2018-19 in the detailed analysis attached to this order.

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

**Sd/-**  
**Shri. Roland Keishing**  
**(Member)**

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

## 1. Truing Up for FY 2018-19 Petitioner's Submission

### 1.1 Background

MePDCL has submitted that while approving the ARR for FY 2018-19 in the MYT control period FY 2018-19 to FY 2020-21, and further in the review order on the same, the Commission had considered the pre-audited Statement of Accounts of FY 2016-17 and Audited Statement of Accounts of FY 2015-16. Now, since the audited Statement of Accounts for FY 2018-19 for MePDCL and MeECL are available, and as such, MePDCL is claiming the truing up of ARR of FY 2018-19 based on the actual figures as per the audited accounts statement with necessary justifications as required. Copy of the Audited Statement of Accounts and Statutory Audit Report of MePDCL and MeECL for FY 2018-19 are appended as Annexure-A and Annexure B respectively.

### 1.2 Availability of Energy:

The power availability in the state of Meghalaya is primarily from three key sources- (a) from the generating stations of MePGCL, (b) from the allocated share of central power sector generating companies like NEEPCO, NHPC and NTPC etc. and (c) from short term power purchase from IEX/bilateral trade and banking etc. The comparison of actual source wise energy availability and the approved energy availability in FY 2018-19, is provided in the table below:

**Table 1 : Energy Available to MePDCL from various sources in FY 2018-19**

(in MU's)

S.No.	Source	Approved availability	Actual availability
<b>A</b>	<b>MePGCL</b>	1164.55	971.36
<b>B</b>	<b>Outside purchase</b>		
1	NTPC	976.15	0.00
2	NHPC Loktak HEP	-	
3	NEEPCO	601.32	544.24
4	OTPC Pallatana GPP	436.79	489.53
<b>C</b>	<b>Short Term (Bilateral/ Banking/ UI etc.)</b>		
	<b>I. At NER periphery</b>		
1	Mittal Processors Pvt. Ltd. (MPPL) - Swapping		111.95
2	APPCL(Swap)		269.59
3	NTPC Vidyut Vyapar Nigan Ltd. (NVVN)		0.49
4	Deviation Inter		6.62
	<b>II. Within the State periphery</b>		
1	Meghalaya Power Ltd. (MPL) – Banking		11.75
2	Dalmia Cement (Bharat) Ltd (Swapping)		15.46
3	Deviation Intra		4.55
<b>D</b>	<b>Total Availability</b>	<b>3178.81</b>	<b>2425.54</b>

It may be observed from the above table that the actual power availability from MePGCL and NEEPCO was less than the approved quantum, Power availability from OTPC Pallatana GPP is more than approved figure. However, most of the long term generating sources for the Discom are hydro in nature and as a result, MePDCL had to resort to short term power purchase on bilateral basis/banking/day ahead market etc. to meet the demand in lean seasons. Also, power regulation from NTPC resulted in lower availability of power from the allocated sources.

Further, MePDCL would like to submit that under short term sources, MePDCL purchased most of the power under swapping arrangements during the lean season to meet the deficit by swapping power from the surplus monsoon season.

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

The Quantum of Energy available from MePGCL and other sources is found to be varying with the audited accounts disclosed vide note no.21.3.1 & 21.4.1. The difference of 31.76 MU being procured under banking, swapping and intrastate deviation sources during the FY 2018-19.

The Licensee shall invariably submit source wise energy account of banking, swapping etc., duly reconciled from the vendors along with every True up petition.

### 1.3 Energy Sales:

#### Petitioner's Submission

#### 1.3.1 Energy sold to the consumers of MePDCL.

The comparison of actual category wise energy sold to consumers and the approved sales by the Commission is shown in the table below:

**Table 2 : Comparison of Energy Sales to inside consumers in FY 2018-19**

(in MU's)

Sl. No.	Consumer Category	Approved in Tariff Order	MePDCL Actual
	<b>LT Category</b>		
1	Domestic (DLT) (Including MeECL Establishments)	407.12	392.48
2	Commercial (CLT)	64.58	66.46
3	Industrial (ILT)	5.06	9.44
4	Agriculture (AP)	0.10	0.13
5	Public Lighting (PL)	1.02	0.20
6	Water Supply (WSLT)	12.15	11.45
7	General Purpose	25.48	20.79
8	BPL	28.95	24.77
9	Crematorium	0.21	0.20
	<b>HT Category</b>		
1	Industrial (HT)	141.65	198.19
2	Water Supply (WS HT)	24.07	29.36
3	Domestic (DHT)	20.57	25.41
4	Commercial (CHT)	28.52	26.84
5	Bulk Supply (HT) including ASEB	82.50	73.63
	<b>EHT Category</b>		
1	Industrial (EHT)	173.64	225.69
	<b>Total</b>	<b>1015.62</b>	<b>1105.04</b>

It is submitted that:

1. Disclosure of quantum 392.48 MU against Domestic in Note 18.1 of SOA 2018-19 of MePDCL is only against LT category only. Due to over sight the consumption of Domestic HT (DHT) consumers of 25.41 was not included. This can be easily compared with last year where consumption against Domestic was 427.90 MU.
2. Disclosure of quantum 66.46 MU against Commercial in Note 18.1 of SOA 2018-19 of MePDCL is only against LT category only. Due to over sight the consumption of Commercial HT (CHT) consumers of 26.84 MU was not included. This can be easily compared with last year where consumption against Commercial was 95.37 MU.
3. BPL above is same as Kutir Jyoti disclosed in SOA.

4. Due to typo error, the Consumption for Industrial High and Extra High voltage is shown as 476.14 in SOA instead of 423.88 MU.
5. Consumption of BS above is equal to BS in the SOA + Sale to ASEB. Due to typo error, the consumption for ASEB in 18.1 of SOA should be 0.47 MU instead of 0.44MU same as that in Note 18.3.1 of SOA.

The overall actual sales in FY 2018-19 are more than the approved sales by about 90 MUs.

### Commission's Analysis

The licensee has reported category wise sales for FY 2018-19 which amounted to 1105.01 MU vide note no.18.1 of SOA as against actual sales after considering the explanation given in the petition, the energy sales would be 1105.04 MU with a change across the categories as depicted in the table below:

**Table 3 : Comparison of Energy Sales to inside consumers in FY 2018-19**

(in MU's)

Sl. No.	Consumer Category	MePDCL Actual as per Petition	Considered for True up FY 2018-19
	<b>LT Category</b>		
1	Domestic (DLT) (Including MeECL Establishments) + HT Domestic	392.48	392.48+25.41 = 417.89*
2	Commercial (CLT)	66.46	66.46
3	Industrial (ILT)	9.44	9.43
4	Agriculture (AP)	0.13	0.13
5	Public Lighting (PL)	0.20	0.20
6	Water Supply (WSLT)	11.45	11.45+29.36 = 40.81*
7	General Purpose	20.79	20.79
8	BPL (Kutir Jyoti)	24.77	24.77
9	Crematorium	0.20	0.20
	<b>HT Category</b>		
1	Industrial (HT)+EHT	198.19	198.19+225.69 = 423.88*
2	Water Supply (WS HT)	29.36	-
3	Domestic (DHT)	25.41	-
4	Commercial (CHT)	-	26.84*
5	Bulk Supply (HT) including ASEB	73.63	73.16+0.47 = 73.63*
	<b>EHT Category</b>		
1	Industrial (EHT)	225.69	-
	<b>Total</b>	<b>1105.04</b>	<b>1105.04</b>

**Commission approves the Energy Sales as depicted in the above table for True up of FY 2018-19.**

### 1.3.2 Energy sale to other Customers/ Utilities both outside and Inside the State.

#### Petitioner's Submission:

**Table 4 : Short Term (Bilateral/ Banking/ UI etc.) Energy Sales in FY 2018-19**

(in MU's)

Sl. No.	Name of Utilities	Quantum MU
<b>A</b>	At NER periphery	
	<b>I. Swapping</b>	
1	Mittal Processors Pvt. Ltd. (MPPL)	65.27
2	APPCL	181.46
3	NTPC Vidyut Vyapar Nigan Ltd. (NVVN)	0.48
	<b>II. Exchange</b>	
1	Mittal Processors Pvt. Ltd. (MPPL)	298.29
	<b>III. DSM</b>	
1	Inter State DSM	68.82
	<b>IV. Non-solar (RE) power</b>	
1	Mittal Processors Pvt. Ltd. (MPPL)	11.37
2	APPCL	7.63
<b>B</b>	Within the State periphery	
	<b>I. Swapping</b>	
1	Meghalaya Power Ltd. (MPL)	21.36
2	Dalmia Cement (Bharat) Ltd	7.72
	<b>II. DSM</b>	
1	Intra State DSM	0.00
	<b>Total</b>	<b>662.40</b>

It is also submitted that Note 18.3.1 of SOA (Statement of Accounts) of MePDCL discloses the Power sold Outside the State i.e at NER periphery, which is reproduced below:-

Particulars	Quantum MU
Swapping	247.29
DSM	68.82
Exchange	298.29
Non-solar	18.94
Assam State Electricity Board (ASEB)	0.47
<b>Total</b>	<b>633.73</b>

MePDCL has not made any disclosure with regard to the power sold to other customers/ utilities within the State which are not the consumers of MePDCL as indicated below:

<b>Swapping with captive power plant</b>	<b>In MU's</b>
Meghalaya Power Limited (MPL), Lumshnong	21.36
Dalmia Cement (Bharat) Limited, Thangskai	7.72
<b>Sub Total</b>	<b>29.08</b>
Deviation Settlement Mechanism (DSM)	
Intra DSM	Nil
<b>Total 1 + 2</b>	<b>29.08</b>

As the above power relates to swapping within the State periphery, no open access charges payment and/ or trading margin involves and therefore at no expense and at no revenue.

MePDCL requested that this power of 29.08 MU sold be considered.

### **Commission's Analysis**

Licensee has submitted surplus energy sales to other customers/utilities both outside and inside the state vide table no.03 of the petition at 662.40 MU, which includes swapping of 29.08 MU within the state periphery and the remaining surplus energy at 633.73 MU was sold as per the breakup given in the petition. The licensee shall submit the source wise banking/swapping account along with the every True up petition for commission's scrutiny.

The projection of surplus energy sales results in 0.47 MU to ASEB accounted for twice, once in total sales of 1105.04 MU and in the sale of surplus energy breakup vide table no.03 of the petition.

**The variation is considered in the Energy balance table.**



## 1.4 T&D losses

### Petitioner's Submission

The Commission provided a target of 16.56% for overall T&D losses in FY 2018-19 and accordingly worked out the availability of the power and energy to be sold during the year. The figure of 16.56% is inclusive of the intra state transmission losses in the network of MePTCL and the sub- transmission and distribution losses in the network of MePDCL.

