

**MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION
SHILLONG**

CASE NO. 24/2021

In the matter of True-up of Transmission Business for FY 2019-20

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

The Tariff Order for FY 2019-20 was not issued, the licensee were to implement the ARR approved in the MYT Order dated 31.03.2018 and the petition for True up of FY 2019-20 were to be filed along with audited Statement of Accounts.

Regulation 11.2 specifies that

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

Commission had notified the ARR for FY 2019-20 in the MYT Order dated 31.03.2018 and the licensee were to implement the Tariff order provisions approved for the MYT Control period considering the actual operational exigencies and file True up petition with reference to the actual performance.

MePTCL has filed petition for True up for FY 2019-20 along with audited statement of accounts for FY 2019-20.

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 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 2019-20 on 30.11.2021. Commission admitted the petition on 06.12.2021 and registered as case no 24/2021.

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 2019-20 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 2019-20

1.1 Performance Highlights

MePTCL has inherited an ageing network from MeSEB which itself had inherited the network from Assam State Electricity Board (ASEB) in 1975. However, both 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

Details	Ckm (2019-20)
400 KV Line	4.648 Km
220 KV Line	226.80 Km
132 KV Line	1156.89 Km

Table 2 : Sub Station Details as on 31.03.2020

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	20	400
7	132/33 kV	12.5	2	25
8	132/33 kV	10	1	10
9	132/33 kV	5	2	10
10	132/11 kV	10	2	20
	Total :			1740

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 in the last two years (for which this petition is being filed) is depicted below:

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

Details	2016-17	2017-18	2018-19	2019-20
System Availability	95.62	96.85	97.70	97.64

The licensee would constantly strive to put in efforts to enhance its system for the

benefit of all stakeholders.

1.2 Background

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). As stated earlier, MeECL was a bundled entity till 30th March 2010 carrying out the functions of generation, transmission and distribution. Thereafter, through “The Meghalaya Power Sector Reforms Transfer Scheme 2010” and its subsequent amendments notified by the Govt. of Meghalaya, the independent unbundled entities, namely (i) Meghalaya Energy Corporation Limited (MeECL), the Holding Company; (ii) Meghalaya Power Distribution Corporation Limited (MePDCL), the Distribution Utility; (iii) Meghalaya Power Generation Corporation Limited (MePGCL), the Generation Utility; & (iv) Meghalaya Power Transmission Corporation Limited (MePTCL), the Transmission Utility were formed. The individual entities started their independent commercial operations from 1st April 2013.

While approving the ARR for FY 2019-20 in the MYT control period FY 2018-19 to FY 2020-21, and further 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 2019-20 for MePTCL and MeECL are available, MePTCL is claiming the truing up of ARR of FY 2019-20 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 2019-20 are appended as Annexure-A and Annexure –B respectively.

MePTCL has computed the Annual Fixed Charges of MePTCL 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.

Network Data

The ARR and Tariff Order for FY 2019-20 was approved in the MYT regime for FY 2018-19 to FY 2020-21 based pre-audited Statement of Accounts of FY 2016-17 and Audited Statement of Accounts of FY 2015-16.

The filing of True up petition for FY 2019-20 has been unduly delayed.

Commission considers true up of ARR components for FY 2019-20 shall be reckoned based on the audited Statement and Trued up figures up to FY 2018-19.

The Network data as filed for True up for FY 2018-19 and filed for True up of FY 2019-20 is as depicted below.

Particulars	Quantity filed for True up FY 2018-19	Quantity filed for True up FY 2019-20
400 KV length of line in CKM	4.648	4.648
220 KV length of line in CKM	226.80	226.80
132 KV length of line in CKM	1115.64	1156.89
Transformation capacity	1715.00	1740.00
No. of Grid Sub Stations (2017)	-Not filed	17 (as per 2017)

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

MePTCL shall reconcile the Network Data as required for computation of O&M expenses called for in the prescribed format by the commission on 04.01.2021 as per Regulation 69.3.

