MSERC

MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION

Tariff Order

For

True up for FY 2014-15

And

Annual Revenue Requirement & Distribution Tariff

For

FY 2017-18

MEGHALAYA POWER DISTRIBUTION CORPORATION LIMIETD

CONTENTS

List of Tables

Abbreviations

A&G	Administration & General
ARR	Aggregate Revenue Requirement
APTEL	Appellate Tribunal For Electricity
CAGR	Compound Annual Growth Rate
CD	Contract Demand
CERC	Central Electricity Regulatory Commission
CGS	Central Generating Stations
CoS	Cost of Supply
CWIP	Capital Work In Progress
DE	Debt Equity
EHT	Extra High Tension
NER	North Eastern Region
FY	Financial Year
GFA	Gross Fixed Assets
HT	High Tension
KV	Kilo Volt
KVA	Kilo Volt Amps
KW	Kilo Watt
kWh	kilo Watt hour
LNG	Liquefied Natural Gas
LT	Low Tension
MVA	Million Volt Amps
MW	Mega Watt
PLR	Prime Lending Rate
MePGCL	Meghalaya Power Generation Corporation Limited
MePDCL	Meghalaya Power Distribution Corporation Limited
MePTCL	Meghalaya Power Transmission Corporation Limited
CoD	Commercial Operation Date
MSERC	Meghalaya Electricity Regulatory Commission
SLDC	State Load Despatch Centre

MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION

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

In the matter of:

True up of ARR for FY 2014-15 and revision of Retail Tariff for FY 2017-18 for Distribution Business

AND

Meghalaya Power Distribution Corporation Limited - **Petitioner**
(Herein after referred to as MePDCL)

Coram

WMS Pariat, IAS (Retd)

Chairman

ORDER

Date: 31.03.2017

1. The Meghalaya Power Distribution Corporation Limited (herein after referred to as MePDCL) is a deemed licensee in terms of section 14 of the Electricity Act 2003 (herein after referred to as Act), engaged in the business of distribution of electricity in the State of Meghalaya.
2. As per the directive of the Commission, the MePDCL has filed the Petition for true up of expenses and revenues for FY 2014-15 and Aggregate Revenue Requirement (ARR) for FY 2017-18 and Retail Tariff for FY 2017-18.
3. In exercise of the powers vested under section 62(1) read with section 62(3) and section 64 (3)(a) of the Electricity Act 2003 and MSERC MYT Regulations, 2014 (Notified on 15.09.2014) (hereinafter referred to as Tariff Regulations) and other enabling provisions in this behalf the Commission issues this order for truing up of the revised ARR and revenues for FY 2014-15 and approval of the ARR for FY 2017-18 and determination of retail Tariff for FY 2017-18 for supply of electricity in the State of Meghalaya.

4. Tariff Regulations specify that the distribution licensee shall file ARR and Tariff Petition in all aspects along with requisite fee as specified in Commission's fee, fines and charges regulations on or before 30th November of the preceding year. Accordingly the MePDCL has filed the petition for ARR and Tariff for FY 2017-18 along with the Petitions for truing up of FY 2014-15.
5. Regulation 11 of the Tariff Regulations, 2014 provides that the Commission shall undertake true up of previous year's expenses and revenues approved by the Commission with audited accounts made available to the Commission subject to prudence check including pass through of impact of un-controllable factors.
6. Regulation 19 of the Tariff Regulations, 2014 provides for giving adequate opportunities to all stake holders and general public for making suggestions/ objections on the Tariff Petition as mandated under section 64(3) of the Electricity Act 2003. Accordingly, the Commission directed MePDCL to publish the ARR and Tariff Petition for FY 2017-18 in an abridged form as public notice in news papers having wide circulation in the state inviting suggestions/objections on the Tariff Petition.
7. Accordingly, MePDCL has published the Tariff Petition in the abridged form as public notice in various news papers and the Tariff petition was also placed on the website of MePDCL. The last date of submission of suggestions/objections was fixed 30 days after the notice.
8. The Commission, to ensure transparency in the process of Tariff determination and for providing proper opportunity to all stake holders and general public for making suggestions/objections on the Tariff petition and for convenience of the consumers and general public across the state, decided to hold the public hearing at the headquarters of the state. Accordingly the Commission held public hearing at Shillong on 09.03.2017.
9. The proposal of MePDCL was also placed before the State Advisory Committee in its meeting held on 06.02.2017 and various aspects of the Petition were discussed by the committee. The Commission had in mind the advice of the state advisory committee on the ARR and Tariff Petition of MePDCL for the FY 2017-18 during the meeting of the committee.

10. The Commission took into consideration the facts presented by the MePDCL in its Petition and subsequent various filings, the suggestions/objections received from stakeholders, consumer organizations, general public and State Advisory Committee and response of the MePDCL to those suggestions/objections.
11. The Commission taking into consideration all the facts which came up during the public hearing and meeting of the State Advisory Committee, has trued up for FY 2014-15 and approved the ARR for FY 2017-18 and distribution tariff for FY 2017-18.
12. The Commission has reviewed the directives issued earlier in the Tariff orders for FY 2010-11 to FY 2015-16 and noted that some of the directives are complied and some are partially attended. The Commission has dropped the directives complied with and the remaining directives are consolidated and fresh directives are added.

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

This Order shall be effective from 1st April, 2017 and shall remain in force till 31st March, 2018 or till the next Tariff Order of the Commission.

WMS Pariat

Chairman

1. Introduction

1.1 Background

The Meghalaya Power Distribution Corporation Limited (here after referred to as MePDCL or Petitioner) has filed its Petition on 16.01.2017 under section 62 of the Electricity Act 2003, read with Meghalaya State Electricity Regulatory Commission MYT Regulations, 2014 for determination of Aggregate Revenue Requirement for FY 2017-18 and determination of distribution tariff for FY 2017-18.

The Commission has admitted the Petition on 17.01.2017.

1.2 Meghalaya Power Distribution Corporation Limited

The Government of Meghalaya has unbundled and restructured the Meghalaya State Electricity Board with effect from 31st March, 2010 into the Generation, Transmission and Distribution businesses as given below;

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

The Government of Meghalaya issued further notification on 29th April, 2015 notifying the revised statement of assets and liabilities as on 1st April, 2012 to be vested in Meghalaya Energy Corporation Limited.

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

1.3 Meghalaya State Electricity Regulatory Commission

Meghalaya State Electricity Regulatory Commission (here in after referred to as “MSERC” or the Commission) is an independent statutory body constituted under the provisions of the Electricity Regulatory Commission (ERC) Act, 1998, which was superseded by Electricity Act (EA), 2003. The Commission is vested with the authority of regulating the power sector in the state inter alia, including determination of tariff for electricity consumers.