However, the actual T&D losses in FY 2018-19 is shown in the table below:

**Table 5 : Computation of T&D Losses for FY 2018-19**

Sr. No.	Particulars	Calculation	Amount
1	Power purchased from the Eastern Region (ER)	A	0
2	Inter-state transmission loss for ER	B	1.80%
3	Net power purchased from the ER	$C=A*(1-B)$	0
4	Power purchased from the North -Eastern Region(NER)	D	1,033.77
5	Inter-state transmission loss for NER	E	3.00%
6	Net power available at state bus from external sources on long term	$F=(C+D)*(1-E)$	1,002.76
7	Power purchased from generating stations within the state	G	971.36
8	Power purchased from other sources	H	420.42
9	Power sold to other states (including swapping/UI/bilateral)	I	662.39
10	Net power available at state bus for sale of power within the state	$J=F+G+H-I$	1,732.15
11	Power sold to consumers within the state	K	1,105.04
12	Transmission & Distribution Losses	$L=J-K$	627.11
13	Transmission & Distribution Losses (%)	$M=L/J$	36.20%

MePDCL submits before the Commission to kindly allow the actual T&D losses of 36.20% since the losses have increased on account of increased supply to rural areas and small LT domestic and Kutir Jyoti consumers and increase of LT:HT ratio. The HT sales are reducing on account of open access and the LT sales are increasing on account of rural electrification schemes and increased supply. The Utility is striving hard to improve the distribution infrastructure to deliver 24\*7 reliable power supply to all its consumers and at the same time down its losses through efficiency measures, which will lead to financial improvement of the licensee.

MePDCL requested the Commission to reconsider the T&D losses and approve the actual T&D losses as shown above.

### Commission's Analysis

Commission had approved T&D losses for FY 2018-19 at 16.56 % in the Tariff Order dated 31.03.2018 keeping in view of the fact that the utility had entered into a tripartite MOU for implementation of UDAY Scheme according to which the utility would be entitled to a debt servicing relief by transferring 75% outstanding loans to the state govt. account.

Whereas the performance of the utility is further grounded with the increased T&D losses at 36.20 % during the FY 2018-19.

**Table 6 : Computation of Energy Balance for True up of FY 2018-19**

Sl. No.	Particulars	Calculation	MU
1	Power purchased from the Eastern Region (ER)	A	0
2	Inter-state transmission loss for ER	B	1.80%
3	Net power purchased from the ER	$C=A*(1-B)$	0
4	Power purchased from the North -Eastern Region(NER)	D	1,033.77
5	Inter-state transmission loss for NER	E	3.00%
6	Net power available at state bus from external sources on long term	$F=(C+D)*(1-E)$	1,002.76
7	Power purchased from generating stations within the state	G	971.36
8	Power purchased from other sources	H	420.42
9	Total Energy Available in the State periphery for sale	$I=F+G+H$	2394.54
11	Net Energy Available for sale by Discom	K	<b>2394.54</b>
12	Power sold to consumers	L	1,105.04
13	Approved Energy Sales within the state (1105.03-0.47(ASEB))	M	1104.56
14	Transmission & Distribution Losses (%)	N	36.20%
15	T&D Losses in terms of MU	O	626.73
16	Energy Requirement for sale by Discom within state	$P=M+O$	1731.29
17	Surplus Energy	$Q=K-P$	663.25
18	Grossed Up at 4%	$R=Q/0.96$	690.88
19	Power sold to outside (including swapping/UI/bilateral)	S	633.73
20	Balance Energy to be accounted (Sl.no.18-19)	T	57.15

Commission Considers Energy balance as computed above and balance surplus energy of 57.15 MU shall be accounted for.

The balance surplus energy cost amounts to Rs.19.55 Crore at Rs.3.42/kwh weighted average power purchase cost for FY 2018-19 shall be recovered from the Net ARR for True up of FY 2018-19.

## 1.5 Determination of Components of Annual Revenue Requirement (ARR) FY 2018-19

### 1.5.1 Power Purchase Cost

#### Petitioner's Submission

MePDCL had procured power from Central generating stations, from generating stations of MePGCL as well as from other sources like exchange/swapping etc. All the State Generating stations being hydro are seasonal in nature and the annual generation depends on the rainfall for the year. MePDCL had to resort to short term power purchase on bilateral basis/banking/day ahead market etc. to meet the demand in lean seasons. In addition to this, there are power regulation on discom by NTPC.

A comparison of source wise power purchase cost as per the actuals and approved Power Purchase Cost as per the Tariff Order for FY 2018-19 is shown in the following table.

**Table 7 : Source wise Power Purchase Cost for FY 2018-19**

Station	MSERC Approved			MePDCL Actuals		
	Energy (MU)	Total Cost (Rs Cr)	Unit cost/kWh	Energy (MU)	Total Cost (Rs Cr)	Unit cost/kWh
<b>NTPC</b>						
Farakka	48.73	18.82	3.86	0.00	0.06	
Kahalgaon I	50.45	19.49	3.86	0.00	0.01	
Khalgaon II	251.12	96.99	3.86	0.00	0.04	
Talcher	67.85	26.21	3.86	0.00	0.05	
Bongaigoan	558.00	236.59	4.24	0.00	158.25	
<b>OTPC</b>						
OTPC Pallatana	436.79	134.01	3.07	489.53	160.58	3.28
<b>NEEPCO</b>						
Kopili Stage-I	82.23	11.83	1.44	96.77	15.02	1.55
Kopili Stage-II	8.48	1.55	1.83	6.71	1.25	1.86
Khandong HEP	17.53	4.16	2.37	19.06	4.70	2.47
Ranganadi HEP	131.25	33.56	2.56	109.27	32.13	2.94
Doyang HEP	23.65	13.67	5.78	23.75	13.50	5.68
AGBPP	187.65	61.20	3.26	119.06	59.96	5.04
AGTPP	69.00	26.50	3.84		0.00	
AGTPP C-Cycle	50.00	18.56	3.71	51.28	25.31	4.94
Pare HEP	31.53	11.37	3.61	40.84	20.46	5.01
NEEPCO Surcharge					47.02	
Free Power	0.00	0.00	-	77.52		
<b>NHPC</b>						
NHPC Loktak	-	-	-	0.00	2.00	
<b>MePGCL</b>						
Umiam Stage-I HEP	100.46	4.47	0.45	84.15	4.08	0.49
Umiam State-II HEP	50.23	2.82	0.56	43.05	2.55	0.59
Umiam State-III HEP	105.12	7.82	0.74	132.91	7.71	0.58
Umiam State-IV HEP	191.17	7.55	0.40	165.49	7.10	0.43

Station	MSERC Approved			MePDCL Actuals		
	Energy (MU)	Total Cost (Rs Cr)	Unit cost/kWh	Energy (MU)	Total Cost (Rs Cr)	Unit cost/kWh
Umtru HEP	0.00	1.79	-	-0.06	0.90	
MyntduLeshka HEP	410.22	234.21	5.71	360.31	226.88	6.30
New Umtru	219.00	29.13	1.33	178.36	26.44	1.48
Sonapani	5.85	0.21	0.36	7.07	0.23	0.33
Ganol	76.65	14.56	1.99			
Lakroh	5.85	0.35	0.60	0.08	0.02	2.50
<b>Short Term</b>	0.00	0.00	0.00			
Mittal Processors Pvt. Ltd.(MPPL) - Swapping				111.95	1.68	0.15
Mittal Processors Pvt. Ltd.(MPPL) – Solar REC					0.17	
Meghalaya Power Ltd.(MPL) - Banking				11.75	0.00	
APPCL(Swap)				269.59	4.26	0.16
NVVN				0.49	0.01	0.15
Adhunik Cement Ltd (Swapping)				15.46	0.00	
Deviation Inter				6.62	3.80	5.74
Deviation Intra				4.55	-1.39	
POSOCO					1.14	
VAR Charges					-0.41	
<b>Total</b>	<b>3178.81</b>	<b>1017.42</b>	<b>3.20</b>	<b>2425.56</b>	<b>825.51</b>	<b>3.40</b>

Details of Power Purchase invoices for FY 2018-19 have been attached as **Annexure D**. The actual average rate during FY 2018-19 was Rs. 3.33 per unit, whereas the approved average rate was Rs. 3.20per unit.

Credit Amount of Rs. 10.18 Cr against RRAS is also included in power purchase cost of Rs 158.25 Cr against Bongaigaon power station. However, in the SOA, this amount is not considered in the power purchase cost but considered as revenue (Note 18 of SOA).

The power purchase surcharge was an uncontrollable element for the licensee. Since the Power Purchase Costs is legitimate and uncontrollable in nature, the Hon'ble Commission is requested to kindly approve the Power Purchase Cost as shown above while truing-up.

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

The Scrutiny of power purchase invoices submitted by the petitioner revealed certain omissions and deficiencies for which commission has called for the additional information/data vide its letter dated 12.10.2021 and 26.10.2021 and 26.11.2021.

The licensee has submitted additional information/data called for, in the communication on 25.10.2021, 09.11.2021, 25.11.2021 and 30.11.2021.

After prudence check of the power purchase bills with reference to the source wise

invoices, commission has considered source wise power purchase cost as detailed below.

**NEEPCO:**

The licensee has claimed power purchase cost at Rs.219.35 Crore which includes Rs.11.46 Crore supplementary bills. The claim also includes Rs.47.02 Crore towards surcharge bills and credit bills for Rs. (-) 0.002 Crore for True up of FY 2018-19.

The licensee was asked to submit the missing invoices and the details of the deferred tax liabilities and effective tax rate, as also details of the adjustment proposed towards surcharge for the FY 2013-14 and FY 2014-15 projected in the power purchase claim.

MePDCL has submitted the additional information/data vide their letter dated 25.10.2021 along with missing invoices.

- The Surcharge claim projected for Rs.47.02 Crore for FY 2018-19 shall not be considered for determination of Tariff.
- The Licensee has projected adjustment of rebate for FY 2014-15 for **Rs.0.85 Crore**.
- Adjustment of surcharge for FY 2013-14 for **Rs.32.76 Crore**.
- Adjustment of Revised Surcharge for 01.04.2012 to 31.03.2018 for **Rs.32.15 Crore**.

A total of **Rs.65.76 Crore** towards refund of surcharge from NEEPCO considered as other income for which the licensee has submitted that the refund of surcharge from NEEPCO is not considered as other income.

After prudence check, the power purchase claim of NEEPCO is considered for True up of FY 2018-19 as detailed below.

Particulars	Gross Amount (in Cr)	Net Admissible Claim for True up (in Cr)
Energy Bills for FY 2018-19	160.87	170.61
Supplementary Bills towards NERLDC fees and charges, Effective Tax rate for FY 2016-17, Deferred Tax Liability for, FY 2017-18, Reimbursement of ULDC Truing up fees and charges for FY 2009-10 to FY 2013-14 as per CERC order dated 22.02.2014.	11.46	
<b>Less: 1% Rebate</b>	- 1.72	
Surcharge bills	47.02	-
Credit bill for September 2018	-0.002	-
<b>Total</b>	<b>219.35</b>	<b>170.61</b>

**The net admissible power purchase cost is considered at Rs.170.61 Crore after deducting 1% rebate for True up of FY 2018-19.**

**NHPC:**

Licensee has claimed **Rs.2,00,19,612** in the petition for True up for FY 2018-19 which includes late payment surcharge for **Rs.1,99,72,622**.

The claim is admitted for **Rs.46,990** after deducting the surcharge component for True up of FY 2018-19.

**NVVN LTD:**

Licensee has claimed Rs.0.01 Crore (1,37,000) towards energy bills and open access charges for True up of FY 2018-19.

Commission considers the claim at **Rs.0.01 Crore** for True up of FY 2018-19.

**NTPC:**

Licensee has claimed power purchase cost at Rs.151.09 Crore including surcharge bills for Rs.51.13 Crore in the summary of Invoices of power purchase cost. However surcharge of Rs.51.13 Crore which shall not be considered for determination of Tariff. The invoices does not disclose the quantum of energy, the same shall be considered as fixed costs as per the long term PPA with the generator.