The norms for O&M expenses on the basis of circuit kilometers of Transmission lines, transformation capacity (MVA) and number of Bays in substations shall be the criteria for computation of O&M expenses for Transmission system.

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 for FY 2019-20, but the transformation capacity reported as 1740 MVA as against 1715 MVA (2018) filed in the tariff petition for FY 2018-19. It is observed there is a spurt in the 132 KV line length at 1156.89 Circuit KM compared to the data filed at 1115.64 Circuit KM (2018) in the True up petition for FY 2018-19.

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 2019-20 as 97.64 % which is marginally lower by 0.36% than the minimum NATAF of 98% stipulated.

Commission directs the licensee to file the detailed computation of system availability factor with reference to the energy handled 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.

Commission’s Analysis

In accordance with the MSERC Tariff Regulations, 2014, the Tariff 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

1.3 Gross Fixed Assets

The Gross Fixed assets as reported through audited accounts for FY 2018-19 and FY 2019-20 stood as follows.

Table 4 : GFA approved for True up of FY 2019-20

Particulars	FY 2017-18 (Approved)	FY 2018-19 (Approved)	FY 2019-20 (considered)
Opening GFA	427.30	440.01	461.24
Additions during year	12.72	21.23	0.05
Retirements	-	-	-
Closing GFA	440.01	461.24	461.29

The 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 2019-20.

2. Return on Equity

Petitioner's Submission

The Honorable Commission had allowed an amount of Rs. 41.81 crores to MePTCL as Return on Equity for FY 2019-20 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 2019-20 is Rs. 425.59 Crores. Similarly, the opening equity capital as per audited accounts for FY 2019-20 is Rs 425.59 Crores. As such, the average equity capital for FY2019-20, for calculation of RoE, works out to be Rs.425.59 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 5 : Return on Equity Projected for FY 2019-20**(Rs. Cr)**

Particulars	Actual of MePTCL(Note 14& 15of MePTCL)
Opening Equity (Shareholders Eq. +Pending Allotment)	425.59
Closing Equity (Shareholders Eq. +Pending Allotment)	425.59
Avg. Equity considered for true up	425.59
RoE (%)	14%
Return on Equity (in Rs. Cr.)	59.58
Equity Approved in T.O	41.81
Gap/(Surplus)	17.77

The petitioner requested the Commission to allow the gap as per 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.

The Govt. Grants and contributions was considered at Rs.64.60 Crore as on 31.03.2019.

The Opening Govt. Grant and contributions is reported at Rs.62.82 crore instead of Rs.64.60 Crore in the audited SOA of FY 2019-20.

The Govt. Grants and contributions amounted at Rs.73.95 Crore reported vide note no.17.1 of SOA for FY 2019-20.

Commission considers the Return on Equity as per the Regulation 31.1 of MSERC MYT Regulations 2014 considering the Govt Grants and contributions as depicted below.

Table 6 : Approved Return on Equity for True up FY 2019-20

(Rs. Crore)

Particulars	Now approved for True up of FY 2019-20
Opening GFA as on 31.03.2019	461.24
Additions during the FY 2019-20	0.05
Closing GFA as on 31.03.2020	461.29
Average GFA	461.26
Less: Grants & Subsidies available (Note no.17.1 of SOA)	73.95
Net Asset Cost	387.31
70% considered Debt	271.12
30% Considered Equity for FY 2019-20	116.19
Equity Considered for FY 2018-19	120.60
Average Equity (120.60+116.19)/2	118.39
Rate of return on equity	14%
Return on Equity	16.57

Commission approves Return on Equity at Rs.16.57 Crore for True up of FY 2019-20.

3. Operation and Maintenance

Petitioner's Submission

As per the directives of the Regulation, the Honorable 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 true up.