1.4 Commission's Order for the MYT Period FY 2015-16 to FY 2017-18

MePDCL filed its petition under Multi-year tariff frame work for the FY 2015-16 to FY 2017-18 on 02.01.2015, in accordance with the Meghalaya State Electricity Regulatory Commission (Multiyear Tariff Frame Work) Regulations, 2014, notified by MSERC. The Commission approved the ARR for the MYT period FY 2015-16 to FY 2017-18 in its order dated 30.03.2015.

1.5 Admission of the Petition and Public hearing process

The MePDCL has submitted the current Petition for true up for FY 2014-15 and determination of Aggregate Revenue Requirement (ARR) for FY 2017-18 including determination of tariff for FY 2017-18. The Commission undertook the technical validation of the Petition and admitted the Petition on 17.01.2017.

In accordance with section 64 of the Electricity Act, 2003, the Commission directed the MePDCL to publish the application in abridged form to ensure public participation. The public notice, inviting objections/suggestions from its stakeholders on the ARR and tariff Petition filed by it, was published in the following news papers on the dates noted against each.

Sl. No	Name of Newspaper	Language	Date of Publication
1	The Shillong Times	English	25.01.2017 & 26.01.2017
2	U Mawphor	Khasi	25.01.2017 & 26.01.2017
3	Salentini Janera	Garo	26.01.2017 & 28.01.2017
4	Chitilli	Jaintia	26.01.2017 & 01.02.2017

The Petitioner has also placed the public notice and the Petition on the website (www.meecl.nic.in) for inviting objections and suggestions on its Petition. The interested parties/stakeholders were asked to file their objections/suggestions on the Petition within 30 days of notification.

MePDCL/Commission received some objections/suggestions from Consumers/ consumer organizations. The Commission examined the objections/suggestions received and fixed the date for public hearing on MePDCL's petition held on

09.03.2017. Commission also informed the objectors to take part in the public hearing process for presenting their views in person before the Commission. The Public hearing was conducted at Commission's office in Shillong as scheduled. The Commission also held meeting with State Advisory Committee.

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

A short note on the main issues raised by the objectors in the written submissions and also in the public hearing along with response of MePDCL and the Commission views on the response are briefly given in chapter-3.

1.6 Approach of the Commission for determination of ARR and Tariff for FY 2017-18

The MePDCL (MeECL) has submitted petition on 16.01.2017 seeking adjustment of revenue gap as per the revised expenses claimed towards power purchase cost, prior period charges and penalty computed for non-achievement of AT&C losses with reference to the audited financial statement by statutory auditor M/s. Kiron Joshi and Associates.

The MePDCL has also submitted and requested the Commission to pass appropriate Order for true up of the business for the FY 2014-15 in the same petition.

As per the Regulations the licensee shall file the petition for true up of business by 30th September of the preceding year along with audited financial statements and C&AG certificate.

The Licensee has filed petition seeking true up of their business for true up of FY 2014-15 and provisional true up for FY 2015-16 and also for determination of ARR and tariff for the FY 2017-18 on 16.01.2017.

The Commission had admitted the petitions while calling for further information/data gaps, admitted the petitions on 17.01.2017 to ensure issue of tariff orders on time.

The Commission would like to make clear the implications of the Regulations that the true up exercise without the C&AG audit report shall be interim approval only subject to readjustment of revenue gap/surplus after filing of the petition along with C&AG reports and it should only be treated as Review of the ARR and the same shall be subject to corrections on filing of the audited accounts.

<u>Adjustment of Revenue gap/surplus</u>

In the present petition, the true up Orders passed by the Commission for FY 2014-15 shall be interim approvals subject to readjustment after filing of audited accounts certified by C&AG.

The Commission considers adjustment of balance of revenue gap left unadjusted in FY 2016-17 for FY 2012-13, FY 2013-14 and FY 2014-15 in the MePDCL ARR to facilitate the utilities' operations/functions and ease cash flow crunch subject to readjustment in the next filing along with C&AG report. While considering the true up claims of the utilities the Commission has approved the expenses, allowances reasonably to the extent of actual for which the licensee is entitled as per the Regulations.

<u>Bad debts and prior period expenses</u>

The Commission has examined the claim of licensee towards bad debts and prior period expenses in the light of Hon'ble Supreme Court Order dated 28.08.2012 and advised the utilities to ensure detailed scrutiny of bad debts/prior period expenses to be conducted by an independent agency covering other categories of consumers affected due to revision of Tariff Order, as per the Hon'ble Supreme Court Order dated 28.08.2012.

It is also advised through the approvals/true up orders that the licensee shall file separate petition along with scrutiny/audit reports for Commission's consideration within three months.

Losses

The Commission while examining the true up petition observed that the distribution utility had been not performing up to the approved levels in respect of T&D losses, revenue collections and power purchase/sales management by which the utility had been unable to meet the day to day cash flow requirement, payment of power purchase dues of generators as also the expectations of the consumers/stakeholders which were not met. During the public hearing held on the current filings, the participants/stakeholders were unhappy and uncomfortable with the claims of petitions filed by the utilities for increase of tariffs.

The Commission insist that the distribution utility shall ensure efficient management in the areas of power procurement wherein the demand of consumers in the State of Meghalaya would be met with the power generated in the State from hydel sources at an affordable price.

The loss levels as approved could be achieved by the utility with 100% metering, billing and collections by employing IT tools and concerted efforts. These measures would certainly benefit the under privileged consumers of the State with a provision of 24x7 power supply as contemplated by the Government of Meghalaya and Government of India. This will also enable the licensee to achieve 100% electrification of all the households in Meghalaya.

The Commission has been advising the utilities through the directives communicated in the tariff orders to comply with the shortcomings in the efficient management. One such directive with respect to study and reduction of T&D losses, the utility has been asked to conduct feeder wise energy audit every month till the results are achieved. In this connection, the Commission has already done an exhaustive exercise by conducting Energy Audit in Police Bazaar and other parts of Shillong including Feeder audits. This has resulted in sufficient savings and extra revenue to the Licensee. The Commission has already advised the licensee to go for such exercise in the revenue yielding areas and reduce their losses. The details of this exercise were recorded in the Tariff Order for FY 2015-16. The Commission is getting regular reports of losses from the Licensee in this regard.

Power procurement

The Commission observed that the actual performance of power procurement in all the true up petitions, the utility has been drawing power through bilateral purchase whose price is more than the purchase cost of CGS allocation even more than the average purchase cost approved in the Tariff Order, causing high allowance in the true up because of which the revenue gap increased. The Commission has also disallowed Late Payment Surcharge (LPSC) from the power purchase bills in view of allowing working capital in this regard. The Commission is also of the view that inefficiency on this account should not be passed on to the consumers for no fault of theirs.