The Credit invoices amounted to Rs.17.34 Crore and also RRAS credit given in the invoices amounted at Rs.10.18 Crore is deducted from the Gross claim of purchase bills.

The licensee has stated that the RRAS credit received from NTPC for Rs.10.54 Crore out of which Rs.10.18 Crore is adjusted from Power purchase bills and balance Rs.0.36 Crore is now considered as accrued credit from Gross claim of power purchase cost.

The Power purchase cost of NTPC has been considered after deducting 1% rebate for True up of FY 2018-19 as detailed below.

Particulars	MePDCL Actual (in Cr)	Net Admissible Claim for True up (in Cr)
Energy Bills for FY 2018-19	117.30	117.30
<b>Less: 1% Rebate</b>	-	1.17
<b>Total</b>	<b>117.30</b>	<b>116.13</b>
Surcharge Bills	51.13	-
<b>Less: RRAS Credit adjusted in invoices</b>	-	-10.18
<b>Less: Credit bills</b>	-17.34	-17.34
<b>Less: RRAS accrued credit</b>		- 0.36
<b>Gross Total</b>	<b>151.09</b>	<b>88.25</b>

**Commission considers Power purchase cost for NTPC at Rs.88.25 Crore for True up of FY 2018-19.**

**POSOCO:**

Licensee has claimed NERLDC fees and charges for Rs.1.14 Crore payable to POSOCO Ltd. for FY 2018-19.

The claim is considered after deducting 1% rebate and admitted for **Rs.1.13 Crore** for True up of FY 2018-19.

**APPCL:**

Licensee has claimed Rs.4.26 Crore towards swapping of Energy for 269.59 MU for True up of FY 2018-19.

The claim has been considered as power purchase bills at **Rs.4.26 Crore** which includes value of trading margin and open access charges for FY 2018-19. Commission has asked the licensee to clarify advance claim by the APPCL for unexpired period transaction vide letter dated 12.10.2021.

The licensee has replied in their letter dated 25.10.2021 stating that as per the CERC Regulation 09,11 and 12 of 2008 scheduling of bilateral transaction for short term open access, the nodal agency / beneficiary shall deposit the amount of open access charges within 3 working days of grant of application for booking of the Transmission corridor. APPCL the nodal agency conveyed its acceptance prior to transaction period (page no.73 of Addl. Information /data dated 25.10.2021). The licensee shall account for the balance unexpired value of the Transaction before transacting next bilateral procurement. Commission has considered the claim on the responsibility of the licensee for true up.

The Power purchase bills for APPCL is considered at **Rs.4.26 Crore** for True up of FY 2018-19.

**MPPL:**

Licensee has claimed short term bilateral power purchase cost at **Rs.1.68 Crore** from MPPL for purchase of 111.95 MU under swapping arrangement, and **Rs.0.17 Crore** towards **solar REC** obtained from SNCA energy Pvt. Ltd for RPO compliance.

**The claim is considered for power purchase cost at Rs.1.85 Crore for True up of FY 2018-19.**

**OTPC:**

The licensee has claimed power purchase cost at Rs.162.75 Crore which includes surcharge for Rs.10.06 Crore and credit invoice for Rs.2.17 Crore for FY 2018-19.

The claim is considered at Rs.148.99 Crore after deducting surcharge for Rs.10.06 crore and 1% rebate at Rs.1.53 Crore and credit invoice for Rs.2.17 Crore for True up of FY 2018-19 as detailed below.

Particulars	MePDCL Actuals (in Cr)	Net Admissible Claim for True up (in Cr)
Energy Bills for FY 2018-19	<b>162.75</b>	<b>162.75</b>
<b>Less:</b> Surcharge	-	-10.06
<b>Total</b>	<b>162.75</b>	<b>152.69</b>
<b>Less:</b> 1% Rebate	-	-1.53
<b>Less:</b> Credit bills	2.17	-2.17
<b>Net Admissible</b>	<b>160.58</b>	<b>148.99</b>

**Commission considers power purchase cost at Rs.148.99 crore for True up of FY 2018-19.**

**Deviation (INTER) :**

The licensee has claimed power purchase cost at Rs.3.80 Crore for 6.62 MU energy purchased under deviation inter-state procurement. Whereas the summary statement filed vide Deviation payable indicates at Rs.1.56 Crore and ZCV surcharge at Rs.4.32 Crore for the period 31.12.2018 to 06.01.2019.

On a query, Licensee has stated in the reply dated 25.11.2021 that the claim is filed in the petition as obtained from the engineering wing, not as indicated in statement of accounts.

The Licensee has submitted due to the methodology adopted by NERPC, where the net amount payable or receivable for the week is calculated based on total amount of normal payable or receivable (whichever is higher) for the week.

**Commission considers Deviation Interstate power purchase cost at Rs.3.80 Crore for True up of FY 2018-19.**

**Deviation (INTRA):**

Licensee has projected Deviation Intra a negative expenditure for Rs.-1.39 Crore for True up in the petition. Whereas the invoice wise breakup filed along with the petition is found to be Rs. - 1.35 Crore.

Commission considers Deviation Intra at **Rs. - 1.35 Crore** for True up of FY 2018-19.



### **VAR Charges**

The Licensee has projected VAR Charges as Rs.-0.41 Crore as against which the NERPC data reads at Rs.-1.16 Crore which includes Rs.0.02 Crore towards VAR surcharge receivable.

On a query, MePDCL has submitted that the amount of Rs.0.41 Crore is adjusted receivable by MePDCL as per clause 14 of Annexure 1 Complementary Commercial Mechanism of CERC Regulation 2010.

**Thus the VAR Charges is considered at Rs.-0.41 Crore for True up of FY 2018-19.**

### **MePGCL:**

The Licensee has claimed power purchase cost from MePGCL at Rs.275.84 Crore including Rs.81.50 Crore as 1<sup>st</sup> installment Revenue Gap approved against MLHEP for FY 2013-14 and FY 2014-15.

Commission considers power purchase cost from MePGCL at **Rs.273.08 Crore** after deducting 1% rebate as per the plant wise breakup attached for True up of FY 2018-19.

**Table 8 : Power Purchase Bills Claimed by MePGCL for FY 2018-19**

<b>Months</b>	<b>Umiam –I</b>	<b>Umiam – II</b>	<b>Umiam – III</b>	<b>Umiam IV</b>	<b>Umtru Power station</b>	<b>Sonapani Mini Power Station</b>	<b>MLHEP</b>	<b>NUHEP</b>	<b>Lakroh Mini HEP(COD 01.03.2019)</b>	<b>Total</b>
Apr-18	4115937	2704640	6488177	5873144	697221	170931	78892930	18611457	0	<b>117554437</b>
May-18	3369456	2160978	6465296	5846294	696621	172802	131272928	21799340	0	<b>171783715</b>
Jun-18	3084758	1919902	6997761	6273407	696291	228578	175953670	24220818	0	<b>219375185</b>
Jul-18	3153872	1957215	7335020	6808207	689787	165167	213941570	29858467*	0	<b>263909305</b>
Aug-18	3040313	1863075	7206277	7115864	692259	222245	201178639	29956176*	0	<b>251274848</b>
Sep-18	4704079	2889450	7506778	8157189	691425	221627	171664044	30517122	0	<b>226351714</b>
Oct-18	3594889	2252156	7116103	6284016	691803	235863	103412258	24636375	0	<b>148223463</b>
Nov-18	3632844	2286552	6675903	5606510	696231	197457	81664021	20459203	0	<b>121218721</b>
Dec-18	2857520	1732918	5273714	4801436	695883	195038	73985334	17480569	0	<b>107022412</b>
Jan-19	3129448	1946511	5479876	4904544	694017	190294	76631305	16480296	0	<b>109456291</b>
Feb-19	3174823	1984260	5240270	4643157	698919	159157	72017624	15309049	121366**	<b>103348625</b>
Mar-19	2943523	1835647	5294415	4660969	697947	142334	73140318	15088753	122775**	<b>103926681</b>
										<b>1943445397</b>
True Up Gap for FY 2013-14 & 14-15 (1/2)							815000000			<b>815000000</b>
<b>Gross Bill</b>	<b>40801462</b>	<b>25533304</b>	<b>77079590</b>	<b>70974737</b>	<b>8338404</b>	<b>2301493</b>	<b>2268754641</b>	<b>264417625</b>	<b>244141</b>	<b>2758445397</b>
<b>Less: 1% rebate</b>	<b>408014.62</b>	<b>255333.04</b>	<b>770795.9</b>	<b>709747.4</b>	<b>83384.04</b>	<b>23014.93</b>	<b>22687546.41</b>	<b>2644176.25</b>	<b>2441.41</b>	<b>27584453.97</b>
<b>Net Bill</b>	<b>40393447.38</b>	<b>25277971</b>	<b>76308794</b>	<b>70264990</b>	<b>8255019.96</b>	<b>2278478.07</b>	<b>2246067095</b>	<b>261773448.8</b>	<b>241699.59</b>	<b>2730860943</b>

\* The bills are admitted as per Revised Invoice dated 28.09.2018

\*\* COD of 1.5 MW Lakroh Mini HEP was declared on 01.03.2019. Commission had not determined any Tariff for the FY 2018-19. The Cost of power drawn by MePDCL however is admitted as purchase.

## Transmission Charges

### Petitioner's Submission

MePDCL is required to pay the inter-state transmission charges to PGCIL and the intra-state transmission charges to MePTCL. The former charges are determined by CERC and the latter one is determined by MSERC.

A comparison of the actual and approved transmission charges of FY 2018-19 is given below:

**Table 9 : Comparison of Transmission Charges for FY 2018-19**

(Rs. Crore)

Sl. No.	Particulars	Approved in TO Dated 31.03.2018	Actuals
1	Inter-state transmission charges	194.00	54.28
2	Intra state transmission charges	66.86	66.84
	<b>Total</b>	<b>260.86</b>	<b>121.12</b>

MePDCL request before the Commission to kindly approve the transmission charge at Rs 121.12 Cr while truing-up.

### Commission's Analysis

#### PGCIL:

The licensee has claimed PGCIL charges at Rs.54.28 Crore which includes Rs.10.85 Crore supplementary bills, Rs.2.95 Crore credit bills and Rs.0.74 Crore surcharge bills for True up of FY 2018-19.

The Licensee has submitted missing invoices vide their letter dated 25.10.2021.

After prudence check of the invoices with reference to the summary, the claim of the licensee is considered as detailed below

Surcharge bills filed as per the following 3 no's invoices amounted at Rs.1.62 Crore shall not be considered for determination of Tariff.

Rs.0.88 Crore included in the 2 no's invoices represent short term open access credit is adjusted from the PGCIL Transmission charges payables.

Invoice no.	Date	Surcharge (in. Rs.Cr)	STOA Credit (in. Rs.Cr)
Inv no.NI1700000002 (Surcharge)	18.04.2018	5,82,724.00	-
Inv no.MI1700000017 (Surcharge+ STOA Credit)	24.01.2019	71,24,563.00	57,46,592.00
Inv no.MI1701190000 (Surcharge+ STOA Credit)	30.03.2019	85,35,433.00	30,67,012.00
<b>Total</b>		<b>1,62,42,720</b>	<b>88,13,604</b>

Licensee has included PGCIL STOA credit in the Revenue Schedule vide note no.18 of audited accounts for FY 2018-19 for Rs.49,64,924.00 is now deducted from the payables to PGCIL.