3.1 Employee Expenses

The actual employee expenses incurred by MePTCL in FY 2019-20 as per the audited accounts are Rs.81.72 crore as shown below:

Table 7 : Employee expense for FY 2019-20

(Rs. Crore)

Employee expense for FY 2019-20 (Note 21 MeECL + Note 28MePTCL)	
Particulars	Amount
Salaries and wages	27.02
Contributions to provident and other funds	0.65
Staff Welfare Expenses	0.01
Apportionment of Employee Benefit Expenses (from Holding Company)	48.60
Total Employee Expense of MePTCL	76.27
1/3 rd Employee Expenses of MeECL(actual)	5.45
Net Actual Employee Expense for True up	81.72

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

Table 8 : Apportionment of Holding Employees Cost for the FY 2019-20

(Rs.Crore)

Particulars	A	B	C	D (A+B+C)	E	F (D+E)
	MePGCL	MePTCL	MePDCL	Sub Total	MeECL	Grand Total
Pay & Allowances expenses	14.05	14.05	14.05	42.15	4.68	46.83
Staff Welfare expenses	0.01	0.01	0.01	0.03	0.00	0.03
Corporation Contribution to CPS Fund	0.08	0.08	0.08	0.25	0.03	0.28
Ex-Gratia payment	0.00	0.00	0.00	0.01	0.00	0.01
Pension & pension related expenses	34.46	34.46	34.46	103.38	11.49	114.86
Total	48.60	48.60	48.60	145.82	16.20	162.01

3.2 Repair and Maintenance Expenses

The actual R&M expenses incurred by MePTCL in FY 2019-20 as per the audited accounts are Rs. 4.89 crores as shown below.

Table 9 : R&M expense for FY 2019-20

(in Rs. Cr.)

Details of R&M Expense for FY 2019-20 (Note 24 MeECL + Note 31MePTCL)	
Particulars	Amount
Buildings	0.06
Plant and Equipment	0.35
Hydraulic works	
Civil Works	0.17
Lines & Cables	3.70
Vehicles	0.03
Furniture and Fixtures	0.00
Office equipment	0.53
CPS (Annual Maintenance Fees)	
R&M Expense	4.84
1/3 rd R&M Expenses of MeECL(actuals)	0.04
Total R&M Expense (MePTCL+1/3rd MeECL)	4.89

3.3 Administrative and General Expenses

The actual A&G expenses excluding bad debts incurred by MePTCL in FY 2019-20 as per the audited accounts is Rs. 5.22 crores as shown below:

Table 10 : Details of A&G Expenses of MePTCL for FY 2019-20

(in Rs. Cr.)

Details of A&G Expenses for FY 2019-20 (Note 24 MeECL + Note 31MePTCL)	
Particulars	Amount
Insurance Charges	0.58
Rent, Rates and Taxes	0.00
Telegram, Postage, Telegraph and Telex charges	0.05
Training, conveyance and vehicle running expenses	1.59
Printing and stationery expenses	0.04
Auditors' remuneration	0.04
Consultancy Charges	0
Franchisee Commission	0.00
Books & Periodicals	0.00
Fees and subscription expenses	
Advertisement charges	0.10
Technical Fees	0.00
Legal and professional charges	0.08
Meghalaya State Electricity Regulatory Commission (MSERC) Fees	0.07
Electricity and Water Charges	

Details of A&G Expenses for FY 2019-20 (Note 24 MeECL + Note 31MePTCL)	
Particulars	Amount
Bank Charges	0.00
Entertainment expenses	
Miscellaneous expenses	0.03
PoC rebate	0.11
Excess interest on FD	0.04
A&G Expense	2.74
1/3 rd A&G Expenses of MeECL(actuals)	2.48
Total A&G Expense (MePTCL+1/3rd MeECL)	5.22

The petitioner prays to the Commission to adjust the deviation accordingly.

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 2019-20 is Rs.91.83 crore based on audited account.

The Commission has approved Rs.65.10 crore in tariff order of MePTCL for FY 2019-20.

Table 11 : Details O&M Expenses of MePTCL for FY 2019-20

(in Rs. Cr.)

O&M Expenses considered for True up FY 2019-20	
Total Claim in Trueup FY 2019-20	91.83
Approved in T.O FY 2018-19	65.10
Gap	26.73

The petitioner requested to the Commission to adjust the deviation in O&M expenses 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.