The Commission considers that the sale of surplus power outside the State should not be on lesser price than average procurement price after correction of losses.

Mid – term Review and provisional True up for FY 2015-16

The Commission observed that, as per the Regulation 4(2) (a) to (c) Multi Year Tariff Regulation 2014, midterm Review of the Business plan shall be sought by the licensee through an application filed three 3 months prior to the filing of petition for truing up of Second year of the control period (2016-17) and the tariff determination for the third year of the control period. In this case the licensee has not filed petition (3) three months before and hence midterm Review is not considered, as also Provisional true up for FY 2015-16 without audited accounts is not considered.

Return on Equity

The Government of Meghalaya has communicated revised and fourth amendment allocating the assets and liabilities among the unbundled utilities vide orders dated 29.04.2015. The generation, transmission and distribution corporations shall adopt those allocations in the respective corporations books for claiming of return on equity in accordance with the Regulations and judgment made by Hon'ble APTEL in similar matters. After the process of Government of Meghalaya allocation of equity, the return on equity shall be computed for arriving at the ARR and tariff. Till such time equity shall be computed as per the Regulations 100 and 101 for three corporations and return on equity shall be allowed for tariff.

Capital cost

The Commission considers opening GFA of three corporations as per the balance sheet and depreciation allowed after deducting grants and contributions value as per the Regulations after prudent check.

Interest and Finance charges

The Commission has considered loans borrowed for capital works and interest charges allowed on average rate of total outstanding loans for arriving at the ARR. The Commission also considered the borrowing of utilities towards discharge of power purchase liabilities and to meet the working capital needs. The working capital has been considered as per the Regulations irrespective of whether the licensee has borrowed loans for working capital or not. This will facilitate the Licensee to make their payments to CGS and others in timely manner and get applicable rebate on it. This will ensure that the consumers of the state are not over burdened by LPSC but rather benefitted by getting 24x7 power supplies at affordable rates.

Provision for bad and doubtful debts

The Commission considers that the provisions for bad debts in ARR is not an expense. The distribution utility shall ensure audit of receivables where there is no prospect of recovery of sundry debtors beyond three years and legal process does not fetch the recovery of dues, the write off methodology may be considered. The same has been communicated through true up orders.

Prior period expenses

The Commission observed that the claim of the utility is not supported with relevant records with reference to period to which the expense relates to, and accordingly, communicated to the licensee to comply with the gaps and file the details.

Renewable Energy Purchase Obligation (RPO)

The Commission observed that the utility has not complied with the Solar RPO requirement in accordance with the Regulations. However, due to new Tariff Policy, the adjustment of the Hydro Power is required to be set off against its Solar RPO requirement. Accordingly, the Commission has decided to carry forward the requirement and appropriately adjusted in the ARR.

Open Access

The Commission opines that the utilities shall not encourage open access and issue NOC where open access charges have become legitimate receivable from such consumers and are pending against them. The Commission is of the view that Open Access process should be reviewed by the Licensee and appropriate suggestions may be made to the Commission. The Commission shall take into account and make amendment in the Regulations in accordance with the law in the present circumstances. The Commission has from time to time directed the Licensee to propose additional surcharge on such consumers in the situation of insufficient recovery of revenue so as to make payment of fixed charges to the generators. The Open Access Regulations has provided for such additional surcharge. No such proposal has been received so far. The Commission advises the corporation to go for a detailed study and submit its petition for consideration by the Commission at the earliest.

ARR and Tariff

The Commission keeping in view the interest of consumers/stakeholders and objections raised in the Public Hearing after prudence check has considered the ARR for true up for FY 2014-15 and determination of tariff for FY 2017-18. The Commission allows admissible claim while ensuring sustainable operations by the utilities as per the Regulations approved the tariff order for FY 2017-18. The sustainability of the utility is important so as to serve its consumers by supplying 24x7 at affordable rates.

Conclusion

The Commission is of the view that truing up exercise is a regular process and need to be done every year along with the filing of the Tariff Petition of the next year with audited accounts. The Commission is constrained to do the truing up in the absence of audited financial statements, since, the Licensee has delayed the filing of audited accounts and thus delaying the process of truing up.

1.7 Contents of the Order

This order is in Nine (9) chapters as detailed below:

1. Chapter 1: Introduction
2. Chapter 2: Summary of ARR for FY 2017-18 and Revenue Gap
3. Chapter 3: Public hearing process
4. Chapter 4: True up for FY 2014-15
5. Chapter 5: Analysis of ARR for FY 2017-18
6. Chapter 6: Tariff Principles and Design
7. Chapter 7: Wheeling charges and cross subsidy surcharge
8. Chapter 8: Directives
9. Chapter 9: Approved Tariff for FY 2017-18

2. Summary of ARR and Tariff Petition for FY 2017-18

2.1 Revision of Tariff for FY 2017-18

The details of the gaps resulting up to truing up of FY 2014-15, which needs to be recovered from the consumers during FY 2017-18.

Besides, the other successor companies of MeECL i.e. the generation company MePGCL, transmission company MePTCL and SLDC have also filed the review of truing up petitions of FY 2013-14 and FY 2014-15 and the revised tariff petition for FY 2016-17 for generation and transmission and distribution business respectively. The impact of review of generation and transmission tariff for FY 2017-18 will be entirely borne by the distribution company and would also have to be recovered from the revised distribution and retail supply tariff of FY 2017-18.

As such, the total gap to be passed on the revised tariff of distribution and retail supply tariff of FY 2017-18 as made by the licensee in its tariff petition is shown below:

Table 2.1: Total Gap to be recovered from revision of tariff of FY 2017-18

(Rs. Crore)

Particulars	Amount
Revised ARR FY 2017-18	1567.86
Truing up of FY 2014-15 for MePDCL	373.18
Provisional True up for FY 2015-16 for MePDCL	314.84
MePTCL True up Gap of FY 2015-16	60.50
Provisional Truing up of FY 2015-16 for MePTCL	89.00
Truing up of FY 2014-15 for MePGCL	29.51
Provisional Truing up of FY 2015-16 for MePGCL	114.50
Total gap to be recovered from revision of tariff of FY 2017-18	**2549.39**

3. Public Hearing Process

3.1 Objections/Suggestions of Stakeholders, Response of the Licensee and the Commission's Views

A. Objector : M/s. Byrnihat Industries Association

Objection: Truing-up of FY 2014-15

M/s Byrnihat Industries Association ("BIA") is filing the present objections to the petition filed by the Meghalaya Power Distribution Corporation Limited (hereinafter referred to as 'MePDCL') seeking the truing up of FY 2014-15, provisional truing up of FY 2015-16 and mid- term review of MYT control period from FY 2015-16 to 2017-18 and revision of distribution tariff for FY 2017-18.