Particulars	MePDCL Actuals (in Cr)	Net Admissible Claim for True up (in Cr)
Energy Bills for FY 2018-19	45.63	<b>45.63</b>
Supplementary bills	10.85	<b>10.85</b>
<b>Less: Credit bills (invoice no.MI1700000014 dt.31.12.2018)</b>	-2.95	<b>-2.95</b>
<b>Total</b>	<b>53.53</b>	<b>53.53</b>
<b>Less:1% rebate</b>		<b>0.54</b>
Surcharge bills	0.74	-
<b>Less: Credit bills</b>	-	0.88
<b>Total</b>	<b>54.28</b>	<b>52.11</b>

**Commission Considers PGCIL Transmission charges at Rs.52.11 Crore for True up of FY 2018-19.**

**MePTCL:**

Licensee has claimed intra state Transmission charges of MePTCL at Rs.66.84 Crore for True up of FY 2018-19.

**Commission considers MePTCL Transmission charges at Rs.66.17 Crore after adjusting 1% rebate for True up of FY 2018-19.**

**Comparison of Transmission Charges for FY 2018-19**

(Rs. Crore)

Sl. No.	Particulars	Actuals claimed	Approved for True up
1	Inter-state transmission charges	54.28	52.11
2	Intra state transmission charges	66.84	66.17
	<b>Total</b>	<b>121.12</b>	<b>118.28</b>

**Commission considers Transmission charges at Rs.118.28 Crore for True up of FY 2018-19**

Power purchase cost as analyzed in the foregoing paragraphs is drawn below.

**Table 10 : Approved Power Purchase Cost for True up of FY 2018-19**

Sl. no	Name of the Generator/Source	Energy Drawn in MU	MePDCL Actuals (in Rs Crore)	Approved for True up (in Rs Crore)
1	NEEPCO	544.26	219.35	170.61
2	NHPC	0.00	2.00	0.005
3	OTPC LTD	489.53	160.58	148.99
4	NVVN LTD	0.49	0.01	0.01
5	NTPC LTD	0.00	158.41	88.25
6	POSOCO	0.00	1.14	1.13
7	APPCL	269.59	4.26	4.26
8	MPL-Banking	11.75	0.00	0.00
9	MPPL	111.95	1.68	1.68
10	REC SNCA Energy Pvt. Ltd.	0.00	0.17	0.17
11	DEVIATION (INTER)	6.62	3.80	3.80
12	DEVIATION (INTRA)	4.55	-1.39	-1.35
13	VAR Charges	0.00	-0.41	-0.41
14	Adhunik Cement (Swap)	15.46	0.00	0.00
15	MePGC Ltd	971.36	275.91	273.08
	<b>Sub-Total</b>	<b>2425.56</b>	<b>825.51</b>	<b>690.23</b>
	<b>Transmission Charges</b>			
16	PGCIL	0.00	54.28	52.11
17	MePTC Ltd	0.00	66.84	66.17
	<b>Sub Total</b>			<b>118.28</b>
	<b>Total</b>	<b>2425.56</b>	<b>946.63</b>	<b>808.51</b>

**Commission approves Power Purchase cost at Rs.808.51 Crore including Transmission charges for True up of FY 2018-19.**

Commission considers that the power purchase cost claimed by the licensee includes supplementary bills for the past period other than FY 2018-19, the weighted average power purchase cost for FY 2018-19 shall be reckoned on the power procurement made including Transmission charges for the computation of ARR to arrive at unit rate per Kwh.

Commission considers actual power purchase cost for FY 2018-19 for determination of weighted average power purchase cost as tabulated below.

**Table 11 : Source wise Power Purchase Cost approved for FY 2018-19**

Station	MePDCL Actuals			Approved for True up FY 2018-19 Excl. Supplementary Bills		
	Energy (MU)	Total Cost (Rs Cr)	Unit cost/kWh	Energy (MU)	Total Cost (Rs Cr)	Unit cost/kWh
<b>NTPC</b>						
Farakka	0.00	0.06		0.00	0.00	
Kahalgaon I	0.00	0.01		0.00	0.00	

Station	MePDCL Actuals			Approved for True up FY 2018-19 Excl. Supplementary Bills		
	Energy (MU)	Total Cost (Rs Cr)	Unit cost/kWh	Energy (MU)	Total Cost (Rs Cr)	Unit cost/kWh
Khalgaon II	0.00	0.04		0.00	0.00	
Talcher	0.00	0.05		0.00	0.00	
Bongaigoan	0.00	158.25		0.00	117.30	
<b>OTPC</b>						
OTPC Pallatana	489.53	160.58	3.28	<b>489.53</b>	<b>152.69</b>	3.12
<b>NEEPCO</b>						
Kopili Stage-I	96.77	15.02	1.55			
Kopili Stage-II	6.71	1.25	1.86			
Khandong HEP	19.06	4.70	2.47			
Ranganadi HEP	109.27	32.13	2.94			
Doyang HEP	23.75	13.50	5.68			
AGBPP	119.06	59.96	5.04			
AGTPP		0.00				
AGTPP C-Cycle	51.28	25.31	4.94			
Pare HEP	40.84	20.46	5.01			
NEEPCO Surcharge		47.02				
Free Power	77.52					
<b>Total NEEPCO</b>				<b>544.26</b>	<b>160.87</b>	<b>2.96</b>
<b>NHPC</b>						
NHPC Loktak	0.00	2.00		0.00	0.004	
<b>MePGCL</b>						
Umiam Stage-I HEP	84.15	4.08	0.49			
Umiam State-II HEP	43.05	2.55	0.59			
Umiam State-III HEP	132.91	7.71	0.58			
Umiam State-IV HEP	165.49	7.10	0.43			
Umtru HEP	-0.06	0.90				
MyntduLeshka HEP	360.31	226.88	6.30			
New Umtru	178.36	26.44	1.48			
Sonapani	7.07	0.23	0.33			
Ganol						
Lakroh	0.08	0.02	2.50			
<b>Total MePGCL</b>				<b>971.36</b>	<b>275.91</b>	<b>2.84</b>
<b>Short Term</b>						
Mittal Processors Pvt. Ltd.(MPPL) -Swapping	111.95	1.68	0.15	111.95	1.68	0.15
Mittal Processors Pvt. Ltd.(MPPL) – Solar REC		0.17			0.17	
Meghalaya Power Ltd.(MPL) - Banking	11.75	0.00		11.75	0.00	
APPCL(Swap)	269.59	4.26	0.16	269.59	4.26	0.16
NVVN	0.49	0.01	0.15	0.49	0.01	0.20
Adhunik Cement Ltd(Swapping)	15.46	0.00		15.46	0.00	
Deviation Inter	6.62	3.80	5.74	6.62	3.80	5.74
Deviation Intra	4.55	-1.39		4.55	-1.39	
POSOCO		1.14		0.00	1.14	
VAR Charges		-0.41		0.00	-0.41	
<b>Sub Total</b>				<b>2425.56</b>	<b>716.03</b>	<b>2.95</b>
<b>Transmission Charges</b>						
PGCIL					45.63	
MePTCL					66.84	
<b>Total</b>	<b>2425.56</b>	<b>825.51</b>	<b>3.40</b>	<b>2425.56</b>	<b>828.50</b>	<b>3.42</b>

**Commission considers weighted average power purchase cost at Rs.3.42ps/kwh for FY 2018-19.**

### 1.5.2 RPO Compliances

#### Petitioner's Submission

Regarding the RPO compliance, it is submitted that MePDCL has not purchased any power from solar and wind sources but has purchased the-solar RECs (worth 1.50 MUs) during FY 2018-19. It has also procured enough surplus from other renewable sources (basically small hydro) to meet the total RPO requirement and as such, it requests Commission to waive of the remaining RPO compliance for solar. The details of purchase of energy along with RPO target vis-à-vis achieved are given below:

**Table 12: Renewable Purchase Obligation Approved & Achieved**

Year	Consumed	Target				Achieved			
		Solar	Non solar	Total		Solar	Non-Solar	Total RPO Met	
		%	%	%	MUs	MUs	MUs	MUs	%
2018-19	1,105.04	0.43%	2.07%	2.50%	27.63	1.50	58.41	59.91	5.42%

**Table 13 : Power Purchase from Small Hydro**

Small Hydro ElectricPlant	Installed Capacity (MW)	Power Procured (MU)
Kopili Stage-II	25	6.71
Sonapani	1.5	7.07
Umiyam Stage-II	20	43.05
Lakroh	1.5	0.08
<b>Total</b>		<b>58.41</b>

#### Commission's Analysis:

Commission had notified on 22.10.2018 the RPO trajectory for second control period FY 2018-19 to FY 2020-21 as depicted below

FY	<i>Minimum quantum of purchase in (%) from renewable energy sources (in terms of energy in kWh)</i>		
	Solar	Non-Solar	Total
2018-19	0.75	3.25	4.00
2019-20	1.00	4.00	5.00
2020-21	1.25	4.75	6.00

The Licensee should ensure procurement of 4% of the total sales of 1104.57 MU within the state which amounts to 44.18 MU under RPO Regulation for FY 2018-19.

The licensee had procured energy from small hydro projects to an extent of 58.41 MU which is meeting the targeted RPO requirement during the FY 2018-19.

### 1.5.3 Operation and Maintenance Expenses (O&M Expenses)

#### Petitioner's Submission

MePDCL submitted that Operations and Maintenance (O&M) Expenses of the Company consists of the following elements:

- Repairs and Maintenance expenses: Repairs and Maintenance Expenses are incurred for the day to day upkeep of the assets of MePDCL and form an integral part of the Company's efforts towards reliable & quality power supply and reduction of losses in the system.
- Employee Expenses: Employee expenses comprise of salaries, dearness allowance, terminal benefits in the form of pension & gratuity, leave encashment and staff welfare expenses.
- Administrative and General Expenses: Administrative expenses mainly comprises of rents, telephone and other communication expenses, professional charges, conveyance and travelling allowances and other debits.

#### 1.5.3.1 Repairs and Maintenance Expenses (R&M expenses)

##### Petitioner's Submission

Repair & Maintenance expenses are dependent on various factors such as age of assets, nature of terrain, load served, volume of infrastructure, etc. Most of the lines and substations of MePDCL are aged and thus demand more frequent Repairs and Maintenance. The assets of MePDCL are old and require regular maintenance to ensure uninterrupted operations. MePDCL has been trying its best to ensure uninterrupted operations of the system and accordingly has been making necessary expenditure for R&M activities. The R&M Expenses incurred by MePDCL and one-third of that incurred by the holding company, MeECL is as shown below:

**Table 14 : R&M expenses for FY 2018-19**

<b>R&amp;M Expense</b>	<b>MePDCL (Rs. Cr)</b>
Buildings	0.18
Plant and Equipment	1.39
Hydraulic Works	-
Civil Works	0.08
Lines & Cables	2.07
Vehicles	0.09
Furniture and Fixtures	0.03
Office equipment	0.16
<b>R&amp;M Expenses incurred by MePDCL (actuals) (1)</b>	<b>4.00</b>
R&M Expenses of MeECL Apportioned (actuals) (2)	0.102
<b>Net Actual R&amp;M Expense for True up (1+2)</b>	<b>4.10</b>



MePDCL has requested the Commission to allow the actual R&M expenses of Rs 4.10 Crore for true up of FY 2018-19.