Licensee has reported O&M expenses vide note no.28 and 31 of audited SOA at Rs.91.83 Crore for FY 2019-20 which includes Rs.48.60 Crore apportionment of employee benefit expenses from holding company.

The licensee has submitted that “MePTCL has the policy to bear the Employee Cost of MeECL (Holding Company) to the tune of 30% of the total cost in a financial year. The policy is similar with respect to the contribution of the corporation towards CPS, EPF, monthly pension and other post retirement benefit of the employees etc., incurred and provided.”

The R&M and A&G expenses of MePTCL reported at Rs.7.58 Crore which includes POC rebate and excess interest on fixed deposit amounting to Rs.0.15 Crore vide note no.31 of SOA.

The element POC rebate is income to the licensee by way of rebate allowed for prompt payment of connectivity charges to the POSOCO. So also excess interest on fixed deposit is income to the licensee which shall be adjusted from the same income head.

Thus the R&M and A&G expenses shall be admissible at Rs.7.43 Crore for True up.

The breakup of Employee expenses, R&M and A&G expenses to be considered for FY 2019-20 is as detailed below

Particulars	For the year ended 31 st March 2020 (in Rs. Cr)
Salaries and wages	27.01
Contribution to the provident and other funds	0.65
Staff welfare expenses	0.01
Apportionment of Employee Benefit expenses (from Holding Company)	48.60
R&M and A&G expenses	7.43
Total	83.70

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.48.60 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 for the apportionment of employee benefit expenses from holding company for Rs.48.60 Crore as detailed below.

FY 2019-20	Serving Employees	Retired Employees	Total
Monthly Salary of Serving Employees (Rs.Cr)	14.05	-	14.05
Contribution to PF (Rs.Cr)	0.08	-	0.08
Staff Welfare Exp	0.01		0.01
Monthly pension and terminal benefits payable (Rs.Cr)	-	34.46	34.46
Total (Rs.Cr)	14.14	34.46	48.60

Commission considers that the pension and terminal benefits included in the apportionment from Holding company for Rs.34.46 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 PF for Rs.14.14 Crore shall however be apportioned to O&M expenses of MePTCL for True up of FY 2019-20.

The actual Employee expenses of Holding Company MeECL reported to be Rs.16.36 Crore vide note no. 21 of SOA. The R&M and A&G expenses are reported at Rs.7.57 Crore. 1/3rd of these O&M expenses also apportioned to the MePTCL O&M expenses for True up of FY 2019-20 as depicted below.

Table 12 : Approved O&M expenses for True up of FY 2019-20**(Rs. In Crore)**

Particulars	MePTCL	1/3rd MeECL	Total
Employee expenses	27.66	5.45	33.11
Salary of Serving Employees and staff welfare exp incl. contribution to PF	-	14.14	14.14
R&M & A&G exp	7.43	2.52	9.95
Total	35.09	22.11	57.20

Commission approves the O&M expenses at Rs. 57.20 for True up of FY 2019-20.

4. Interest and Finance charges

Petitioner's Submission

The Honorable Commission had approved an amount Rs. 0.52 Crore as interest on loans of MePTCL for FY 2019-20 vide its Tariff Order.

However, the actual Interest expenses on term loans incurred by MePTCL in FY 2019-20 as per the audited accounts is Rs. 10.05 crores and 1/3rd of MeECL is Rs.8.23 crores.

Thus, the actual interest expenses incurred by the petitioner is Rs. 18.28 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.

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.

Therefore, the petitioner prays to the Commission to pass on the gap as per the table below.

Table 13 : Interest & Finance Charges details**(Rs. Cr)**

Details of Interest & Finance Charges claimed for FY 2019-20	
Particulars	Amount
Interest	
To related party (Meghalaya Energy Corporation Limited, i.e., Holding Company)	3.72

Details of Interest & Finance Charges claimed for FY 2019-20	
Particulars	Amount
To Others	6.33
Total Finance Charges (MePTCL)	10.05
1/3 rd Apportioned Finance Charges from MeECL	8.23
Net Interest and Finance Charges	18.28
Approved in T.O.	0.52
Additional Claimed in True Up (Surplus)/Gap	17.76

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.”

