

**MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION
SHILLONG**

CASE NO. 23/2021

In the matter of True-up of Transmission Business for FY 2018-19

AND

Meghalaya Power Transmission Corporation Limited (the Petitioner)

Coram

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

Shri Roland Keishing, Member

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 Transmission Corporation Limited (MePTCL) has started functioning as a segregated commercial operation utility independently for power transmission in the state of Meghalaya with effect from 1st April 2013.

The Commission in exercise of functions vested vide Regulation 16 of MSERC Multi Year Tariff Regulations 2014 dated 15.09.2014 had approved Aggregate Revenue Requirement (ARR) for the control period FY 2018-19 to FY 2020-21 and Transmission Tariff for FY 2018-19 in its order dated 31.03.2018.

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

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"

Accordingly MePTCL has filed petition for True-Up of Transmission Business for the FY 2018-19 on 07.10.2021. Commission admitted the petition on 11.10.2021 and registered as case no 23/2021.

The Commission taking into consideration of all the facts and after prudence check as per the Regulations with reference to the audited accounts, approves true up for FY 2018-19 in the detailed analysis attached to this order.

Commission notifies that the impact of true up gap/ surplus shall be appropriated in the ARR of the ensuing year for determination of Tariff.

Sd/-
Shri. Roland Keishing
(Member)

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

1. True up of Transmission Business for FY 2018-19

1.1 Performance Highlights

MePTCL submitted that it has inherited an ageing network from MeSEB which itself had inherited the network from Assam State Electricity Board (ASEB) in 1975. However, both 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 1 : Voltage wise Transmission Line details as on 31.03.2019

Details	Ckm (FY 2018-19)
400 KV Line	4.648 Km
220 KV Line	226.80 Km
132 KV Line	1115.64 Km

Table 2 : Sub Station Details as on 31.03.2019

Sl. No.	Voltage	Capacity (MVA)	Nos.	Total Capacity (MVA)
1	400/220/33 kV	315	2	630
2	220/132 kV	160	2	320
3	220/132 kV	100	2	200
4	132/33 kV	50	1	50
5	132/33 kV	25	3	75
6	132/33 kV	20	19	380
7	132/33 kV	12.5	2	25
8	132/33 kV	10	1	10
9	132/33 kV	5	1	5
10	132/11 kV	10	2	20
	Total			1715

It is also submitted that 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 during the years FY 2016-17 to FY 2018-19 is given in the table below:

Table 3 : System Availability of MePTCL for FY 2016-17 to FY 2018-19

Details	2016-17	2017-18	2018-19
System Availability	95.62	96.85	97.70

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

Commission's Analysis

Network Data

Commission has observed that the length of lines of 400 KV is 4.648 Ckm and 220 KV is 226.80 Ckm remain more or less the same, but the transformation capacity reported as 1715 MVA as against 1650 MVA (2017) filed in the tariff petition for FY 2018-19. It is observed that there is a spurt in the 132 KV line length at 1115.64 Circuit KM compared to the data filed at 995.564 Circuit KM (2017) in the True up petition for FY 2018-19.

The Network data as filed for Tariff Order as on 2017 and filed for True up of FY 2018-19 is as depicted below.

Particulars	Quantity filed for ARR and Tariff as on 2017	Quantity filed for True up FY 2018-19
400 KV length of line in CKM	4.428	4.648
220 KV length of line in CKM	226.84	226.80
132 KV length of line in CKM	995.564	1115.64
Transformation capacity	1650.00	1715.00
No. of Grid Sub Stations (2017)	17	-Not filed-

MePTCL shall maintain asset wise records and submit to the commission.

MePTCL shall reconcile the Network Data as required for computation of O&M expenses called for in the prescribed format by the commission.

System Availability

Regulation 70.3 of MSERC MYT Regulations 2014 specifies *“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%.”*

Whereas MePTCL has submitted System Availability for FY 2018-19 as 97.70% which is marginally lower by 0.30% than the minimum NATAF of 98% stipulated.

Commission directs the licensee to file the detailed computation of system availability factor for consideration of performance levels and admission of the full transmission charges in the True up exercise as per the Regulation in the future petitions.

1.2 Background

MePTCL has submitted that the power transmission in the state of Meghalaya is carried out by Meghalaya Power Transmission Corporation Limited (MePTCL), a wholly owned subsidiary of Meghalaya Energy Corporation Limited (MeECL).

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 MePTCL and MeECL are available, and as such, MePTCL is claiming the truing up of ARR of FY 2018-19 based on the actual figures as per the audited account statements with necessary justifications as required. Copy of the Audited Statement of Accounts and Statutory Audit Report of MePTCL and MeECL for FY 2018-19 are appended to the petition.

MePTCL has also submitted that the Annual Fixed Charges of MePTCL are computed and arrived at net Gap/ Surplus of the AFC components. Further, MePTCL has considered equal proportion of AFC components of the holding company MeECL among the three successor companies i.e. 1/3rd each in MePGCL, MePTCL and MePDCL.