### Commission's Analysis

The R&M expenses reported vide note no. 25 of audited accounts for FY 2018-19 at Rs.4.00 Crore and 1/3<sup>rd</sup> share of MeECL R&M expenses at Rs.0.10 Crore for FY 2018-19 are found to be admissible.

**Commission approves R&M expenses at Rs.4.10 crore for True up of FY 2018-19.**

### 1.5.3.2 Employee Expenses

#### Petitioner's Submission

The employee expenses incurred by MePDCL and the share of MeECL to be borne in FY 2018-19 as per the audited Statement of Accounts are as shown below:

**Table 15 : Employee expenses for FY 2018-19**

Particulars	(Rs Cr)
Salaries and wages	95.79
Contributions to provident and other funds	1.42
Staff welfare expenses	-
Apportionment of Employee Benefit Expenses (from Holding Company)	
(a) Salaries and wages	11.87
(b) Staff welfare expenses, insurance etc.	0.01
(c) Contribution to CPS (Corporation Contribution)	0.07
(d) DCRG, Pension, Pension contribution to Deputations	33.52
<b>Sub Total</b>	<b>45.47</b>
<b>Total Employee Expense of MePDCL</b>	<b>142.67</b>
Employee Expenses of MeECL Apportioned (actuals)	5.08
<b>Net Actual Employee Expense for True up</b>	<b>147.75</b>

**Note:** "Apportionment of MeECL Employee Expenses" in Note 22 of MePDCL Accounts is over and above the employee expenses in MeECL audited accounts. A Write up on the same is attached as annexure E"

Apportionment of Employee Benefit Expenses (from Holding Company) of Rs. 45.47 Cr in Note 22 of SOA isto be read with Note 22.1 and subsequently the splitting is made as per entry.

The summary of the comparison of the actual Employee Expenses for FY 2018-19 vis-à-vis the expenses approved by the Commission has been given in the table below:

**Table 16 : True up of Employee Expenses for FY 2018-19**

(Rs. Crore)

Particulars	Approved in TO Dated 31.03.2018	Actuals
Employee Cost	128.08	147.75

MePDCL requested the Commission to allow the actual employee expense of Rs 147.75 Crores for true up of FY 2018-19.

### Commission's Analysis

Licensee has reported employee expense at Rs.142.67 Crore vide note no.22 of audited accounts which includes Rs.45.46 Crore towards apportionment of employee benefit expenses (from holding company) MeECL as detailed below:

Particulars	For the year ended 31 <sup>st</sup> March 2019 (in Rs.Cr)
Salaries and Wages	95.79
Contribution to provident and other funds	1.42
Staff welfare expenses	-
Apportionment of Employee Benefit Expenses (from Holding Company)	45.46
<b>Total</b>	<b>142.67</b>

Breakup of apportionment of Employee benefit expenses for Rs.45.46 crore shown in the above table is given as detailed below vide note no.22.1 of audited accounts.

Particulars	For the year ended 31 <sup>st</sup> March 2019 (in Rs. Cr)
Salaries and Wages	11.87
Contribution to provident and other funds	33.59
Staff welfare expenses	0.008
<b>Total</b>	<b>45.46</b>

The employee expenses of MeECL reported vide note no.18 of audited accounts at Rs.15.21 Crore shall be admissible at 1/3<sup>rd</sup> of the sum for Rs.5.07 Crore for True up of FY 2018-19 as per the existing arrangement.

The Commission had in the True up orders for FY 2017-18 notified that the apportionable employee benefit expenses related to holding company shall be borne out of the **Trust Funds**, not from Tariffs.

Commission keeping in view of the above analysis, the employee expenses of MePDCL found admissible as detailed in the table below.

Particulars	(Rs. Cr)
Salaries and Wages	95.79
Contribution to provident and other funds	1.42
Staff welfare expenses	-
Apportionment of 1/3 <sup>rd</sup> Employee expenses of MeECL (Rs.15.21 Cr/3)	5.07
<b>Total</b>	<b>102.28</b>

Commission had held discussions in connection with the True up petitions submitted by the power utilities.

*"The Meghalaya Power Sector Reforms and Transfer Scheme,2010, in its provisions laid down in clause 9, state that the Holding company, MeECL will be responsible for setting*

*up a pension Trust Fund and it will also take necessary action to operate it, maintain it and ensure progressive funding of the pension Trust Fund. All benefits of retired MeECL employees relating to pension and all other terminal benefits of retired employees are to be met from this Trust Fund. This is a statutory provision.*

*The state commission must keep in mind the Consumer's interests and is therefore of the firm view that the entire burden for the pension and other terminal benefits cannot be passed on to tariff. MeECL must initiate operational zing of the Pension Trust Fund and progressive funding of the pension Trust Fund must be done without further delay. The state commission on its part and in keeping with existing regulatory provisions will be willing to allow not the entire amount but some part of the claimed amount in the true up petition to be included in the ARR. This will be strictly subject to immediate action on progressive funding of the Pension Trust Fund."*

MePDCL was asked to submit nature of liability with breakup of serving employees and retired employees for the apportionment of employee benefit expenses from holding company claimed for Rs.45.46 Crore in the commission's letter dated 15.12.2021.

MePDCL has submitted the breakup figures in their letter dated 07.01.2022 as detailed below for the apportionment of employee benefit expenses from holding company for Rs.45.46 Crore as detailed below.

<b>FY 2018-19</b>	<b>Serving Employees</b>	<b>Retired Employees</b>	<b>Total</b>
Monthly Salary of Serving Employees incl. staff welfare expenses (Rs.Cr)	11.87	-	<b>11.87</b>
Monthly pension and terminal benefits payable (Rs.Cr)	-	33.59	<b>33.59</b>
<b>Total (Rs.Cr)</b>	<b>11.87</b>	<b>33.59</b>	<b>45.46</b>

Commission considers that the pension and terminal benefits included in the apportionment of employee benefit expenses from Holding company for Rs.33.59 Crore shall be met from the **Trust funds** as notified by the Govt. of Meghalaya in the reforms notification transfer scheme 2010.

The monthly salaries and welfare expenses for Rs.11.95 Crore shall however be apportioned to O&M expenses of MePDCL for True up of FY 2018-19.

**Thus summing up of the Employee expenses and apportionment of employee benefit expenses from Holding Company for MePDCL shall be as given in table below.**

**Table 17 : Employee Expenses for True up of FY 2018-19**

Particulars	MePDCL	1/3 <sup>rd</sup> MeECL	Total
Employee Expenses incl. Contribution to provident and other funds (Rs.Cr)	97.21	5.07	<b>102.28</b>
Monthly Salary of Serving Employees and staff welfare expenses incl contribution to PF (Rs.Cr)	-	11.95	<b>11.95</b>
<b>Total (Rs.Cr)</b>	<b>97.21</b>	<b>17.02</b>	<b>114.23</b>

**Commission approves Employee Expenses at Rs.114.23 Crore for True up of FY 2018-19.**

### 1.5.3.3 Administration and General Expenses (A & G Expenses)

#### Petitioner's Submission

The A & G expenses incurred by MePDCL and the share of MeECL to be borne in FY 2018-19 as per the audited Statement of Accounts is as shown below:

**Table 18 : A&G Expenses for FY 2018-19**

Particulars	Amount (in Rs. Cr.)
Insurance Charges	0.03
Bad debts written off	0.35
Rent, Rates and Taxes	0.06
Telegram, Postage, Telegraph and Telex charges	0.54
Training, conveyance and vehicle running expenses	6.26
Printing and stationery expenses	0.53
Auditors' remuneration	0.07
Consultancy Charges	0.02
License and Registration Charges	0.00
Technical fees	0.01
Books & Periodicals	0.00
Fees and subscription expenses	0.01
Advertisement charges	0.19
Legal and professional charges	0.37
Meghalaya State Electricity Regulatory Commission (MSERC) Fees	0.15
Electricity and Water Charges	0.06
Franchisee Commission	0.67
Discount allowed	0.28
Bank Charges	0.04
Entertainment expenses	0.03
RAPDRP Energy Charges	0.01
Miscellaneous expenses	0.14
<b>A&amp;G Expenses incurred by MePDCL (actuals)</b>	<b>9.82</b>
A&G Expenses of MeECL Apportioned (actuals)	0.97
<b>Net Actual A&amp;G Expense for True up</b>	<b>10.79</b>

The summary of the comparison of the actual A&G Expenses for FY 2018-19 vis-à-vis the expenses approved by the Commission has been given in the Table below:

**Table 19 : True up of A&G Expenses for FY 2018-19**

Particulars	Approved in TO Dated 31.03.2018 (Rs. Cr)	Actuals (Rs. Cr)
A&G Expenses	9.57	10.79

MePDCL requested the Commission to allow the actual A & G expense of Rs 10.79 Crores for true up of FY 2018-19.

### **Commission's Analysis**

As per the audited accounts, the A&G expenses reported to be Rs.9.82 Crore vide note no.25 in which Rs.0.35 crore represent bad debts written off shall not be admissible as the expense and shall be accounted for in the receivables account.

The 1/3<sup>rd</sup> A&G expenses of MeECL is considered at Rs.0.97 crore as reported in the audited accounts vide note no.21 for Rs.2.93 Crore. Thus the A&G expenses admissible at Rs.10.44 Crore for True up.

**Commission considers A&G expenses at Rs.10.44 Crore in the True up for FY 2018-19.**

### **Total O&M Expenses for FY 2018-19**

As per the above analysis the O&M expenses of MePDCL are approved as detailed below.

**Table 20 : Approved O&M expenses for True up of FY 2018-19**

(Rs.Cr)

Particulars	MePDCL Claimed	Approved for True up
R&M	4.10	4.10
Employee expenses incl MeECL exp.	147.75	114.23
A&G Exp	10.79	10.44
<b>Total</b>	<b>162.64</b>	<b>128.77</b>

**Commission approves O&M expenses at Rs.128.77 Crore in True up for FY 2018-19.**

## **1.5.4 Depreciation**

### **Petitioner's Submission**

Depreciation as booked in the Statement of Accounts for FY 2018-19 for MePDCL (Note 2 of MePDCL Accounts) and the apportioned amount of MeECL (Note 2 of MeECL Accounts) for various classes of assets is shown below:

**Table 21 : Depreciation for FY 2018-19**

(Rs. Cr)

Asset Class	MePDCL
Land	0.00
Buildings	0.45
Plant and Equipment	2.22
Furniture and Fixtures	0.03

Vehicles	0.03
Office equipment	0.09
Others:	
Hydraulic Works	0.00
Other Civil Works	0.10
Lines and Cable Network	14.90
Assets under lease	0.00
<b>Total Depreciation MePDCL</b>	<b>17.82</b>
Apportioned Depreciation from MeECL	0.18
<b>Total</b>	<b>18.00</b>

**The adjustment of amortization has been done in other income i.e. Section 2.3.12 of the petition.** Following table shows the comparison of the actual Depreciation vis-à-vis the Depreciation approved by the Commission in its various tariff orders for FY 2018-19.