The Licensee has reported borrowing from state govt. at Rs.40.61 crore in FY 2017-18 vide note no.09 of audited SOA. Out of that loan, licensee has reported default of repayment for Rs.13.37 Crore. Commission has considered default as repayment resulted in closing loan at Rs.27.24 Crore. The same has been carried forward as opening balance for FY 2018-19. Whereas MePTCL has reported opening balance at Rs.41.12 Crore while repayment being considered at Rs.4.06 Crore for FY 2018-19.

Commission has not considered the closing loan reported at Rs.41.48 Crore vide note no.12 of audited SOA for FY 2018-19

10% of the state govt. loan is considered repayment for FY 2019-20.

The loan obtained from MeECL is not considered as the same was not drawn for capital works.

Commission has considered Interest and finance charges for execution of capital works from REC and state govt. during FY 2018-19. The outstanding loans from the financial institutions for execution of the capital works as reported by the licensee are

considered adopting the opening loan considered for FY 2017-18 and so on for computation of interest and finance charges for FY 2019-20 as depicted in the table below.

Table 14 : Approved Interest and Finance charges for True up of FY 2019-20

(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	9.51	23.18	35.39		
2	Additions during the year	-	-	0.00		
3	Repayment in default	1.34	2.32	3.66		
4	Closing balance	8.17	20.86	29.03		
5	Average Loan	8.84	22.02	32.21		
6	Rate of Interest	11.00%	9.31%			9.38%
7	Interest payable	0.97	2.05		3.02	
8	Total Interest				3.02	

Commission approves interest and finance charges at Rs.3.02 crore for True up of FY 2019-20.

5. Interest on Working Capital

Petitioner's Submission

MePTCL is claiming interest and financial charges 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.2019-20).

Based on these provisions, the approvals of the Commission in its Transmission Tariff order for FY 2019-20 vis-à-vis the petitioner's submissions (including apportioned amounts of MeECL) for true up can be summarized as follows:

Table 15 : Interest on Working Capital

(Rs. Cr)

Sl.No.	Particulars	Amount
1	O&M expenses for 1 month	7.65

2	1% Maintenance spares on opening GFA escalated at 6%	4.89
3	Receivables for 2 months	29.76
4	Total working capital (1+2+3)	42.30
5	SBI short term PLR	13.70%
6	Interest on working capital at 13.70%	5.79
7	Approved in T.O.	4.90
8	Gap/(Surplus)	0.89

The interest on working capital computed based on the audited figures of the petitioner is higher than the provisionally approved figures by Rs. 0.89 crore.

The petitioner therefore requested the Commission to allow this gap 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 16: Approved Interest on Working Capital for True up of FY 2019-20

(Rs. Cr)

Sl. No.	Particulars	Amount
1	O&M expenses for 1 month (Excl. MeECL) (35.09/12)	2.92
2	1% Maintenance spares on opening GFA escalated at 6%	4.89
3	Receivables for 2 months (74.85*2/12)	12.47
4	Total working capital (1+2+3)	20.28
5	SBI Short term PLR as on 1st April 2019	13.80%
6	Interest on working capital (4*5)	2.80

Commission approves Interest on working capital at Rs.2.80 Crore for true up of FY 2019-20.

6. Depreciation

Petitioner's Submission

The Commission in its Transmission Tariff Order had allowed Rs.21.14 crores to be recovered as depreciation.

However, based on the audited statement of accounts for FY 2019-20, the net

depreciation of MePTCL along with one-third of the audited depreciation of MeECL (the holding company) is arrived at Rs. 23.63 Crores. Therefore, the petitioner prays to the Commission to pass on the gap as per the table below:

Table 17 : Depreciation for MePTCL in FY 2019-20

Depreciation claimed for MePTCL in FY 2019-20(Note 2 MePTCL & MeECL)	
Particulars	Amount (in Rs. Cr.)
Land	0
Buildings	0.49
Plant and Equipment	7.81
Furniture and Fixtures	0.05
Vehicles	0.01
Office equipment	0.46
Bearer Plants	0.00
Others:	0.00
Hydraulic Works	0.01
Other Civil Works	0.36
Lines and Cable Network	12.66
Assets under lease	0.00
Total Depreciation MePTCL	21.85
Amortization of grants	1.64
Apportioned Depreciation from MeECL	0.15
Total	23.63
Approved in T.O	21.14
Gap/(Surplus)	2.49

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.”