In accordance with the MSERC Tariff Regulations, 2014, the Annual Fixed charges for transmission of electricity shall comprise of the following components:

1. Return on Equity
2. Operation and Maintenance Expenses
3. Interest on Loan Capital
4. Interest on Working Capital
5. Depreciation
6. Taxes on Income.

Commission's Analysis

The ARR and Tariff Order for FY 2018-19 was approved based on the actual of FY 2013-14 in the absence of audited accounts for previous years from FY 2014-15 onwards.

The filing of True up petition for FY 2018-19 has been unduly delayed (i.e October 2021) Commission considers true up of ARR components for FY 2018-19 shall be reckoned based on the Trued up figures up to FY 2017-18.

1.3 Gross Fixed Assets

Commission had approved/estimated Gross Fixed Assets of MePTCL in the Tariff Order for FY 2018-19 considering the projections made in the petition as detailed below.

Table 4 : GFA approved for FY 2016-17 to FY 2018-19

(Rs. Cr)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19
Opening GFA	422.95	427.30	567.33
Additions during the Year	4.35	140.03	172.76
Retirements during the Year	-	-	-
Closing GFA	427.30	567.33	740.09

As against the above approved/estimated GFA, the actual approved value for True up is considered as stated in the table below.

Commission had considered the GFA as on 31.03.2018 at Rs.440.01 Crore based on the audited accounts vide note no.01 in the True up orders approved for FY 2017-18.

The closing GFA arrived at Rs.440.01 Crore for FY 2017-18 (as on 31.03.2018) has been computed considering the opening GFA approved in the Transfer Scheme 2010 effective from 01.04.2012 and subsequent additions. These values shall not be altered in the Regulatory process without the Government notifications.

Table 5 : GFA approved for True up for FY 2018-19

(Rs. Cr)

Particulars	FY 2016-17 (Approved)	FY 2017-18 (Approved)	FY 2018-19 (Considered for True Up)
Opening GFA	422.95	427.30	440.01
Additions during the Year	4.35	12.72	21.23
Retirements during the Year		-	-
Closing GFA	427.30	440.01	461.24

The approved GFA shall be considered for computation of Debt Equity Ratio, Return on Equity, Depreciation and Interest on capital loans etc., in the True up exercise for FY 2018-19.

2. Return on Equity

Petitioner's Submission

The Commission had allowed an amount of Rs. 23.28 crores as Return on Equity for FY 2018-19 based on the opening equity for the year as per 'The Meghalaya Power Sector Reforms Transfer Scheme 2010'. This was taken as provisional value subject to correction when audited accounts are available.

However, the actual closing equity component (paid up capital + equity share pending

allotment) as per the audited accounts of MePTCL for FY 2018-19 is Rs. 425.59Crores. Similarly, the opening equity capital as per audited accounts for FY 2018-19 is Rs 423.82Crores. As such, the average equity capital for FY 2018-19, for calculation of RoE, works out to be Rs.424.71 crores.

It may be noted that, for the first year of operation, the equity component appearing in the balance sheet as per the transfer scheme is to be considered for computation of Return on Equity but now, the equity should be considered based on the actual equity (including share application money pending allotment) reflected in audited statement of accounts. Moreover, the Commission had approved only provisional values subject to correction at the time of audited accounts reflecting the size of equity.

Based on these submissions, the true up of Return on Equity comes up to be as shown below:

Table 6 : Return on Equity Projected for FY 2018-19

(Rs. Cr)

Particulars	Actual of MePTCL (Note 10 & 11 of MePTCL)
Opening Equity (Shareholders Eq. +Pending Allotment)	423.82
Closing Equity (Shareholders Eq. +Pending Allotment)	425.59
Avg. Equity considered for true up	424.71
RoE (%)	14%
Return on Equity (in Rs. Cr.)	59.46
Equity Approved in T.O	23.28
Gap/(Surplus)	36.18

MePTCL requested the Commission to allow the ROE as projected in the table above.

Commission's Analysis

Regulation 31.1 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.”*

The Claim of the licensee vide table no.4 of the petition for Return on Equity at Rs.59.46 Crore projecting the opening equity at Rs.423.82 Crore has no relevance to the books of accounts nor the basis for projecting the equity available with the licensee.

Whereas MePTCL has reported the opening GFA at Rs.352.62 Crore as on 01.04.2018 vide note no.02 of audited accounts with an addition of assets during the FY 2018-19 for Rs.21.23 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 Regulation of the expenditure in the True up exercise of the business carried out by the licensee during FY 2018-19 as per the Regulations.

The Govt. Grants and contributions amounted at Rs.46.40 Crore reported vide note no.11.4.1 and 13.1 of SOA.

Commission considers the Return on Equity claim as per the Regulation 31.1 of MSERC MYT Regulations 2014 as depicted below.