**Table 22 : True up of Depreciation for FY 2018-19**

(Rs. Cr)

Particulars	Approved in TO Dated 31.03.2018	Actuals
Depreciation	4.85	18.00

The true up is being done based on the actual value of opening assets and the assets capitalized during the year. It is submitted that the component wise depreciation is computed as per the provisions of Tariff Regulations, 2014. As such, the Commission is requested to kindly approve the actual depreciation as per the audited accounts (Note 2: Property, Plant & Equipment)

MePDCL humbly requests Commission to allow the depreciation of Rs 18.00 Crores for trueup of FY 2018-19.

### **Commission's Analysis**

As per the Regulation 33 of MSERC Regulations 2014 :

*"The Depreciation shall be computed on the Historical Value of the assets.*

*Depreciation shall be calculated on straight line method upto 90 % of Asset Value retaining 10 % salvage value.*

*Consumer contributions or Capital subsidy / grant etc shall be excluded from the Value for the purpose of Depreciation as per the Regulations."*

The closing GFA for FY 2017-18 approved in the True up orders dated 23.03.2021 is Rs.441.25 Crore. The same is considered as opening GFA for FY 2018-19.

As against the opening GFA for FY 2018-19 of Rs.441.25 Crore, licensee has reported in the audited accounts only Rs.258.63 Crore with an addition of assets for the year at Rs.3.88 Crore.

It is to be mentioned that the offsetting financial instruments with the intention to settle on a net value basis and realize the asset value to settle the liability simultaneously as noted by the auditors vide para 22.2 of significant accounting policies, are not valid for Regulatory purpose.

The approved Gross fixed assets shall not be altered for the Regulatory process without the Government notifications.

Therefore, the Commission does not consider change in the assets as of 01.04.2018 and accordingly, GFA/Depreciation is computed taking into account addition of assets as shown in the table below for FY 2018-19.

The licensee has reported Govt. Grants and consumer contributions available for the FY 2018-19 vide note no. 13.1 of the audited accounts at Rs.423.64 Crore.

**Table 23 : Computation of GFA/Depreciation for True up of FY 2018-19**

(Rs.Cr)

Particulars	Opening Bal	Additions	Retirements	Closing Bal	% of Dep	Amount
Land	1.27	0.33		1.60	-	
Buildings	13.60	-		13.60	3.34%	0.41
Plant and Equipment	51.81	0.04		51.85	5.28%	2.46
Furniture and Fixtures	0.99			0.99	6.33%	0.06
Vehicles	0.69			0.69	9.50%	0.06
Office Equipment	1.79	0.03	0.002	1.82	6.33%	0.10
Hydraulic works	0.09			0.09	5.28%	0.004
Other Civil works	3.04			3.04	3.34%	0.09
Lines and Cable Network	367.97	3.48	0.11	371.34	5.28%	17.57
<b>Total</b>	<b>441.25</b>	<b>3.88</b>	<b>0.11</b>	<b>445.02</b>		<b>20.75</b>
<b>Less : Depreciation on Grants and contributions available</b>				<b>423.64</b>	<b>4.68%</b>	<b>(-) 19.83</b>
<b>Net Depreciation</b>						<b>0.92</b>
<b>Add: 1/3<sup>rd</sup> Share of MeECL Depreciation as claimed</b>						<b>0.18</b>
<b>Total Dep</b>						<b>1.10</b>

The licensee shall adopt the GFA as computed in the above table in all the future filings for Regulatory purpose.

**Commission approves depreciation at Rs.1.10 Crore for true up of FY 2018-19.**

#### **1.5.5 Interest and Financial Charges**

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

It is submitted that the actual interest cost of Rs. 73.81 Crore of Interest & Finance Charges pertains to project loan for schemes like R APDRP, IPDS and other State Government schemes as well as various financial charges for raising bank guarantee, security etc. The following table shows the summary of the actual Interest and Finance Charges for FY 2018-19 as per audited statement of accounts (Note 23).

**Table 24 : Interest and Finance Charges claimed for FY 2018-19**

<b>Particulars</b>	<b>Amount (in Rs. Cr.)</b>
Interest: (1)	
To related party (Meghalaya Energy Corporation Limited, i.e., Holding Company)	10.21
To Others	56.82
Other banking and guarantee charges (2)	-
<b>Total Finance Charges(MePDCL) (1+2)</b>	<b>67.03</b>
Apportioned Finance Charges from MeECL	6.76
<b>Net Interest and Finance Charges</b>	<b>73.79</b>

Detailed Statement of all the Loans of MePDCL along with the purpose of loan is given in Note 12 - Financial Liabilities (Borrowings) of MePDCL Accounts. Similarly details of loans of MeECL (For MeECL apportionment interest in the above table) is given in Note 12 - Financial Liabilities (Borrowings) of MeECL Accounts.

It is submitted that Interest & Finance Charges are genuine and legitimate expenditure and the Commission may kindly approve the entire interest & finance charges as shown above, as per Audited Accounts.

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

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

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

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



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

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

The licensee has been availing 8% REC Restructured loan, 9% PFC loan for executing the works contemplated under R-APDRP-A and B.

The loans availed for purchase of vehicle, payment of power purchase expenses, state govt. loans, loans from MeECL shall not be admissible for computation of interest.

The outstanding loans obtained for capital works as per the schedule is drawn below for interest costs is computed.

10% of the outstanding average loan is considered as deemed repayment in respect of PFC loan under R-APDRP-A and B.

**Table 25 : Schedule of Loans and interest and finance charges for FY 2018-19**

(Rs.Cr)

Sl. No	Particulars	Opening balance	Add. during the Year	Re-payment	Closing Loan	Interest
		(1)	(2)	(3)	(4)	(5)
1	Opening balance					
	a) 8% restructured REC loan	32.53	-	5.86	26.67	2.37
	b) 9% PFC loan R-APDRP-A	12.19	20.68	*3.29	29.58	1.88
	c) 9% PFC loan R-APDRP-B	59.12	6.72	*6.58	59.26	5.33
	<b>Total</b>	<b>103.84</b>	<b>27.40</b>	<b>15.73</b>	<b>115.51</b>	<b>9.58</b>
2	Average loan		-		<b>109.68</b>	
3	Average Rate of Interest (8.73%)					
4	Interest and Finance charges		-			<b>9.58</b>

*\* 10% deemed repayment considered*

**Commission approves Interest and finance charges at Rs.9.58 crore for True up of FY 2018-19.**

#### **1.5.6 Interest on Working Capital**

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

Working capital requirement for a distribution utility in Meghalaya is determined on a normative basis by the Regulation 34.3 of MYT Tariff Regulations, 2014. Now, based on the actual data for the components of working capital, the interest on working capital is computed below:

**Table 26 : Computation of Interest on Working Capital for FY 2018-19**

Particulars	Amount (Rs Cr)
O&M for 1 Months (162.64/12)	13.55
Maintenance Spares (Average Asset of MePDCL and MeECL for the year *1%with escalation of 6%)	2.81
Receivables for 2 Months (1066.13)/6	177.69
<b>Total</b>	<b>191.13</b>
Interest Rate (%) (SBI PLR as on 01.04.2018)	13.45%
<b>Interest on Working Capital</b>	<b>26.10</b>

MePDCL humbly requests Commission to allow the Interest on Working Capital of Rs 26.10 Crores for True up of FY 2018-19.

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

As per Regulation 34.3 of MYT MSERC Regulations 2014, the interest on working capital is computed as depicted in the table below.

**Table 27 : Computation of Interest on Working Capital for true up of FY 2018-19**

(Rs Cr)

Particulars	Amount
O&M for 1 Months (110.68/12)	9.22
Maintenance Spares (Average Asset of MePDCL and MeECL for the year *1% with escalation of 6%) (GFA 441.25*1%*6%)	4.68
Receivables for 2 Months (666.57*2/12)	111.10
<b>Total</b>	<b>125.00</b>
Interest Rate (%) (SBI PLR as on 01.04.2018)	13.45%
<b>Interest on Working Capital</b>	<b>16.81</b>

**Commission considers Interest on working capital at Rs.16.81 Crore for True up of FY 2018-19.**

#### **1.5.7 Prior Period Expenses**

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

It is submitted that the Accounting Standard 5 (AS 5) issued by Institute of Chartered Accounts of India deals with the Net Profit/Loss for the Period, Prior Period Items and Changes in Accounting Policies. Prior period items are material charges or credits which arise in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods. The following table provides the details of the Prior Period Expenses for FY 2018-19 Note 26 & Note 20.

**Table 28 : Prior Period Expenses for FY 2018-19**

<b>Particulars</b>	<b>Amount (Rs Cr)</b>
<b>Expenses</b>	
Power Purchase Costs (Short Provisioning)	0.00
Depreciation	0.00
Administration, Operating and General Expenses	0.00
Other Expenses	0.00
<b>Total Prior Period Expenses</b>	<b>0.00</b>
<b>Incomes</b>	
Interest Income from Banks	0.00
Other Incomes	0.00
Amortization of grants	0.00
Depreciation	0.00
<b>Total Prior Period Income</b>	<b>0.00</b>
<b>Net Prior Period Expenses of MeECL Apportioned (actuals)</b>	<b>-</b>
<b>Net Prior Period Items</b>	<b>0.00</b>

MePDCL claims no prior expenses.

### **Commission's Analysis**

Commission noted prior period expenses as NIL for FY 2018-19.

### **1.5.8 Return on Equity**

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

It is submitted that the return on equity is computed as per Regulation 27 and 31 of the Tariff Regulations, 2014. As per the above provisions of MYT Tariff Regulations, 2014, the computation of Return on Equity is shown below:

**Table 29 : True up of Return on Equity for FY 2018-19****(Rs. Cr)**

<b>Sl.No.</b>	<b>Particulars</b>	<b>Actuals</b>
1	Opening Equity 31.03.2018 (Shareholders Eq. +PendingAllotment)	844.24
2	Closing Equity 31.03.2019 (Shareholders Eq. +PendingAllotment)	846.86
3	Average Equity for RoE	845.55
4	Equity Capital considered for RoE Computation	845.55
5	RoE (%)	14%
6	<b>Return on Equity</b>	<b>118.38</b>

The prevalent regulations do not restrict allowing of return on equity on equity capital pending allotment. The actual closing equity component (paid up capital + equity share pending allotment) as per the audited accounts of MePDCL for FY 2018-19 is Rs. 846.86Cr (811.62+35.24). Similarly, the opening equity capital as per audited accounts for FY 2018-19 is Rs. 844.24Cr (810.41+33.82) crores. As such, the average equity capital for FY 2018-19, for calculation of RoE, works out to be Rs. 845.55crores.

Reference: Paid Up Capital: As per Note 10 of MePDCL Accounts and Equity Share

Pending Allotment: As per Note 11 of Accounts.

The issue of Return on Equity (methodology of MeECL & its subsidiaries vs methodology of MSERC:APTEL Case no 46 of 2016) is still under subjudice. The Utility is reiterating the fact that the approved value of Commission for Return on Equity (is not in line with the Regulations. In sake of brevity, MePDCL is not reiterating the grounds and the Justification for the claim here since the matter is already under subjudice. Hence, the utility would like to retain its methodology as per the past petitions & stand on equity base determination as per the earlier petitions which is in line with MSERC Regulations and Transfer Notification Scheme.

It is therefore prayed before the Commission to kindly approve the Return on Equity of Rs.118.38 for true up of FY 2018-19 as computed above.

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

Commission has considered opening GFA at Rs.441.25 Crore and closing GFA at Rs.445.02 Crore.