The licensee has elected to continue with the carrying value of all of its property, plant and equipment recognized as of 1st April 2015 (transition date), measured as per the previous GAAP and use that carrying value as its deemed cost as on the transition date as per the option available under Ind AS 101-‘First time adoption of Indian Accounting Standards’ and not applying the provisions of Ind AS 16.

Depreciation has been computed as per the Regulations for the GFA reported in the audited accounts vide note no.02 for FY 2019-20.

Table 18 : Computation of Depreciation for FY 2019-20

(Rs. in Crore)

Particulars	Opening Bal as 01.04.2019	Additions	Retirements	Closing Bal as on 31.03.2020	% of Dep	Amt of Dep
Land	4.10	0.00		4.10	-	-
Buildings	14.80	0.00		14.80	3.34	0.44
Plant and Equipment	152.94	0.00		152.94	5.28	7.27
Furniture and Fixtures	0.89	0.00		0.89	6.33	0.05
Vehicles	0.10	0.00		0.10	9.50	0.008
Office Equipment	5.62	0.00		5.62	6.33	0.32
Hydraulic works	0.09	0.00		0.09	5.28	0.004
Other Civil works	10.75	0.00		10.75	3.34	0.32
Lines and Cable Network	271.95	0.05		272.00	5.28	12.92
Total	461.24	0.05		461.29		21.33

Table 19: Approved Depreciation for FY 2019-20

(Rs. in Crore)

Sl. No.	Particulars	Now approved for true up of FY 2019-20
1	Opening GFA (excl land cost)	457.14
2	Additions during the year	0.05
3	Closing depreciable value of GFA (excl land cost)	457.19
4	Average value of GFA (1+3)/2	457.16

Sl. No.	Particulars	Now approved for true up of FY 2019-20
5	90% of Assets Considered for Depreciation	411.45
6	Depreciation as per Regulation (as per Table no.19)	21.33
7	Average rate of Depreciation	5.14%
8	Less: Depreciation on Grants and Contributions (73.95*5.14%)(Note no.17.1 of SOA)	3.80
9	Net Depreciation	17.53
10	1/3 rd Depreciation on MeECL assets	0.15
11	Total Depreciation	17.68

Commission approves depreciation at Rs. 17.68 Crore for True up of FY 2019-20.

7. SLDC Charges

Petitioner's Submission

The Honorable Commission, in its Transmission Tariff Order had allowed an amount of Rs. 1.27 crores as SLDC charges to be recovered by the transmission licensee in FY 2019-20. Based on the tariff order for SLDC charges dated 30.03.2018 for FY 2019-20 and actual, MePTCL adheres to the approved charges on this 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 determined SLDC ARR for FY 2019-20 at Rs.2.54 Crore to be shared by MePGCL and MePTCL.

MePTCL has claimed 50% of the SLDC ARR at Rs.1.27 Crore as expenses for FY 2019-20

Accordingly SLDC expenditure claimed by MePTCL is approved at Rs.1.27 Crore for True up of FY 2019-20.

8. Income from Operations

Petitioner's Submission

The Commission in its Transmission Tariff Order had approved an amount of Rs.98.64 Crores to be recovered by the licensee through tariff in FY 2019-20.

The actual revenue recovered by the licensee from transmission operations in the FY 2019-20 is Rs. 98.64 Crores as per the Note 26 of audited statement of accounts of MePTCL.

Commission's Analysis

MePTCL has submitted the Revenue from Operations is recovered at Rs.98.64 Crore reported vide note no.26 of audited SOA for FY 2019-20.