Table 7 : Approved Return on Equity for True up FY 2018-19

(Rs. Cr)

Particulars	Now approved for True up of FY 2018-19
Opening GFA as on 31.03.2018	440.01
Additions during the FY 2018-19	21.23
Closing GFA as on 31.03.2019	461.24
Average GFA	450.63
Less: Grants & Subsidies available (Note no.11.4.1 & 13.1 of SOA)	46.40
Net Asset Cost	404.23
70% considered Debt	282.96
30% Considered Equity for FY 2018-19	121.27
Equity Considered for FY 2017-18 (as per True up of FY 2017-18)	120.60
Average Equity (120.60+121.27)/2	120.94
Rate of return on equity	14%
Return on Equity	16.93

Commission approves Return on Equity at Rs. 16.93 Crore for True up of FY 2018-19.

3. Operation and Maintenance

Petitioner's Submission

The Commission has approved the Operation and Maintenance expenditures under the following heads:

- **Employee Expenses**
- **Repair and Maintenance Expenses**
- **Administrative and General Expenses**

In the absence of audited accounts, the Honorable Commission while passing the Tariff Orders considered only provisional/pre-audited figures of O&M cost heads. Now, since the audited accounts are available, the Petitioner submits before the Honorable Commission, the actual audited figures for trueing up.

3.1 Employee Expenses

The actual employee expenses incurred by MePTCL in FY 2018-19 as per the audited accounts are Rs.74.74 crores as shown below. The detailed breakup of the apportioned amount of Employee Benefit Expenses (from Holding Company) is as follows:

Table 8 : Employee expense claimed for True up of FY 2018-19

(Rs. in Crore)

Employee expense for FY 2018-19 (Note 18 MeECL + Note 23 MePTCL)	
Particulars	Amount
Salaries and wages	23.66
Contributions to provident and other funds	0.535
Staff Welfare Expenses	0.01
Apportionment of Employee Benefit Expenses (from Holding Company)	45.47
Total Employee Expense of MePTCL	69.67
1/3 rd Employee Expenses of MeECL (actual)	5.07
Net Actual Employee Expense for True up	74.74

The petitioner requested the Commission to allow and pass this gap appropriately.

The detailed breakup of the Apportioned amount of Employee Benefit Expenses (from Holding Company) is as follows:

Table 9 : Apportionment of Holding Employees Cost for the FY 2018-19

(Rs in Crore)

Particulars	A	B	C	D = (A +B+C)	E	F (D + E)
	MePGCL	MePTCL	MePDCL	Sub Total	MeECL	Grand Total
Pay & Allowances expenses	11.87	11.87	11.87	35.61	3.96	39.56
Staff Welfare expenses	0.01	0.01	0.01	0.03	0.00	0.03
Corporation Contribution to CPS Fund	0.07	0.07	0.07	0.22	0.02	0.24
Ex-Gratia payment	0.00	0.00	0.00	0.01	0.00	0.01
Pension & pension related expenses	33.52	33.52	33.52	100.55	11.17	111.72
TOTAL	45.47	45.47	45.47	136.40	15.16	151.56

3.2 Repair and Maintenance Expenses

The actual R&M expenses incurred by MePTCL in FY 2018-19 as per the audited accounts are Rs. 5.50 crore as shown below.

Table 10 : R&M expense claimed for True up of FY 2018-19

(Rs. in Crore)

Details of R&M Expense for FY 2018-19 (Note 21 MeECL + Note 26 MePTCL)	
Particulars	Amount (Rs. Crores)
Buildings	0.024
Plant and Equipment	0.705
Hydraulic works	
Civil Works	0.017
Lines & Cables	4.17
Vehicles	0.03
Furniture and Fixtures	0.002
Office equipment	0.55
CPS (Annual Maintenance Fees)	
R&M Expense	5.50
1/3 rd R&M Expenses of MeECL (actuals)	0.10
Total R&M Expense (MePTCL+1/3rd MeECL)	5.60

The petitioner requested the Commission to allow adjustment of this deviation appropriately.

3.3 Administrative and General Expenses

The actual A&G expenses excluding bad debts incurred by MePTCL in FY 2018-19 as per the audited accounts is Rs. 3.11 crore as shown below:

Table 11 : Details of A&G Expenses projected for FY 2018-19

(Rs. in Crore)

Details of A&G Expenses for FY 2018-19 (Note 21 MeECL + Note 26 MePTCL)	
Particulars	Amount
Insurance Charges	0.35
Rent, Rates and Taxes	0
Telegram, Postage, Telegraph and Telex charges	0.04
Training, conveyance and vehicle running expenses	1.45
Printing and stationery expenses	0.10
Auditors' remuneration	0.04
Consultancy Charges	0
Franchisee Commission	0
Books & Periodicals	0
Fees and subscription expenses	0
Advertisement charges	0.15
Technical Fees	0
Legal and professional charges	0.03
Meghalaya State Electricity Regulatory Commission (MSERC) Fees	0.05
Electricity and Water Charges	0
Bank Charges	0
Entertainment expenses	0
Miscellaneous expenses	0.02
Freight Charges	0
Loss on Investments	0
A&G Expense	2.14
1/3 rd A&G Expenses of MeECL (actuals)	0.97
Total A&G Expense (MePTCL+1/3rd MeECL)	3.11

The petitioner requested the Commission to adjust the deviation accordingly.