The Industrial consumers are few in number but at the same time they contribute a substantial part of the revenue requirements of the electricity utilities in the state. It is submitted that the industries have been set up in the State of Meghalaya based on the representations made on the sustained supply of electricity at competitive prices. The cost of electricity has however increased substantially over the years which have made the operation of industries in the State more and more unviable and the viability and sustainability of the industries is essential for the economic development of the State.

Response of MePDCL

MeECL and its subsidiary companies, including MePDCL, are going through an acute financial crisis and need appropriate revision of tariff to bridge the gap between cost of supply and revenue. At present, the revenue from sale of power is not sufficient to meet the cost of power purchase due to which MePDCL is not able to pay the power purchase bills on time.

As on 31 March 2016, the accumulated losses for all the restructured companies have reached to the level of Rs. 1520 crores and the total liabilities have increased to more than Rs. 2000 crores. Further, the cost of the distribution business is also increasing with improvement in infrastructure, increase in power purchase rate, pay increase of employees, inflation etc. The annual revision of tariff to bridge the gap is essential to ensure financial sustainability of power companies and ensure reliable power supply. In the past years, the tariff was not reflective of the actual cost as there was delay in availability of audited accounts after the restructuring of the new companies. But after the availability of authentic actual information, the tariff needs to be reflective of actual cost. Hence revision of tariff is done every year by the Honorable Commission after a thorough scrutiny. This will help the utilities to come out of the vicious cycle of losses and liabilities along with the development and maintenance of power system in the state.

Commission's View

The Commission will take a decision on tariff after prudence check of all components of ARR.

Objection: Principles for Truing-up FY 2014-15 and ARR

The Distribution Licensee is seeking a true-up for 2014-15 based on the availability of the audited Statement of Accounts for FY 2014-15. It is pertinent to note that the Distribution Licensee has not submitted C & AG Report for 2014-15 in contravention to Regulation 11 of the MYT Regulations, 2014. The true up exercise without the C&AG audit report shall be interim approval only subject to revision of revenue gap/surplus after filing of the petition along with C&AG report. Hence, it is requested that Hon'ble Commission may carry out the final true-up for FY 2014-15 after the Distribution Licensee produces the C & AG Report for FY 2014-15.

Response of MePDCL

As per the regulation 1.4 of MSERC MYT Regulation, 2014 , for the purpose of review or truing pertaining to FYs prior to 2015-16, the provisions under MSERC(Terms and Conditions for Determination of Tariff) Regulations, 2011 shall apply.

As per MSERC tariff regulations 2011, the audited accounts are required for truing up and CAG audit is not mandatory for truing up. MePDCL has already submitted its accounts audited by an independent statutory auditor in compliance with the provisions of Companies Act. Further, it is submitted that the CA&G audit is a time taking process and cannot be completed by the time truing up is taken up. It may be noted that MePDCL will furnish the CA&G Report for FY 2014-15 as soon as it is available. As such, if the truing up is delayed on account of CAG audit reports, it may result in additional burden on consumers for passing through of legitimate cost on account of carrying cost of the gap.

Commission's view

The response of the MePDCL is noted.

Objection: Basis for Truing-up FY 2014-15

While truing-up for 2014-15, this Hon'ble Commission may keep in mind the following principles laid down by the Hon'ble Appellate Tribunal for Electricity.

Response of MePDCL

MePDCL would like to clarify that while submitting the truing up petition, it is giving detailed justification for the actual expenditure incurred and revenue accrued as against the approved figures. Further, there is no deviation sought in the overall principles laid down in the previous tariff order nor any correction of error is sought.

Commissions' view

The Commission will consider True-up as per Regulatory provisions.

Objection: Power Purchase Cost

The Petitioner has submitted a highly inflated calculation for power purchase cost of Rs. 578.02 Crore, inclusive of short term open access charges in Table No. 4. It is important to note that the Hon'ble Commission while conducting the provisional true up for FY 2014-15 noted that the power purchase cost as claimed by the Petitioner includes late payment surcharge to the tune of Rs. 93.13 crore paid to the generating companies and adjusted the same while approving the power purchase cost.

The amount of Rs 93.13 crore needs to be disallowed from the power purchase cost. The Petitioner has also claimed a surcharge of Rs. 64.62 Crores without giving any reason for the same. Further, the consumers cannot be burdened with the penalties imposed on the Distribution Licensee for the default in making timely payments to the generators. It should be disallowed.

Response of MePDCL

As per the audited Statement of Accounts of MePDCL, the total delayed surcharge amount is Rs. 64.62 Crore as clearly shown in tariff petition. It has distinctively been shown in the billed amount as surcharge and also in the audited statement of accounts. As against this, the Hon'ble Commission in the provisional true up had considered Rs. 93.31 crores. MePDCL would like to request the Commission to review the provisional delayed payment surcharge amount and consider the same as Rs.64.62 crores instead of Rs. 93.31 crores. Also, MePDCL would request the Commission to allow the delayed payment surcharge at least on a one-time exceptional basis as MePDCL is taking various efforts to ensure that the power purchase dues are met on time. However, due to the pending gaps of previous years, it needs a onetime relief from the power purchase liabilities to enable it to make a financial turnaround. MePDCL is planning to issue bonds to meet the immediate outstanding liabilities so that it can invest in system improvement and achieve operational and financial turnaround.

Commission's View

The Views of the Petitioner are noted. However the Power Purchase Cost is allowed as per the Provisions of the Tariff Regulations and after prudence check of the accounts.

Objection: Non-Payment of Dues to Generating Stations

North Eastern Electric Power Corporation Ltd. (NEEPCO) imposed Regulation of power supply to MeECL during the first six months of calendar year 2014 from its generating station, Assam Gas Based Power Project (AGBPP), due to non-payment of dues of NEEPCO. The Petitioner has allegedly paid a huge cost of Rs. 73.72 Crore for purchasing 70.83 MUs from AGBPP at an average rate of Rs. 11.22/kWh. This burden on account of non-payment of dues of generating station by MePDCL cannot be passed on to the consumers and merits to be set aside.