Commission observed that Revenue from operations received at Rs.109.42 Crore which includes other income received such as SLDC charges from MePGCL at Rs.1.68 Crore, open access charges at Rs.5.61 Crore, Point of Connection Charges from PGCIL at Rs.3.08 Crore and Rs.0.41 lakhs SLDC charges. The details are as depicted in the table below.

Table 20 : Revenue from Operations for FY 2019-20 True up

(Rs)

Sl.	Particulars	MePTCL (Actuals)
1	Wheeling Charges from MePDCL	98,64,00,000.00
2	SLDC charges from MEPGCL	1,68,00,000.00
3	SLDC from MePTCL	1,27,00,000.00
4	STU and Open Access Charges	5,60,65,243.50
5	SLDC charges	41,37,000.00
6	PoC Charges from PGCIL	3,08,20,902.00
7	Total Annual Revenue from Operations	110,69,23,145.50
8	Less: SLDC expenses for MePTCL	1,27,00,000.00
9	Net Revenue (7-8)	109,42,23,145.50
10	Less: Transmission Revenue for FY 2019-20	98,64,00,000.00
11	Balance treated as Other Income	10,78,23,145.50

Accordingly Commission approves Transmission Revenue at Rs. 98.64 Crore for True up of FY 2019-20.

9. Non Tariff and Other Income

Petitioner's Submission

The Honorable Commission, in its Transmission Tariff Order had provisionally approved an amount of Rs. 33.56 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. 13.62 Crores, the details of which is as shown below:

Table 21 : Other Income details

Particulars	Amount (Rs. Crores)
A: Non-Tariff Income (Note 27)	
Interest Income (From Banks)	0.89
Rental and Hiring Income	0.14
Discount Received	0.02
Fees and Penalties	0.06
Sale of tender forms	0.08
Miscellaneous receipts	0.00
Amortization of Grant	1.64
B: Other Operating Revenue (Note 20)	
Transmission and Operating Charges	
STU and Open Access Charges	5.61
SLDC Charges from MePGCL	1.68
Point of Connection Charges (Inter State Transmission System, ISTS) from Power Grid Corporation of India Limited, PGCIL	3.08
Total Other Income (MePTCL) (A+B)	13.62
Approved in T.O.	33.56
Claimed in True Up (Surplus)/Gap	(19.94)

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

Commission's Analysis

Commission has estimated Non Tariff income at Rs.33.56 Crore for FY 2019-20. The licensee has reported non tariff and other income of MePTCL at Rs.13.62 Crore. Whereas non tariff income disclosed in the audited accounts vide note no.27 amounts to **Rs.2.83 Crore** including amortization of grants for Rs.1.64 Crore.

The Other income segregated from table no.20 recognized at **Rs.10.78 Crore**.

The Non Tariff and other income reported for MePTCL is at **Rs.13.62 Crore**.

The Other Income of MeECL reported vide note no.20 of audited SOA amounted at Rs.18.13 Crore. 1/3rd of Other income reported from MeECL apportionable to MePTCL other income amounted at **Rs.4.72 Crore**

Summing up of total non tariff and other income reported to be at **Rs.18.34 Crore**.

Table 22 : Non Tariff Income for True up FY 2019-20

Sl.no	Particulars	In Rs. Cr
1	Other Income as per Note no.27	2.83
2	Other Income segregated from Note no.26 (Table no. 20 of this order)	10.78
3	1/3 rd Other Income reported from MeECL	4.72
	Total	18.34

Commission considers Non Tariff and Other income at Rs. 18.34 Crore for True up of FY 2019-20.

10. 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 Income as a net of MePTCL and apportioned amount from MeECL for FY 2019-20.

Table 23 : Prior Period Income for FY 2019-20

Particulars	Expense (in Cr.)
Administration Expenses	0
Employees Costs	0
Depreciation	0
Prior Period Expense	0
Total Prior Period Expense	0
Total Prior Period Income	0
Net Prior Period Expense	0

Therefore, the petitioner has not claimed any prior expenses as per actual audited statement of FY 2019-20.