3.4 Overall Claim of O&M Expenses

Based on above submission of different heads of O&M expenses, the total claim in true up for FY 2018-19 is Rs.83.43 crore based on audited account.

The Commission has approved Rs.62 crore in tariff order of MePTCL for FY 2018-19.

Table 12 : Details of O&M Expenses claimed for FY 2018-19**(Rs.Cr)**

O&M Expenses considered for True up FY 2018-19	
Total Claim in True up FY 2018-19	83.43
Approved in T.O FY 2018-19	62.00
Gap	21.43

The petitioner requested the Commission to adjust the deviation accordingly.

Commission's Analysis

Regulation 69.1 specifies that 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 Expense*

Regulation 69.3 specifies - 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 Licensee has claimed O&M expenses at Rs.83.43 Crore which includes Rs.45.47 Crore towards apportionment of employee benefit expenses from holding company and R&M and A&G expenses for Rs.8.71 Crore for True up of FY 2018-19.

Commission had considered the O&M expenses for the 2nd MYT Control period FY 2018-19 to FY 2020-21 and provisionally for FY 2018-19 at Rs.62 Crore in the absence of the audited results and the norms of O&M expenses based on the Transmission network data.

The Licensee was directed to submit the Transmission Network data for determination of O&M expenses by fixing the base year norms. But the network data filed by the licensee was inconsistent and does not provide the basic data to be considered for fixation of base year norms.

Actual Employee cost for FY 2018-19 is reported to be at Rs.24.28 Crore vide note no.23 of SOA and R&M and A&G expenses reported at Rs.7.73 Crore vide note no.26 of SOA (excluding SLDC charges separately allowed for Rs.1.20 Crore for MePTCL).

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.”

The licensee 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.45.47 Crore in the commission’s letter dated 15.12.2021.

MePTCL has submitted the breakup figures in their letter dated 20.12.2021 as detailed below.

FY 2018-19	Serving Employees	Retired Employees	Total
Monthly Salary of Serving Employees (Rs.Cr)	11.87	-	11.87
Contribution to NPS (Rs.Cr)	0.07	-	0.07
Monthly pension and terminal benefits payable (Rs.Cr)	-	33.52	33.52
Total (Rs.Cr)	11.94	33.52	45.46

Commission considers that the pension and terminal benefits included in the apportionment from Holding company for Rs.33.52 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 contribution to NPS for Rs.11.94 Crore shall however be apportioned to O&M expenses of MePTCL for True up of FY 2018-19.

The actual Employee expenses of Holding Company MeECL reported to be Rs.15.21 Crore vide note no.18 and 21 of SOA. The R&M and A&G expenses are reported at Rs.3.23 Crore. 1/3rd of these O&M expenses also apportioned to the MePTCL O&M expenses for True up of FY 2018-19 as depicted in the table below.

Table 13 : Approved O&M expenses for True up of FY 2018-19

(Rs. in Crore)

Particulars	MePTCL	1/3 rd MeECL	Total
Employee expenses	24.28	5.07	29.35
Salary of Serving Employees and welfare exp incl. contribution to PF	-	11.95	11.95
R&M & A&G exp	7.73	1.08	8.81
Total	32.01	18.10	50.11

Commission approves the O&M expenses at Rs.50.11 Crore for True up of FY 2018-19.

4. Interest and Finance charges

Petitioner's Submission

The Commission had approved an amount Rs. 0.59 Crore as interest on loans for FY 2018-19 vide its Tariff Order.

However, the actual Interest expenses on term loans incurred by MePTCL in FY 2018-19 as per the audited accounts is Rs. 10.64 crores and 1/3rd of MeECL is Rs. 6.76 crores.

Thus, the actual interest expenses incurred by the petitioner is Rs. 17.40 crores against figures approved by the Commission. These are legitimate expenses incurred on the loans taken from the Government of Meghalaya and other financial Institutions for capital expenditure. Details of Statement of Loans and break up of State Government Loans have been provided as Annexure D and Annexure E respectively to the petition.

MeECL has availed a special term loan of Rs.250 Crores from REC Ltd on 31.03.2017 which was utilized for closure of loans, repayment of principal and payment of interest on loans availed by the subsidiary companies, with the objective that this loan would be treated as an advance made by the Holding Company towards its subsidiary

companies. This Loan availed by MeECL for MePTCL is Rs.57.61 Crores. A copy of the Relevant Extract of the Minutes of the 66th Meeting of the Board of Directors of MeECL held on 24.11.2017 Resolution No. 20(V) is attached as ANNEXURE – F to the petition. Therefore, the petitioner prays to the Commission to pass on the gap as per the table below.

Table 14 : Interest & Finance Charges projected for FY 2018-19

(Rs. in Crore)

Details of Interest & Finance Charges claimed for FY 2018-19 (Note 24 of MePTCL + 19 of MeECL)	
Particulars	Amount
Interest	
To related party (Meghalaya Energy Corporation Limited, i.e., Holding Company)	4.82
To Others	5.82
Total Finance Charges (MePTCL)	10.64
1/3 rd Apportioned Finance Charges from MeECL	6.76
Net Interest and Finance Charges	17.40
Approved in T.O.	0.59
Additional Claimed in True Up (Surplus)/Gap	16.81

Commission's Analysis

The regulation 32.1 read with regulation 27.1 specifies 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;

“The Interest and finance charges attributable to capital work in progress shall be excluded.