Thus, on the basis of above submissions and restricting the cost of power purchase from NEEPCO to average rate of Rs 3.66/kWh (the rate approved by this Hon'ble Commission vide Order dated 12.04.2014) the following Power Purchase Cost should be allowed:

Purchase	Amount (Rs. Crores)
Total power purchase cost as per MePDCL's claim	578.02
Late payment surcharge to NEEPCO, NTPC, OTPC, NHPC, as noted by this Commission in Annual Accounts for FY 2014-15	93.13
Disallowance on account of higher power purchase rate from AGBPP- NEEPCO (due to Power Regulation)- Rate restricted to the average power purchase rate approved in the order dated 12.4.2014	49.66
Disallowance of surcharge in absence of any justification	64.62
Allowable Power Purchase Cost as per BIA's assessment	370.61

Response of MePDCL

On account of imposition of power regulations by NEEPCO, MePDCL had to pay the fixed charges as per its PPA and contracted demand without actually drawing power. This has led to a higher per unit cost of power purchase from AGBPP. As mentioned above, the power purchase liabilities have increased only because of the huge gap in tariff and cost of supply which should be considered by the Hon'ble Commission.

Besides, the cost of power purchase as claimed by the petitioner in true up is absolutely prudent and as per the audited Statement of Accounts. The overall rate of power purchase of MePDCL is only Rs. 2.75/kWh which is highly competitive.

Commissions' view

The views of the Petitioner are noted. The power purchase cost is considered as per the principles of the Tariff Regulations and on prudent check of the accounts.

Objection: Prior Period Expenses

MePDCL has over the years made repeated claims for prior period expenses and has been mostly directed by the Hon'ble Commission to correct its past mistakes in accounting or booking under specific heads such as wheeling charge, employees expenses, interest and finance charges, etc.

Even in its present Petition MePDCL has claimed an amount of Rs. 67.71 Crore in FY 2014-15 in Table No. 18. Though MePDCL has given a breakup of the expenses it has not mentioned the period to which these items pertain to. It is important to note that MePDCL is in the habit of not giving any details and the same has also been observed by the Commission in its Order dated 30.03.2016., wherein it directed MePDCL to file a separate Petition with proper reports/ audits.

MePDCL is yet to submit the compliance report in accordance with the directions of the Commission. Thus, the above claims must be rejected by the Hon'ble Commission.

Response of MePDCL

The claim of prior period income and expenses is in accordance with the MSERC Tariff Regulations 2011. The formats specified in the MSERC Tariff Regulations 2011, (Format 1, 4, 5, 7, D-5) allow the licensee to add the prior period expenses claimed under various components to the total expenses of the licensee. As such, claim of prior period income and expenses, are as per the regulations. Also, in response to the relevant directive in the order of 30th March 2016, MePDCL had submitted the detailed reply vide its letter no. MePDCL/D(D)/2016-17/T-450(Pt-III)/34 dated 10/2/17.

Commissions' view

The prior period expenses are allowed where related records are made available and as per the provisions of the Tariff Regulations on prudence check of the accounts.

Objection: Interest and Finance Charges

MePDCL is claiming Rs. 26.03 Crore towards interest and finance charges pertaining to project loan for government schemes, supposedly based on Audited Accounts. However, the Hon'ble Commission while conducting the provisional true up for FY 2014-15 approved an interest cost of Rs 6.59 Crore and observed that in respect of one of the loans of PFC-RAPDRP-B, details of its drawl were not available on record. Even now the details of the same have not been submitted by MePDCL.

The Objector has worked out the interest cost of Rs. 6.88 Cr. allowable to the Petitioner based on the details of long term loans available in the Annual accounts:

Response of MePDCL

The PFC loan against R-APDRP Part B of Rs. 47.9 crores has been disbursed in September 2014 and the interest on the same needs to be considered. MSERC in the provisional true up of FY 2014-15 had allowed INR 6.59 Crore only against the interest on loan. However it is pertinent to note that Interest and finance charges also include other mandatory charges levied by the banks like bank charges, bank transaction charges & prepayment charges for final settlement of loans and interest which is a considerable amount paid by MePDCL. From the Audited Statement of Accounts it may clearly be seen that MePDCL has incurred INR 26.03 crores towards meeting such obligatory charges and hence the MSERC is requested to make due consideration of such charges over and above the interest on loan allowed by the Hon'ble Commission. The same is payable by MePDCL as per the terms and conditions of the loan agreement.

Commission's view

The Interest and Finance Charges are allowed as per the Tariff Regulations and on prudence check of the accounts.

Objection: Return on Equity

MePDCL has claimed the opening equity at Rs. 786.40 Crore for working out RoE for FY 2014-15 supposedly as per Regulations 100 and 101 of the Tariff Regulations, 2011 vis-à-vis Rs. 67.33 as approved in tariff orders dated 12.04.2014 and 30.03.2016. The MePDCL has wrongly claimed ROE of Rs. 111.13 crores as ROE in FY 2014-15.

From the Audited Annual Accounts of the Petitioner, it is observed that while the authorised capital has increased from Rs. 200 Crore to Rs 1000 Crore in 2014-15 the subscribed equity capital is only Rs. 5 Lakh. Further, a total of Rs 786.35 Crore, which was pending for allotment on 01.04.2014 (as per Note 3 of the Accounts) remains pending. Also, as per Note 3.2 of the Accounts Equity shares amounting to Rs 742.31

Crore were issued to MeECL only on 27.5.2015. Thus, MePDCL has wrongly considered the ‘Equity share pending for allotment’ as its “Subscribed/Paid-up Capital” and has claimed RoE on the same.

MePDCL also had a negative net worth as on 31.03.2015and thus cannot be eligible for any return.

Response of MePDCL

MePDCL has claimed return on equity as per the provisions of MSERC Tariff Regulations 2014 and MSERC Tariff Regulations 2011. The MSERC Regulations provides for allowing equity as appearing in the balance sheet/transfer scheme and also on equity in excess of 30% of the capital cost.

As such, for old projects, the new regulations allow the debt-equity ratio to be considered as the same as considered by the Commission in the past period. Hence, we are referring the old regulations i.e. MSERC Tariff Regulations 2011 to analyze the allowable equity for calculation of return on equity for old assets/projects. The relevant provisions are provided below:

“51. Debt-Equity Ratio

In the case of existing generating stations the debt equity ratio as per the Balance Sheet on the date of the Transfer notification will be the debt equity ratio for the first year of operation, subject to such modification as may be found necessary upon audit of the accounts if such Balance Sheet is not audited…

100 (1) Provided that the Commission may, in appropriate case, consider equity higher than 30% for the purpose of determination of tariff, where the distribution licensee is able to establish to the satisfaction of the Commission that deployment of equity more than 30% is in the interest of general public.”

It may be noted that, for the first year of operation, the equity component appearing in the balance sheet as per the transfer scheme was considered for computation of Return on Equity and the Hon’ble Commission had approved only provisional values subject to correction at the time of audited accounts reflecting the size of equity.