The Computation vide table no.19 of the petition by the licensee for opening equity at Rs.844.24 Crore shall not be considered and the RoE shall be computed as per the Regulation 31 read with Regulation 27.

Commission considering the GFA approved for FY 2018-19, the Return on equity is calculated as shown in the table below.

**Table 30 : Computation of Return on Equity for True up FY 2018-19**

Sl.No	Particulars	(Rs. in Crore)
1	GFA as on 31.03.2018	441.25
2	GFA as on 31.03.2019	445.02
3	Average Assets (1+2)/2	443.14
4	<b>Less:</b> Grants available for FY 2018-19 as per note 13.1	423.64
5	<b>Net Capital cost for ROE</b>	<b>19.50</b>
6	Opening Equity	49.72
7	Closing Equity Capital (19.50 *30%)	5.85
8	Avg Equity (49.72+5.85)/2	27.79
9	<b>ROE at 14% (27.79*14%)</b>	<b>3.89</b>

**Commission approves Return on Equity at Rs.3.89 Crore for True up of FY 2018-19.**

#### **1.5.9 Non Tariff and Other Income**

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

Summary of the other income as per Audited Accounts of MePDCL for FY 2018-19 has

been given in the table below:

**Table 31 : Other Income in FY 2018-19**

(Rs .Cr)

Sl. No.	Particulars	Actuals
<b>A</b>	<b>Other Income</b>	
	<b>Interest Income: (Note 19 of MePDCL Accounts)</b>	
	From Banks	1.62
	From Others	0.01
	<b>Other non-operating income:</b>	-
	Rental and Hiring Income	0.04
	Discount Received	-
	Fees and Penalties	0.03
	Sale of scrap, tender forms and others	0.04
	Miscellaneous receipts	2.42
	Amortization of Grants and Subsidies	11.69
<b>B</b>	<b>Revenue Subsidies and Grant</b>	
	R.E. Subsidies	-
	Revenue Grants for Other Expenditures	17.85
<b>C</b>	<b>Other operating revenues- (Note 18 of MePDCL Accounts)</b>	
	Meter Rent	3.67
	Margin Money from Regulated Power	-
	Reconnection Fees	0.02
	Rebates on Purchase of Energy	0.02
	Other Charges From Consumers	8.71
<b>D</b>	<b>Apportioned Other Income from MeECL (Note 15 of MeECL Accounts)</b>	7.08
	<b>Total Other Income (A + B + C+D)</b>	<b>53.20</b>

The other income from Refund of surcharge from NEEPCO amounting to **Rs 65.76 Cr** as per the audited statement of accounts is not included as this relates to reconciliation of surcharge with NEEPCO since the Commission has never considered surcharge as expenditure. Similarly, Delayed Payment Charges Collected from Consumers amounting to **Rs 3.29 Cr** as per the audited statement of accounts is not included since the Commission has never considered surcharge as expenditure. It is therefore prayed before the Commission to kindly approve the Other Income as Rs 53.20 for true up of FY 2018-19 as computed above.

### **Commission's Analysis**

Commission approved other income at Rs.119.91 Crore in the ARR of FY 2018-19. Whereas the licensee has submitted total other income received at Rs.53.20 Crore which includes amortization grants, revenue grants for other expenditure and other

charges from consumers as shown in the table above (The other charges from consumers vide note no.18 amounted to Rs.15.71 Crore).

The Licensee has reported other income at Rs.99.45 Crore vide note no.19 of audited accounts.

The Licensee has submitted that, the other income towards refund of surcharge from NEEPCO amounting to Rs.65.76 Crore as per the audited SOA is not included as this relates to reconciliation of surcharge with NEEPCO, since commission had never considered surcharge as expenditure and the delayed payment charges collected from consumers amounting to Rs.3.29 Crore as per the audited SOA is not included, since the commission had never considered surcharge as expenditure, and requested to approve the other income at Rs.53.20 Crore for True up of FY 2018-19.

The delayed payment charges reported in the audited SOA for Rs.3.29 Crore is accountable as per clause 9.1 of Supply Code Regulations 2018.

The refund of surcharge from NEEPCO stated to be related to reconciliation is however, considered as such, and not included in other income for FY 2018-19.

Cross Subsidy Surcharge reported vide note no. 18.2 of SOA for Rs.26.59 Crore not included in other income is however deducted from Gross ARR Separately.

The Other Income apportionable from MeECL amounted at Rs.10.61 Crore as detailed the breakup in the table below.

**Table 32 : Approved Non Tariff and Other Income for True up FY 2018-19**

(Rs. Cr)

Sl.No	Particulars	For the Year ended 31 <sup>st</sup> March 2019
	<b>Non Tariff Income</b>	
1	Meter Rent	3,66,79,190.34
2	Reconnection fees	1,54,351.00
3	DPS Collected from Consumers	3,29,42,199.69
4	Rebates on Purchase of Energy	1,80,411.00
5	Other charges from Consumers	8,71,16,435.02
	<b>Sub Total-A</b>	<b>15,70,72,587.05</b>
	<b>Other Income</b>	
1	From Banks	1,61,91,186.00
2	From Others	96,237.00
3	Rental and Hiring Income	3,83,362.00
4	Discount received	-
5	Fees and Penalties	2,68,499.00
6	Sale of scrap, tender forms and others	4,48,200.00
7	Miscellaneous receipts	2,41,73,815.80
8	Amortization of Grants and subsidies	11,68,65,529.07
9	Revenue Grants for Other Expenditure	17,84,85,000.00

Sl.No	Particulars	For the Year ended 31 <sup>st</sup> March 2019
<b>10</b>	<b>Sub Total-B</b>	<b>33,69,11,828.87</b>
11	The Other Income from MeECL apportioned share reported in note no. 16 of audited accounts <b>(C)</b>	10,60,16,163.00
<b>12</b>	<b>Total (A+B+C)</b>	<b>60,00,00,578.92</b>

**Commission considers Non Tariff and Other income at Rs.60.00 Crore in True up for FY 2018-19.**

#### **Rebate for timely payment**

Regulation 36 of MSERC MYT Regulations 2014 reads-

*“For payment of bills of generation tariff or transmission charges through Letter of Credit or otherwise, within 7 days of presentation of bills, by the Generating Company or the Transmission Licensee, as the case may be, a rebate of 2% on billed amount, excluding the taxes, cess, duties, etc., shall be allowed. Where payments are made subsequently through opening of Letter of Credit or otherwise, but within a period of one month of presentation of bills by the Generating Company or the Transmission Licensee, as the case may be, a rebate of 1% on billed amount, excluding the taxes, cess, duties, etc., shall be allowed.”*

Rebate for timely payment of power purchase cost to the generators and Transmission licensees shall be deducted from the payables as per the Regulation 36 of MSERC MYT Regulations 2014.

Commission has adjusted 1% rebate from the power purchase bills and Transmission charges bills including supplementary bills as detailed below for FY 2018-19

Source	1% Rebate
NEEPCO	1.72
NTPC	1.17
OTPC	1.53
MePGCL	2.76
POSOCO	0.01
PGCIL	0.54
MePTCL	0.67
<b>Total</b>	<b>8.40</b>
<b>Less: Already shown as rebate income</b>	<b>0.02</b>
<b>Net Rebate to be deducted from Net ARR</b>	<b>8.38</b>

Whereas MePDCL has reported vide note.18 of SOA the rebate income on purchase of Energy at Rs.1,80,411/- as against Rs.8.40 Crore to be claimed as rebate on purchase of energy for FY 2018-19.

**Commission considers balance rebate shall be adjusted as other income from net ARR**

at Rs.8.38 Crore for True up of FY 2018-19.

#### 1.5.10 Revenue from Sale of Power

##### Petitioner's Submission

A summary of the revenue from sale of power as per Audited Accounts of MePDCL for FY 2018-19 has been given in the table below:

**Table 33 : Revenue from sale of power in FY 2018-19**

Particulars	Approved in TO Dated 31.03.2018	Actuals
Revenue from sale of power within state (including Assam) (Rs in Cr)	686.96	666.57
Revenue from sale of short-term surplus power outside state (Including Cross Subsidy Surcharge) (Rs in Cr)	558.87	189.93
<b>TOTAL (Rs in Cr)</b>	1245.83	856.50
Units sold within state (MU)	1015.62	1105.04
Units sold to others (MU) after grossed up.	1862.91	708.18

Revenue from sale of power outside the state as per SOA reported is Rs. 200.11. The Break up is shown in the table below:

Particulars	Amount in Cr
Inter-state sale of power to Assam for 0.47 MU	0.33
Unscheduled Interchange Sales Interstate billing on sale of Power to MPPL	48.00
Revenue on Sale of Power to APPCL and HPPC	141.24
NTPC RRAS	10.54
Total	200.11

Out of Rs. 200.11 Cr, Rs 10.18 Cr against RRAS is already considered in the power purchase cost of Bongaigaon power station above. Therefore Revenue from sale of power outside the state becomes Rs. 189.93 Cr and accordingly the total sale of revenue worked out to Rs 856.50 Cr.

MePDCL requested the Commission to allow the revenue at Rs.856.50 Crore as shown in the above tables.

##### Commission's Analysis:

Commission had estimated Revenue from Tariffs at Rs.686.96 Crore for FY 2018-19 for approved Energy sales of 1015.62 MU in the Tariff Order on 31.03.2018.

**The Licensee has achieved energy sales at 1105.04 MU and a Revenue of Rs.666.57 Crore is reportedly earned during the FY 2018-19. The average ABR works out to Rs.6.03ps/Kwh as against Rs.6.76 ps/Kwh approved in the Tariff Order to earn a Revenue of Rs.686.96 Crore for Energy sales of 1015.62 MU.**



**Though the sales are increased by 89 MU, Revenue is decreased by Rs.80.00 Crore over the estimated Revenue from Tariffs for not billing the approved Tariff rates.**

The licensee has reported revenue from sale of power at Rs.866.68 Crore excluding electricity duty for Rs.4.43 Crore vide note no.18 of audited accounts.

The Revenue includes RRAS adjusted in the power purchase bills of NTPC for Rs.10.18 Crore. Thus actual Revenue shall be Rs.856.50 Crore including Rs.188.33 Crore towards sale of surplus energy and Rs.0.36 crore accrued credit of NTPC RRAS.

The Licensee has submitted Revenue from sale of surplus power realized at Rs.189.93 Crore which include RRAS from NEEPCO for Rs.0.75 Crore and PGCIL STOA credit of Rs.0.50 Crore which is not related to Revenue from sale of surplus power as per the details given below.

Interstate sale of power to Assam	Rs. 33,28,279.00
UI Sales	Rs. 48,00,08,251.00
Interstate billing sale of power to MPPL, Revenue on sale of power to APPCL and HPPC	Rs. 1,41,24,02,885.00
<b>Total Sale of Surplus Power</b>	<b>Rs.189,57,39,415.00</b>
<b>Less: RRAS NEEPCO and PGCIL STOA Credit</b>	<b>Rs.1,24,79,570.00</b>
<b>Total</b>	<b>Rs.188,32,59,845.00</b>

The Revenue reported as RRAS NEEPCO and PGCIL STOA credit for Rs.1.25 Crore included in the UI sales amount of Rs.48.00 Crore.

Thus Revenue from Sale of surplus power shall be Rs.188.32 for sale of 633.73 MU reported in the note 18.3.1 of audited accounts.