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

Commission had considered the capital loans drawn from the REC at 11% and the state govt. loan at 9.31% in the True up of FY 2017-18.

The licensee has not drawn any fresh loans during the FY 2018-19 except loan from MeECL holding company for Rs.3.10 Crore which shall not be admissible as the loan was

availed to meet the cash gap as per the note no.10 of the audited SOA.

- Repayment of the outstanding REC loan is considered at Rs.1.34 Crore as shown in the note no.12 of audited SOA.
- Repayment of state govt. loan is considered at Rs.4.06 Crore as shown in the note no.12 of audited SOA.
- The Closing balance of loan considered in the True up of FY 2017-18 is considered as opening loan balance for FY 2018-19.

The outstanding loan profile approved in the FY 2017-18 is carried forward for admission of repayment during the FY 2018-19 in the table below for computation of interest expense.

Table 15 : Approved Interest and Finance charges for True up of FY 2018-19

(Rs. in Crore)

Sl. No	Particulars	REC of BIA 400/200 KV	State Govt Loan	Total	Interest allowed	Weighted Average of Interest
1	Opening balance	10.85	27.24	38.09		
2	Additions during the year	--	--	0.00		
3	Repayment in default	1.34	4.06	5.40		
4	Closing balance	9.51	23.18	32.69		
5	Average Loan	10.18	25.21	35.39		
6	Rate of Interest	11.00%	9.31%			9.81%
7	Interest payable	1.12	2.35		3.47	
8	Total Interest					

Commission approves interest and finance charges at Rs.3.47 crore for True up of FY 2018-19.

5. Interest on Working Capital

Petitioner's Submission

Interest and financial charges are claimed as per the working capital norms prescribed in Tariff regulations. As per MSERC Tariff Regulations, 2014, working capital of transmission licensee would comprise the following:

- O&M Expense for one month
- Maintenance spares at the rate of 1% of the historical cost escalated at the rate of 6% per annum from the date of commercial operation and;
- Receivables equivalent to two months transmission charges calculated on target

availability level.

Furthermore, the Regulations specify that the rate of interest on working capital would be the short term prime lending rate of State Bank of India on 1st April of the year for which the petition is being filed (i.e.2018-19).

Based on these provisions, the approvals of the Commission in its Transmission Tariff order for FY 2018-19 vis-à-vis the petitioner's submissions (including apportioned amounts of MeECL) for true up are summarized in the table below:

Table 16 : Interest on Working Capital projected for True up of FY 2018-19

(Rs. in Crore)

Sl. No.	Particulars	Amount
1	O&M expenses for 1 month	6.95
2	1% Maintenance spares on opening GFA escalated at 6%	4.78
3	Receivables for 2 months	24.42
4	Total working capital (1+2+3)	36.15
5	SBI short term PLR	14.05%
6	Interest on working capital at 14.05%	5.08
7	Approved in T.O.	3.82
8	Gap/(Surplus)	1.26

The interest on working capital computed based on the audited figures of the petitioner is higher than the provisionally approved figures by Rs. 1.26 Crores.

The petitioner requested the Commission to allow this gap of Rs.1.26 Crore appropriately.

Commission's Analysis

Regulation 34.2 stipulates the following components shall be considered for computation of Interest on working Capital for transmission utility.

- *O&M expenses for one (1) month*
- *Maintenance spares at 1% of the historical cost escalated at 6% from the date of commercial operation; plus*
- *Receivables equivalent to two (2) months of transmission charges calculated on target availability level.*

Commission considers computation of interest on working capital as depicted in the table below:

Table 17: Approved Interest on Working Capital for True up of FY 2018-19**(Rs. Cr)**

Sl. No.	Particulars	Amount
1	O&M expenses for 1 month (Excl. MeECL) (32.01/12)	2.67
2	1% Maintenance spares on opening GFA escalated at 6%	4.66
3	Receivables for 2 months	10.48
4	Total working capital (1+2+3)	17.81
5	SBI Short term PLR as on 1st April 2018	13.45%
6	Interest on working capital (4*5)	2.40

Commission approves Interest on working capital at Rs.2.40 Crore for true up of FY 2018-19.

6. Depreciation

Petitioner's Submission

The Commission in its Transmission Tariff Order had allowed Rs. 8.89 crores as depreciation.