Since the equity outstanding pending allotment was as per the Transfer Scheme notification, the same has been claimed and the regulations provide for claiming return on funds received but not subscribed as share capital (premium/internal reserves). Further, the equity has been received from the State Government as equity and also utilized for capital expenditure, return should be calculated on the same Further, the regulations do not restrict allowing of return on equity pending allotment.

As against this, the Commission had determined the Return on Equity for the 1st MYT Period for FY 2015-16 to FY 2017-18 (and also for previous years) on provisional basis as Rs 9.43 Crores based on the figures of equity available with MeSEB prior to unbundling. As per the order of the Commission dated 31st March 2016,

"The Government of Meghalaya has communicated revised and fourth amendment allocating the assets and liabilities among the unbundled utilities vide orders dated 29.04.2015. The generation, transmission and distribution corporations shall adopt those allocations in the respective corporations' books for claiming of return on equity in accordance with the Regulations and judgment made by Hon'ble APTEL in similar matters. After the process of Government of Meghalaya allocation of equity, the return on equity shall be computed for arriving at the ARR and tariff."

As such, it is clear that the allowed figures were provisional and subject to change based on actual allocation of equity as per the transfer scheme and adoption of allocation of equity in books of accounts.

Commission' view

The views of the petitioner are noted and the return on equity is allowed as per the provisions of the Tariff Regulations and APTEL Judgments on similar cases after prudence check of the accounts.

Objection: Interest on Working Capital

MePDCL under Regulation 104 of the MSERC Tariff Regulations, 2011 has claimed working capital requirements to the tune of Rs 24.26 Crore on normative basis.

However, there are glaring discrepancies in the calculations submitted by MePDCL, for instance, MePDCL has considered O&M expenses for 2 months, instead of 1 month as provided by the Regulation, for calculating working capital requirement (Table No. 15). Accordingly, the re-worked working capital requirement and the interest on working capital is as under:

Particulars	Amount as per BIA's assessment (Rs. Crore)
O&M Expenses for 1 month	10.41
Maintenance Spares	3.38
Receivables (2 months)	83.02
Total working capital	96.81
Interest Rate (%)	14.75%
Interest on Working Capital	14.28

Response of MePDCL

The O&M Expense to be used for computation of working capital may be taken for 1 month as suggested. MePDCL has inadvertently taken 2 months as O&M cost.

Commission's view

The interest on Working Capital is considered as per the principles of Tariff Regulations.

Objection: Allowable ARR for FY 2014-15

MePDCL is in surplus of Rs. 71.77 crores as against the revenue gap of Rs. 343.61 Cr claimed by MePDCL. Accordingly, the allowable Aggregate Revenue Requirement for FY 2014-15 as per BIA's assessment.

Response of MePDCL

As submitted by the objector there is no justification for revision in the truing up proposal of MePDCL.

Commission's view

The Commission took a decision after prudence check of the accounts to allow permissible ARR.

Objection: Provisional Truing Up Of FY 2015-16

In Appeal No. 146 of 2014, the Hon'ble Tribunal had directed this Hon'ble Commission to carry out the true-up of FY 2014-15 on the basis of provisional accounts. This direction is not to be extended and applied to FY 2015-16 onwards. The Hon'ble Tribunal had specifically directed this Hon'ble Commission to issue necessary directions to the Distribution Company, MePDCL to submit the audited accounts up-to-date before determination of ARR and tariff for the year 2015-16.Therefore, this Hon'ble Commission may not allow the MePDCL apply for true-up on the basis of provisional accounts and then again on submission of the audited accounts, get the benefit of a true-up of a true-up. The MePDCL is erroneously seeking a review of tariff for FY 2016-17 in the guise of a mid-term review without submission of actual which may not be allowed.

Response of MePDCL

MePDCL submits that the petition for provisional true up for FY 2015-16 is being filed based on the principles of quick recovery of costs as outlined in the Judgment of Hon'ble Tribunal in the Appeal No. 146 of 2014 dated 1.12.2015 wherein the Hon'ble Tribunal had directed MSERC to carry provisional true up of FY 2014-15 in order to avoid delay in true up and in turn burden consumers from tariff shock in future due to revenue gap of previous years.

The accounts for FY 2015-16 have been finalized and MePDCL is striving hard to get the same audited at the earliest. However, this should not restrict the Commission in doing provisional true up of FY 2015-16, as done in case of FY 2014-15 by the directions of Hon'ble Tribunal.

For the matter of relevance, the extract of the judgment by Hon'ble Tribunal dated 1.12.2015, is reproduced below:

"10.10 In the absence of audited accounts, The State Commission might have taken up the provisional true-up up to 203-14 and might have arrived provisional revenue gap/surplus. The tariff for F y2014-15 was issued on 12.04.2014 as per the ARR submitted by the licensee MePDCL. Due to lack of truing-up of the past years, the

Commission could not be able to compute the actual requirement gap/surplus up to the FY 2013-14. Thereby the consumers are deprived of the benefit, if there is a profit/surplus after computing the true-up and also due to lack of true-up of previous years , for no fault of consumers, the consumers are burdened with carrying cost if any after true up for the gap at one time and thereby there is possibility of tariff shock.

10.11 we direct the State Commission to carry out the true-up by considering audited figures up to 2013-14 and provisional figures for FY 2014-15 and arrive the gap/surplus before approval of ARR and tariff petition for FY 2015-16. Further, the gap if any arrived in the process of true-up, the State Commission is directed not to levy carrying cost on the gap. The consumers should not be burdened for the non-submission of audited accounts of the past years by the distribution licensee".

Commission's view

The utility shall comply with the Regulations for filing true-up petition for FY 2015-16 true-up.

Objection : Power Purchase Cost

MePDCL has claimed a power purchase cost of Rs. 613.92 Crore in FY 2015-16, based on actual, and has projected the source wise cost for FY 2016-17 and FY 2017-18 based on assumptions, completely inconsistent with the scenario of FY 2015-16, of Rs. 745.92 Crore and Rs. 1203.16 Crore, respectively.

In Note 20 of the Annual Accounts, the power purchase cost is shown as Rs. 529.38 Crore. However, power purchase surcharge of Rs. 84.53 Crore depicted in the Annual Accounts should not be passed on to the consumers as it is in the form of penal charges payable by the MePDCL due to delayed payments made to generators. The consumers should not be burdened for the deliberate inefficiencies of the MePDCL.