Commission's Analysis

Commission had not considered any prior period expenses in the ARR for FY 2019-20.

Accordingly Prior Period expenses treated as NIL for FY 2019-20.

11. Aggregate Revenue Requirement and Revenue Gap/Surplus for True up of FY 2019-20

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 2019-20 over and above the figures approved by the Honorable Commission in the Tariff order dated 30.03.2018.

Table 24 : Aggregate Revenue Requirement and Revenue

(Rs. Cr.)

ARR claimed in True Up for FY 2019-20				
Sl.	Particulars	MSERC Approved (FY 2019-20)	MePTCL (Actuals)	Gap / (Surplus)
1	Return on Equity (RoE)	41.81	59.58	17.77
2	Operation and Maintenance Expenses	65.10	91.83	26.73
3	Interest and Finance charges	0.52	18.28	17.76
4	Interest on Working Capital	4.90	5.79	0.89
5	Depreciation	21.14	23.63	2.49
6	SLDC charges	1.27	1.27	0
7	Income Tax		0.10	0.10
8	Prior Period expense			
9	Total Annual Expenditure	134.74	200.48	65.74
10	Less: SLDC ARR	2.54	2.54	0.00
11	Less: Other Income	33.56	13.62	(19.94)
12	Gross Annual Expenditure	98.64	184.32	85.68

Commission's Analysis

Commission has scrutinized the petition with reference to the approved provisions in the ARR, audited accounts, and MYT Regulations 2014, considered the expenses after prudence check and approved the ARR for FY 2019-20 as depicted in the table below.

Table 25 : Approved Aggregate Revenue Requirement for True up of FY 2019-20

(Rs. Cr)

Sl.	Particulars	Approved ARR for FY 2019-20	MePTCL (Actuals)	Now Approved for True up
1	Return on Equity (RoE)	41.81	59.58	16.57
2	Operation and Maintenance Expenses	65.10	91.83	57.20
3	Interest and Finance charges	0.52	18.28	3.02
4	Interest on Working Capital	4.90	5.79	2.80
5	Depreciation	21.14	23.63	17.68
6	SLDC charges	1.27	1.27	1.27
7	Income Tax	0.00	0.10	0.00
8	Prior Period expense	0.00	0.00	0.00

9	Gross ARR	134.74	200.48	98.54
10	Less: SLDC ARR	2.54	2.54	2.54
11	Less: Other Income	33.56	13.62	18.34
12	Net ARR	98.64	184.32	77.66

Commission approves Net ARR at Rs.77.66 Crore for True up of FY 2019-20.

12. Revenue Gap/Surplus in the True up of FY 2019-20

Petitioner's Submission

The petitioner has submitted the Revenue Gap/(Surplus) for True up of FY 2019-20 as shown below.

Table 26 : Revenue Gap /(Surplus)for True up of FY 2019-20

(Rs. Cr.)

Sl	Particulars	Approved for FY 2019-20 in Tariff order	Claimed by MePTCL in truing up for FY 2019-20	Revenue Gap / (Surplus)
1	Aggregate Revenue Requirement	134.74	200.48	65.74
2	Revenue from Tariff/Operations approved/recovered	33.56	13.62	(19.94)
3	True Up Gap / (Surplus)			85.68

MePTCL humbly requests the Commission to pass through gap of INR 85.68 Crore under the truing up exercise for FY 2019-20 and pass through in the transmission ARR of FY2022-23.

Commission's Analysis

As analyzed in the foregoing tables, the Revenue gap/surplus is considered as detailed in the table below.

Table 27 : Approved Revenue Gap/(Surplus) for True up of FY 2019-20

(Rs. Cr)

sl	Particulars	Approved for FY 2019-20
1	Approved Net ARR	77.66
2	Revenue from Operations as per audited SOA	98.64
3	Revenue Gap/(Surplus)	(20.98)

Commission approves Revenue Surplus at Rs. 20.98 Crore in True up exercise for FY 2019-20. The Revenue Surplus shall be appropriated in the next Tariff Orders.