However, based on the audited statement of accounts for FY 2018-19, the net depreciation of MePTCL along with one-third of the audited depreciation of MeECL (the holding company) is arrived at Rs. 23.11 Crores. Therefore, the petitioner requests the Commission to pass on the gap as per the table below:

Table 18 : Depreciation projected for True up of FY 2018-19

Depreciation claimed for MePTCL in FY 2018-19 (Note 2 MePTCL & MeECL)	
Particulars	Amount (in Rs. Cr.)
Land	0
Buildings	0.48
Plant and Equipment	7.86
Furniture and Fixtures	0.05
Vehicles	0.07
Office equipment	0.35
Bearer Plants	0.00
Others:	0.00
Hydraulic Works	0.05
Other Civil Works	0.36
Lines and Cable Network	13.81
Assets under lease	0.00
Total Depreciation MePTCL	22.94
Apportioned Depreciation from MeECL	0.17
Total	23.11
Approved in T.O	8.89
Gap/(Surplus)	10.73

Commission's Analysis

As per Regulation 33 of MSERC MYT Regulations,

"The asset value for the purpose of depreciation shall be the historical cost of the assets as approved by the Commission where:

Consumer contribution or capital subsidy/ grant etc shall be excluded from the asset value for the purpose of depreciation.

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.

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."

Whereas the licensee has reported that, It has adopted the cost model of recognition under Ind AS 16 to measure the Property, Plant and equipment in the audited accounts.

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 life of the Transmission assets as notified by the CERC is 25 years. The assets existed in the erstwhile state of Assam inherited in 1975.

The licensee shall identify age old assets whose life term has been completed and ensure to remove the value from the books of accounts, so that substantial amount of depreciation and ROE may be reduced in the ARR and Tariffs.

The approved Gross fixed assets in the Transfer Scheme 2010 shall not be altered for reporting purpose without the Government notifications.

The Commission had adopted the historical value of the assets considered for FY 2017-18 which is reproduced below.

Table 19 : Details of Assets for FY 2017-18**(Rs.Crore)**

Particulars	Opening Bal as 01.04.2017	Additions	Retirements	Closing Bal as on 31.03.2018
Land	4.09	-	-	4.10
Buildings	12.95	1.08		14.03
Plant and Equipment	151.08	0.61		151.69
Furniture and Fixtures	0.87	0.002	0.0004	0.87
Vehicles	0.03	0.07	-	0.10
Office Equipment	0.36	5.16	0.0005	5.52
Hydraulic works	0.09	-	-	0.09
Other Civil works	10.49	0.11	-	10.60
Lines and Cable Network	247.32	5.69		253.01
Total	427.29	12.72	0.0009	440.01

The Commission, accordingly, computed the depreciation for FY 2018-19 considering the closing balance as on 31.03.2018 and additions of assets reported during the FY 2018-19 as given in the Table below:

Table 20 : Computation of Depreciation for FY 2018-19**(Rs. in Crore)**

Particulars	Opening Bal as 01.04.2018	Additions	Retirements	Closing Bal as on 31.03.2019	% of Dep	Amt of Dep
Land	4.10			4.10	-	-
Buildings	14.03	0.77	-	14.80	3.34	0.43
Plant and Equipment	151.69	1.25		152.94	5.28	7.24
Furniture and Fixtures	0.87	0.02		0.89	6.33	0.05
Vehicles	0.10	-	-	0.10	9.50	0.008
Office Equipment	5.52	0.10		5.62	6.33	0.32
Hydraulic works	0.09			0.09	5.28	0.004
Other Civil works	10.60	0.15		10.75	3.34	0.32
Lines and Cable Network	253.01	18.94		271.95	5.28	12.47
Total	440.01	21.23		461.24		20.84

Table 21: Approved Depreciation for FY 2018-19**(Rs. in Crore)**

Sl. No.	Particulars	Now approved for true up of FY 2018-19
1	Opening GFA (excl land cost)	435.91
2	Additions during the year	21.23
3	Closing depreciable value of GFA (excl land cost)	457.14
4	Average value of GFA (1+3)/2	446.53
5	90% of Assets Considered for Depreciation	401.87

Sl. No.	Particulars	Now approved for true up of FY 2018-19
6	Depreciation as per Regulation (as per Table no.20)	20.84
7	Average rate of Depreciation	5.19%
8	Less: Depreciation on Grants and Contributions (46.40*5.19%)(Note no.11.4.1 & 13.1 of SOA)	2.41
9	Net Depreciation (Sl.no.6 – Sl.no.8)	18.43
10	Add: 1/3 rd Depreciation on MeECL assets	0.17
11	Total Depreciation	18.60

Commission approves depreciation at Rs.18.60 Crore for True up of FY 2018-19.

7. SLDC Charges

Petitioner's Submission

The Commission, in the Transmission Tariff Order dated 31.03.2018 had allowed an amount of Rs. 1.21 crore as SLDC charges to be recovered by the transmission licensee in FY 2018-19. Based on actual, MePTCL adheres to the approved charges in the petition.

Commission's Analysis

As per Regulation 59 of MSERC Regulations 2014-

"Connectivity charges and SLDC charges as determined by the Commission shall be considered as expenses. SLDC and transmission charges paid for energy sold outside the state shall not be considered as expenses for determining generation tariff."

Commission had approved SLDC expenditure at Rs.2.42 Crore in the ARR for FY 2018-19. 50% of the SLDC ARR for Rs.1.21 Crore has to be borne by the Transmission utility as expense.