Response of MePDCL

The petitioner's claim of Rs. 613.92 Crore (which includes the power purchase surcharge of Rs. 84.53 crores) is as per actual statement of power purchase for the year and is reflected in the pre-audited Statement of Accounts of MePDCL. The supporting power purchase invoices have also been submitted. As such, the power purchase surcharge has not been claimed in FY 2015-16 provisional true up. Furthermore, while projecting the power purchase cost of future years, the petitioner has duly taken into consideration the final tariff of MLHEP, upcoming units of New Umtru Hydro Electric Plant, Bongaigaon Thermal Power Station etc. It may be noted that the power purchase cost is increasing sharply as the tariff of the new plants like Bongaigaon (@5.8 per unit) is much higher than the present per unit average power procurement cost. Further, the pending amounts of Leshka for the past years need to be recovered as the final tariff needs to be notified now and the gap of the past years needs to be recovered accordingly.

Commission's view

The Commission allows power purchase cost as per the MYT Tariff Regulations after prudence check.

Objection: Escalation rate of 5% on Power Purchase

MePDCL has arbitrarily considered an escalation of 5% on the approved cost of FY 2015-16, for purchase of power from MePGCL, resulting into a highly inflated cost of power purchase despite lower average rates in FY 2015-16. Similarly, the rates considered for procurement of power from generating stations of NEEPCO are arbitrarily high even though the actual rates have been around Rs. 1.90/kWh to Rs. 2.00/kWh during FY 2015-16.

Response of MePDCL

The escalation rate of 5% assumed for power purchase rates is very nominal and based on the prevailing trends of power purchase rates. The Honorable Commission in its MYT Orders for the Control Period had also considered a similar escalation factor. It is submitted that the total average power procurement cost should be seen and compared with the trend of past years. It is submitted that due to power regulation imposed by NEEPCO, the rates of NEEPCO plants are higher in FY 2016-17 but even after paying the fixed charges of NEEPCO plant, MePDCL was able to meet the power deficit by buying cheap power from the short term market and thereby keeping the average power procurement at reasonable level (i.e.3.41 per unit in FY 2016-17 and 4.59 in FY 2017-18).

Commission's view

The views expressed by the petitioner are noted. Any variations caused in determination of Tariffs will be factored in true-up exercise for the FY 2017-18.

Objection: Power Purchase cost for FY 2015-16 and FY 2017-18

The Hon'ble Commission may allow the power purchase cost in accordance with the tariff order dated 31.03.2015. i.e. Rs. 491.84 crores for FY 2016-17 and Rs. 736.70 crores for FY 2017-18.

Response of MePDCL

All claims of the petitioner are backed by facts and data and it is request that the Honorable Commission to consider the submissions of the petitioner and approve the power purchase cost as claimed.

Commissions' view

The Power Purchase Costs have been computed as per the MYT Principles.

Objection: Return on Equity

MePDCL has claimed RoE based on Regulations 27, 31 and 92 of the MSERC MYT Regulations, 2014. The opening equity, claimed by MePDCL, is Rs. 801.20 Crore for working out the RoE for FY 2015-16. On perusal of the Provisional Annual Accounts of MePDCL, it can be observed that, the opening subscribed equity capital is only Rs. 5 lakh. Further as per Note 3 of the Accounts, a total of Rs. 801.15 Crore is pending for allotment as on 1.4.2015 and gets reduced to Rs. 68.04 Crore at the end of FY 2015-16. The closing paid-up share capital of MePDCL is Rs. 742.31 Crores. It is submitted that MePDCL has erroneously considered the 'Equity share pending for allotment' as its 'Subscribed/Paid-up capital' and has claimed RoE on the same.

Response of MePDCL

MePDCL has also considered the equity amount appearing in the balance sheet, which is also in accordance with the Transfer Scheme Notification. Further, the amount as provided in Transfer Scheme was initially not subscribed/paid up but the same was received from State Government for creation of assets and were supposed to be treated as equity contribution from State Government. As such, the same was booked under “Share application pending allotment” and later on the same was subscribed to State Government and transferred to the head “Paid up Capital”. Hence we reaffirm our claim on Return on Equity as claimed in the tariff petition.

Commission’s view

The return on equity is allowed as per the Tariff Regulations and APTEL Judgment on the similar cases and on prudence check of the accounts.

Objection: Interest on Working Capital

MePDCL has claimed working capital requirements to the tune of Rs. 23.31 Crore, Rs. 29.26 Crore and Rs. 40.69 Crore for FY 2015-16, 2016-17 and 2017-18, respectively on normative basis (Table No. 38). It is submitted that on account of changes in the O&M expenses (as shown by BIA) the working capital requirements ought to change. Also, the rate of working capital as applicable in FY 2016-17 and FY 2017-18 should be 14.05% and not 14.45% as has been taken by MePDCL. Thus, the interest on working capital that ought to be allowed to MePDCL is as under:

Particulars	2015-16 (Provisional)	2016-17 (Estimated)	2017-18 (Projected)
O&M Expense for one month	11.33	11.90	12.49
Maintenance Spares	3.45	3.67	3.93
Receivables for two months	92.21	116.58	124.86
Total Working Capital	106.99	132.15	141.28
Interest Rate	14.45%	14.05%	14.05%
Interest on Working Capital	15.46	18.57	19.85

Response of MePDCL

The interest on working capital may be taken as 14.05% as suggested.

Commission's view

Interest on Working Capital is allowed as per the Tariff Regulations. Any variations in the rate of interest will be corrected in true-up exercise.

Objection: Employee Expenses

The erstwhile Meghalaya state Electricity Board (MSEB) used to revise the pay scale of its employees every 5 years and that the same practice has also been adopted by it. MePDCL has estimated revision in pay during FY 2016-17 to effect of 17% in the overall pay.

It is an established principle that impact of wage revision shall be considered on actual basis during truing up.

The Hon'ble Commission is requested to allow pay revision, if any, based on actual at the time of truing up and not in advance as the same is not contemplated under the relevant Regulations.

Response of MePDCL

Under CERC regulations, O&M expenses are allowed on normative basis based on network details with suitable margins provided to mitigate risk of increase in requirement of O&M expenses. As against this, the O&M expenses in case of MePDCL are approved for each element i.e. Employee Cost, R&M cost and A&G cost based on the actual of past years.

Before corporatization, Meghalaya State Electricity Board (MeSEB) used to revise pay scale of employees every 5 years. Further at the time corporatization in the year 2010 the Management and Employees Association have mutually decided that the earlier trend of revision of pay will continue in future i.e. Management will revise pay scale of all the employees every 5 years. The last pay revision was made effective in the year 2010.

Revision of Pay will be made effective from January 2015 onwards. The employee cost for the FY 2015-16 is projected by considering the revised pay of Employees. The following assumptions were taken to arrive at the revised pay of Employees:

Basic Pay: On a yearly basis the permanent employees of MePDCL are given an increment of 3%. However, owing to pay revision, the basic pay existing as on 1st January 2016 is estimated to increase by a factor of 1.73. The existing level of DA as on 1st January' 2016 was 56% and as such the net effect of pay revision is expected to be 17%.