**Table 34 : Breakup of Revenue from sale of power for True up FY 2018-19**

Sl. no	Particulars	Amount in Rs. Cr
1	Sale of power to Assam 0.47 MU	0.33
2	Revenue from UI sales	48.00
3	Revenue from Interstate billing on sale of power	141.24
	<b>Sub total</b>	<b>189.57</b>
4	<b>Add: NTPC RRAS</b>	<b>0.36</b>
5	<b>Add: Revenue from Sale of Power to the consumers within the state</b>	<b>666.57</b>
6	<b>Total Revenue from sale of power</b>	<b>856.50</b>

**Commission approves Revenue from Sale of Power at Rs.856.50 Crore for True up of FY 2018-19.**

#### **1.5.11 Aggregate Technical & Commercial (AT & C) Losses**

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

The total revenue billed for sale of power within the state is Rs. 666.57 crores,

which excludes the Electricity Duty billed and the revenue from sale of power outside state.

The revenue collected and AT&C loss for FY 2018-19 is calculated as shown below.

**Table 35 : AT&C Loss for FY 2018-19**

Particulars (MePDCL)	Amount in Cr
Opening balance of receivables from sale of power within the state*	386.08
Revenue from sale of power within the state in FY 2018-19	666.57
Total	1052.65
<b>Less:</b> Closing balance of receivables from sale of power within the state*	374.64
<b>Revenue realized in FY 2018-19 from sale of power within the state</b>	<b>678.01</b>
<b>Collection Efficiency</b>	<b>100.00%</b>
<b>T&amp;D losses</b>	<b>36.20%</b>
<b>AT&amp;C Losses</b>	<b>36.20%</b>

*\*As per Note 7 (a).3- Gross Trade Receivables of the accounts*

AT&C loss shows a reduction of 1.80% from 38.00% approved in the true up Order for the FY 2018-19.

MePDCL therefore requested the Commission to approve AT&C Loss at 36.20% and not to penalize on account of AT&C loss reduction.

### **Commission's Analysis**

The AT&C loss computation shall be arrived at in the Format D2 (A) as per the data available in the audited accounts.

Commission considers AT&C loss for FY 2018-19 based on the above stated data and T&D Losses at 36.20% as approved in the Energy balance.

### **Format-D2 (A)**

#### **Information regarding Distribution Loss and AT & C Loss of Licensee FY 2018-19**

Sl. No	Particulars	Calculation	Unit	Previous Years FY 17-18 (Actuals)	Current Year (R.E)
1	Generation (own as well as any other connected generation, net after deducting auxiliary consumption) within area of supply of DISCOM	A	MU	2488.89	2394.54
2	Input energy (metered import) received at interface points of DISCOM network	B	MU	2488.89	2394.54
3	Input Energy (metered Export) by the DISCOM at interface point of DISCOM network including balance surplus energy	C	MU	927.23	633.73
4	Total energy available for sale within the licensed area to the consumers of the DISCOM	D=B-C	MU	1561.66	1760.81

Sl. No	Particulars	Calculation	Unit	Previous Years FY 17-18 (Actuals)	Current Year (R.E)
5	Energy billed to metered consumers within the licensed area of the DISCOM	E	MU	1016.17	1104.56
6	Energy billed to unmetered consumers within the licenses area of the DISCOM	F	MU	-	-
7	Total Energy billed	G=E+F	MU	1016.17	1104.56
8	Amount billed to consumer within the licensed area of DISCOM	H	Rs.Cr	631.44	666.57
9	Amount realized by the DISCOM out of the amount Billed at H#	I	Rs.Cr	601.67	685.74
10	Collection efficiency (%) (=Revenue realized Amount billed)	$J=(I/H) \times 100$	%	95.28%	100.00%
11	Energy realized by the DISCOM	K=JXG	MU	968.21	1104.56
12	Distribution Loss (%)	$L=\{(D-G)/D\} \times 100$	%	34.93%	37.27%
13	AT&Loss (%)	$M=\{(D-K)/D\} \times 100$	%	38.00%	37.27%

The opening balance of receivables projected by the licensee are at Rs.386.08 Crore in the petition, whereas the closing balance considered in the trued down accounts for FY 2017-18 stood at Rs.393.81 Crore.

The Commission has considered Rs.393.81 Crore as opening balance of receivables and Revenue from sale of power at Rs. 666.57 Crore as approved in the table no.33 for computation of Performance of AT&C losses for FY 2018-19.

**Table 36 : Approved AT&C Loss for FY 2018-19**

Particulars	Amount
Opening balance of receivables as projected as on 31.03.2018 (Rs.Cr)	393.81
Revenue from sale of power within the state in FY 2018-19 (Rs.Cr)	666.57
<b>Total (Rs.Cr)</b>	<b>1060.38</b>
<b>Less:</b> Closing balance of receivables as at Note 7.(a).3 of SOA (Rs.Cr)	374.64
Revenue realized in FY 2018-19 from sale of power within the state (Rs.Cr)	685.74
Collection Efficiency (%)	100.00%
T&D losses (%)	37.27%
AT&C Losses (%)	37.27%

### **AT&C Loss Penalty**

Regulation 83.1 of MSERC MYT Regulations specifies that

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

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

**Commission considers the AT&C loss penalty as detailed in the table below**

**Table 37 : Calculation of AT&C Loss Penalty for FY 2018-19**

1	Actual AT&C loss for FY 2017-18	38.00%
2	Target level for FY 2018-19	35.00%
3	Actual AT&C loss for FY 2018-19 as per the Format D2(A)	37.27%
4	Short fall over the Targeted Level	2.27%
5	Total AT&C loss for FY 2018-19 MU (1104.56*2.27%)	25.07 MU
6	Average Unit cost of sale of power as per Reg.83.1	Rs.6.03/Kwh
7	Penalty to be levied on the short fall of AT&C loss energy	Rs.15.12 Cr

**Commission considers AT&C loss penalty at Rs.15.12 Crore to be appropriated from the Net ARR for FY 2018-19.**

## 2. Aggregate Revenue Requirement and Revenue Gap/Surplus for FY 2018-19

### Petitioner's Submission

The above section details the actual expense and revenue components along with the difference from the same with the approved figures of MSERC. The explanation for the difference in each of the component has also been provided as required.

MePDCL has also submitted the justification of each component being controllable or uncontrollable on part of MePDCL. Based on the above clause, the table below summarizes the Aggregate Revenue Requirement and Revenue Gap/Surplus for FY 2018-19 over and above the figures approved by the Commission in the Tariff order dated 31.03.2018

**Table 38 : Aggregate Revenue Requirement & Revenue Gap/ (Surplus) for FY 2018-19**

(Rs Cr)

Particulars	MePDCL Actuals	Approved in Tariff Order dated 31.03.2018	Loss/ (Gain)
Power Purchase Cost	825.51	1017.42	(191.91)
Transmission Charges (PGCIL)	54.28	194.00	(139.72)
Transmission Charges (MePTCL)	66.84	66.86	(0.02)
Employee Expenses	147.75	128.08	19.67
Repair & Maintenance Expenses	4.10	4.31	(0.21)
Administration & General Expenses (Including Bad Debt)	10.79	9.57	1.22
Depreciation	18.00	4.85	13.15
Interest and Finance Charges	73.79	7.60	66.19
Interest on Working Capital	26.10	18.48	7.62
Prior Period Charges /(Credits)	0.00	-	0.00
Return on Equity	118.38	26.22	92.16
<b>Total Expenses</b>	<b>1345.54</b>	<b>1,477.39</b>	<b>(131.85)</b>
Less: Non-Tariff Income	53.20	140.91	(87.71)
Less: R.E. Subsidy			
Less: Subsidy against Power Purchase			
Less: R.E. Subsidy Against Loss On Account Of Flood, Fire Cyclone Etc			
Less: Revenue Grant for Other Expenditure			
Less: Sale of Surplus Power including Cross Subsidy Surcharge	189.93	558.87	(368.94)
Less: Revenue from Sale of Power	666.57	777.61	(111.04)
<b>Net Gap / (Surplus)</b>	<b>435.84</b>	<b>-</b>	<b>435.84</b>

MePDCL requested the Commission to pass through gap of Rs. 435.84 Crore under the truing up of FY 2018-19.

**Commission's Analysis :**

The True up petition filed by MePDCL has been scrutinized after taking into account the Additional information/data, Audited accounts with reference to the MSERC MYT Regulations 2014, analyzed and admissible expenses have been approved and finalized ARR as depicted in table below for True up of FY 2018-19.

**Table 39 : Aggregate Revenue Requirement & Revenue Gap/ (Surplus) for True up of FY 2018-19****(Rs Cr)**

Sl. no	Particulars	MePDCL Actuals	Approved for True up
1	Power Purchase Cost	<b>825.51</b>	<b>690.23</b>
2	Transmission Charges (PGCIL)	54.28	52.11
3	Transmission Charges (MePTCL)	66.84	66.17
4	Employee Expenses	147.75	114.23
5	Repair & Maintenance Expenses	4.10	4.10
6	Administration & General Expenses (Including Bad Debt)	10.79	10.44
7	Depreciation	18.00	1.10
8	Interest and Finance Charges	73.79	9.58
9	Interest on Working Capital	26.10	16.81
10	Return on Equity	118.38	3.89
11	<b>Gross ARR (A)</b>	<b>1345.54</b>	<b>968.66</b>
12	<b>Less:</b> Non Tariff and Other Income (Note no.18,19 of SOA & Note no.16 of MeECL SOA) (15.71+33.68+10.61)		60.00
13	<b>Less:</b> R.E. Subsidy	<b>53.20</b>	-
14	<b>Less:</b> Subsidy against Power Purchase		-
15	<b>Less:</b> R.E. Subsidy Against Loss On Account Of Flood, Fire Cyclone Etc		-
16	<b>Less:</b> Balance rebate on Purchase of Energy		8.38
17	<b>Less:</b> Cost of Balance Surplus Energy of 57.15 MU at Rs.3.42 ps/kwh weighted Avg. power purchase Cost for FY 2018-19		19.55
18	<b>Less:</b> Cross Subsidy Surcharge (Note no.18.2 of SOA)	-	26.59
19	<b>Less:</b> Penalty for AT&C loss at Avg. cost of sale of power at Rs.6.03/Kwh (Rs.666.57/1104.56 MU)	-	15.12
20	<b>Less:</b> Sale of Surplus Power (note no.18 of SOA)	189.93	188.33
21	<b>Sub Total (12 to 20) (B)</b>		<b>317.97</b>
22	<b>Net ARR (A-B)</b>	<b>1102.41</b>	<b>650.69</b>

**Commission approves Net ARR at Rs. 650.69 Crore for True up of FY 2018-19.**

**Approved Revenue gap for FY 2018-19 True up**

**Table 40 : Computation of Revenue Gap/ (Surplus) for True up of FY 2018-19**

(Rs.Cr)

Particulars	Approved in T.O	MePDCL Actuals	Approved for True up of FY 18-19
Net ARR	777.61	1102.41	650.69
<b>Less: Revenue from Tariffs</b>	686.98	666.57	666.57
<b>Revenue Gap/(Surplus)</b>	<b>- 90.63</b>	<b>435.84</b>	<b>(15.88)</b>

**Commission approves Net Revenue Surplus at Rs. (15.88) Crore for True up of FY 2018-19 which shall be appropriated in the next Tariff Orders.**