Accordingly SLDC expenditure claimed by MePTCL is approved at Rs.1.21 crore for True up of FY 2018-19.

8. Income from Operations

Petitioner's Submission

The Commission in the Transmission Tariff Order dated 31.03.2018 had approved an amount of Rs.99.79 Crores to be recovered by the licensee through tariff in FY 2018-19

The actual revenue recovered by the licensee from transmission operations in the FY 2018-19 is Rs. 113.46 Crores as per the Note 20 of audited statement of accounts of

MePTCL. The details are shown below:

Table 22 : Approved ARR vrs Actual Revenue from Operations

(Rs.in Crore)

Sl.	Particulars	MePTCL (Actuals)
1	Wheeling Charges from MePDCL	96.67
2	SLDC charges from MEPGCL	1.20
3	SLDC from MePTCL	1.35
4	STU and Open Access Charges	5.53
5	SLDC charges	0.46
6	PoC Charges from PGCIL	8.25
7	Total Annual Revenue from Operations	113.46
8	Approved ARR	99.79
9	Surplus (7-8)	13.67

Commission's Analysis

Commission had estimated Gross ARR at Rs.99.79 Crore and Net ARR at Rs.66.86 Crore after deducting Non Tariff income for Rs.30.51 Crore and Rs.2.42 Crore SLDC ARR for FY 2018-19 in the Tariff Order dated 31.03.2018.

The Licensee has reported Revenue from operations at Rs.96.67 Crore (received from MePDCL) vide note no. 20 of audited accounts for FY 2018-19. It is stated that the Revenue includes related to FY 2017-18 recognized during FY 2018-19.

It is to be reiterated that commission had notified in the true up orders for FY 2017-18 to the effect that the accounting principles of power utilities shall be on accrual basis, not on actual realization.

Licensee had disclosed non tariff and other income in the note no.20 including SLDC charges received from MePGCL and other open access, POC charges and ISTS revenue amounting to Rs.16.79 Crore.

The SLDC charges and other income has been segregated from the Note no.20 and shown as Non Tariff and Other income in the following paragraph, while considering the Revenue from Operations at Rs.96.67 Crore for True up of FY 2018-19.

Accordingly Commission approves Revenue from operations at Rs.96.67 Crore for True up of FY 2018-19.

9. Non Tariff and Other Income

Petitioner's Submission

The Honorable Commission, in its Transmission Tariff Order had provisionally approved an amount of Rs. 30.51 crore to be earned by the licensee from sources other than

tariff.

However, as per the audited statement of accounts, the actual non-tariff income earned by the licensee comes up to be Rs. 11.62 Crores, the details of which is as shown below:

Table 23 : Other Income details projected

(Rs. in Crore)

Other income for MePTCL in FY 2018-19 (Note 21 MePTCL)	
Particulars	Amount
A: Non-Tariff Income (Note 21)	
Interest Income (From Banks)	0.71
Rental and Hiring Income	0.13
Discount Received	0.02
Fees and Penalties	0.09
Miscellaneous receipts	0.31
Amortization of Grant	1.64
B: Other Operating Revenue (Note 20)	
Transmission and Operating Charges	
STU and Open Access Charges	5.53
SLDC Charges from MePGCL	1.20
Point of Connection Charges (Inter State Transmission System, ISTS) from Power Grid Corporation of India Limited, PGCIL	8.25
Total Other Income (MePTCL) (A+B)	17.88
Approved in T.O.	30.51
Claimed in True Up (Surplus)/Gap	(12.63)

Based on the above submission, MePTCL requested the Commission to adjust the above deviation accordingly.

Commission's Analysis

Commission had estimated Non tariff income at Rs.30.51 crore for ARR and Tariff Order for FY 2018-19 in the Tariff Order dated 31.03.2018.

The licensee has reported non tariff and other income of Rs.19.71 Crore vide note no.20 and 21 of audited SOA as depicted in the table below:

Apportionment of 1/3rd of Other Income from MeECL is reported at Rs.5.21 Crore vide note no.16 of SOA as detailed below.

Table 24 : Approved Non Tariff and Other Income for FY 2018-19

Particulars	Amount in Rs
Non Tariff Income as per Note no.20	
Meghalaya Power Generation Corporation Limited (MePGCL)	1,20,00,000.00
State Load Dispatch Center Charges (SLDC) from the Company	1,35,46,500.00
State Transmission Utility (STU) and Open Access Charges	5,52,65,956.44
State Load Dispatch Center (SLDC) Charges	45,50,000.00

Point of Connection charges (Inter State Transmission System, ISTS) from Power Grid Corporation of India Limited, PGCIL	8,25,16,667.00
Total (A)	16,78,79,123.44
Other Income as per Note no.21	
Interest Income (from Banks)	71,00,235.00
Rental and Hiring Income	13,57,976.00
Discount Received	1,80,424.00
Fees and Penalties	9,47,684.00
Miscellaneous receipts	31,86,640.34
Amortization of Grant	1,64,09,298.00
Total (B)	2,91,82,257.34
Total (A+B)	19,70,61,380.78
Other Income from MeECL (Note no.16 of SOA)(C)	5,21,33,391.57
Total (A+B+C)	24,91,94,772.35

Commission approves Non Tariff and Other income at Rs.24.92 Crore for True up of FY 2018-19.

10. Aggregate Revenue Requirement and Revenue Gap/Surplus for True up of 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.

MePTCL has also submitted the justification of each component being controllable or uncontrollable on the part of MePTCL. 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 Honorable Commission in the Tariff orders dated 30.03.2018.

Table 25 : Aggregate Revenue Requirement and Revenue Projected
(Rs. in Crore)

ARR claimed in True Up for FY 2018-19				
Sl.	Particulars	MSERC Approved (FY 2018-19)	MePTCL (Actuals)	Gap / (Surplus)
1	Return on Equity (RoE)	23.28	59.46	36.18
2	Operation and Maintenance Expenses	62.00	83.43	21.43
3	Interest and Finance charges	0.59	17.40	16.81
4	Interest on Working Capital	3.82	5.08	1.26
5	Depreciation	8.89	23.11	14.22
6	SLDC charges	1.21	1.21	0.0
7	Prior Period expense	0	0	0
8	Total Annual Expenditure	99.79	189.69	89.90
9	Less: SLDC ARR	2.42	2.40	(0.02)
10	Less: Other Income	30.51	17.88	(12.63)
11	Gross Annual Expenditure	66.86	169.41	102.54

Commission's Analysis

Commission has examined the claim of the licensee for True up with reference to the audited accounts of FY 2018-19 and the expenditure admissible as per the MSERC MYT Regulations 2014 is allowed after Prudence check and approved for True up for FY 2018-19 as depicted in the table no.26.

Gap/Surplus from True up Order of FY 2016-17 review dated 31.03.2021

Commission had passed Review of True up orders for FY 2016-17 on 31.03.2021 and approved ARR with a surplus of Revenue for Rs.0.10 Crore to be appropriated in the subsequent true up orders.

The Revenue surplus approved for FY 2016-17 in the Review True up Order dated 31.03.2021 for Rs.0.10 Crore is now appropriated.

Commission considers adjustment of the above surplus for Rs.0.10 Crore in the True up orders of FY 2018-19.

Table 26 : Approved Aggregate Revenue Requirement for True up of FY 2018-19

(Rs. Cr)

Sl.	Particulars	MSERC Approved (FY 2018-19)	MePTCL (Actuals)	Approved for True up
1	Return on Equity (RoE)	23.28	59.46	16.93
2	Operation and Maintenance Expenses	62.00	83.43	50.11
3	Interest and Finance charges	0.59	17.40	3.47
4	Interest on Working Capital	3.82	5.08	2.40
5	Depreciation	8.89	23.11	18.60
6	SLDC charges	1.21	1.21	1.21
7	Prior Period expense	0	0	0
8	Gross ARR	99.79	189.69	92.72
9	Less: SLDC ARR	2.42	2.40	2.42
10	Less: Non Tariff & Other Income	30.51	17.88	24.92
11	Less: Surplus approved in Review True up Order FY 2016-17 on 31.03.2021	-	-	0.10
12	Net ARR	66.86	169.41	65.28

Commission approves Net ARR at Rs. 65.28 Crore for True up of FY 2018-19.

11. Revenue Gap/Surplus in the True up of FY 2018-19

Petitioner's Submission

The petitioner has submitted the Revenue Gap/(Surplus) for True up of FY 2018-19 as shown below.

Table 27 : Revenue Gap/(Surplus) projected for True up of FY 2018-19

(Rs. in Crore)

Sl. No	Particulars	Approved for FY 2018-19 in Tariff order	Claimed by MePTCL in truing up for FY 2018-19	Revenue Gap / (Surplus)
1	Aggregate Revenue Requirement	66.86	169.41	102.54
2	Revenue from Tariff/Operations approved/recovered	99.79	113.46	(13.67)
3	True Up Gap / (Surplus)			88.87

MePTCL humbly requests the Commission to pass through **gap of Rs. 88.87 Crore** under the truing up exercise for FY 2018-19 and pass through in the transmission ARR of FY 2022-23.

Commission's Analysis

The Revenue from operations as per Audited Accounts for FY 2018-19 is only Rs. 96.67 Crore. The projected Revenue from Operations at Rs.113.46 Crore includes Non Tariff and other income segregated and actual Revenue from Tariffs is considered at Rs.96.67 Crore for True up.

The Revenue Gap/Surplus is computed in table below considering the approved ARR elements vide table no.26.

Table 28 : Approved Revenue Gap/(Surplus) for True up of FY 2018-19

(Rs. Cr)

sl	Particulars	Approved for FY 2018-19
1	Approved Net ARR	65.28
2	Revenue from Operations as per audited SOA	96.67
3	Revenue Gap / (Surplus)	(31.39)

Commission approves Revenue Surplus at Rs.31.39 Crore in True up exercise for FY 2018-19. The Revenue Surplus shall be appropriated in the next Tariff Orders.