Dearness Allowance (DA): The DA is taken around 12% of basic pay for FY 2017-18. The other allowance is estimated to remain at the same level as FY 2015-16.

Terminal benefit provision for FY 2017-18 has been considered at an increment of 3%. However the same will be claimed as per the actual at the time of true-up.

The yearly recruitment of technical and non-technical staff is also considered for projection of cost.

Effect of implementation of pay revision only at the time of truing up would lead to dumping of arrears in 1 year only which would cause consumer shock. Implementation of the pay revision from the ARR Projections itself would ease the burden of the consumers and prevent consumer shock. Hence, MePDCL requested to consider the assumptions as stated above for the computation of Employee Expenses and adjust the deviations at the time of truing up.

Commission's view

The reply of the petitioner is noted.

Objection: Interest on Loan

MePDCL has estimated an additional loan drawal to the tune of Rs. 49.95 Crore and Rs 66.43 Crore in FY 2016-17 and 2017-18 respectively. MePDCL has not provided the details of capital expenditure funded by grants and by debt. The estimated loan drawal in FYs 2016-17 and 2017-18 has been shown much more than additional capital expenditure estimated to be incurred during the year i.e. Rs. 34.07 Crore and Rs. 37.80 Crore respectively. It is submitted that the loan drawal for a year cannot be more than the required additional capital expenditure. The Hon'ble Commission is requested to conduct a strict prudence of the capital expenditure plan of MePDCL and the funding pattern of the same.

Response of MePDCL

The details of capital expenditure to be funded by grants and debt have been furnished in the capital investment plan of MePDCL. The additional loan drawals of Rs. 49.95 Crore and Rs. 66.43 Crore in FY 2016-17 and FY 2017-18 respectively correspond to the capacity addition plans of the respective years as well as some pending drawals of the previous years.

Commission's view

The Interest on Loan is allowed as per the Tariff Regulations on prudence check of capital investment and the accounts.

Objection: Opening Balance for FY 2015-16

Byrnihat Industries Association (BIA) from FY 2014-15 to computed the interest on loan allowable to BIA for FY 2016-17 and 2017-18 as under:

Particulars	2015-16 (Provisional)	2016-17 (Estimated)	2017-18 (Projected)
Opening Balance	104.96	89.01	123.79
Addition during the year	0.01	49.95	66.43
Repayment during the year	15.96	15.17	0.00
Closing balance	89.01	123.79	190.22
Average Interest Rate	10.61%	9.81%	9.02%
Interest Payable	10.29	10.44	14.16
Add: Finance Charge			
Interest and finance charges	10.29	10.44	14.16

Response of MePDCL

As per the audited Statement of Accounts of FY 2014-15, the closing balance of Capex loans i.e. IOB-TL-II, PFC Loans for R-APDRP Parts A&B, REC loan for RGGVY and

State Govt. Loans amount to Rs. 127.34 Crore as claimed in the petition and not Rs. 104.96 Crore as suggested by the objector.

Commission's view

The response of the petition is noted.

Objection: Transmission Charges

MePDCL has claimed transmission charges of Rs. 258.95 Crore, Rs. 273.89 Crore and Rs. 316.96 Crore payable to MePTCL and PGIL during FY 2015-16, 2016-17 and 2017-18, respectively. It is submitted that the transmission charge can be allowed to the extent of expenditure incurred as per the Annual Accounts for FY 2015-16. From Note 20 of the Annual Accounts it can be observed that the total charges paid in FY 2015-16 also include wheeling the energy Rs. 167.16 Crore and Rs. 2.44 crores paid towards open access. Thus, the total allowable transmission charges as per the Accounts are Rs. 169.61 Crores for FY 2015-16. It is submitted that MePDCL has not provided the breakup of this amount in the provisional Accounts.

Response of MePDCL

The transmission charges projected by MePDCL are based on the petitions for true up of MePTCL before the Honorable Commission.

Commission's view

The transmission charges are allowed based on Tariff Regulations and prudence check for MYT Orders.

Objection: Transmission Charges for FY 2016-17 and FY 2017-18

However, BIA has assessed the ARR of MePTCL in provisional true up for FY 2015-16 at Rs. 98.42 Crore, Rs 124.38 Crore and Rs. 126.89 Crore for FY 2015-16, 2016-17 and 2017-18, respectively. In view of market inflation rates an escalation 5% is considered for projecting the overall transmission charges for FY 2016-17 and 2017-18. Accordingly, as per BIA the following transmission charges should be allowed to MePDCL for FY 2015-16 to 2017-18 are as under:

Particulars	2015-16 (Provisional)	2016-17 (Estimated)	2017-18 (Projected)
Transmission Charges (PGCIL & MePTCL) as per Objector's Assessment	169.61	178.09	187.00

Response of MePDCL

The transmission charges projected for FY 2016-17 and FY 2017-18 reflect the inflation rate of 5% over the actual values of the base year but also the revised estimates based on the actual performance of the previous years. Therefore, the submissions of the petitioner in the impugned petition regarding transmission charges are absolutely prudent.

Commission's view

The transmission charges for the FY 2016-17 and FY 2017-18 are allowed as per Tariff Regulations and after prudence check of the accounts in the MYT Orders.

Objection: ARR Requirement for FY 2015-16 to FY 2017-18

The allowable ARR for FY 2015-16, 2016-17 and 2017-18 should be 170.34 Crore, 181.08 Crore and 219.51 Crore respectively.

Response of MePDCL

The ARR proposed by the petitioner for FY 2016-17 and 2017-18 in Table 41 of the impugned petition is based on the actuals of FY 2014-15 and 2015-16 and is in strict accordance to the Regulations. Thus, it is requested that the Honorable Commission to kindly allow the same.

Commission's view

The ARR for the FY 2015-16 to FY 2017-18 is considered as per the Tariff Regulations and on prudence check of the accounts / projections / estimates for MYT Orders.

Objection: Cross Subsidy Surcharge

Before allowing BIA to avail open access, MePDCL conditionally granted the permission to the objector by forcing it to surrender existing contract demand of 1.8 MVA. Therefore the objector is solely dependent on its captive power plant and procurement of power through open access at its own cost. BIA is paying high amount of open access charges to MePDCL every year for procurement of power through open access at its own cost.

The steep increase of cross subsidy surcharge is eliminating competition in electricity market and has forced BIA not to utilize its full production capacity since 50% of cost of production for Ferro products comes from electricity itself. Presently BIA is not even in position to utilize its full production capacity due to high amount of open access charges which has made the procurement of power through open access unaffordable even though electricity is available at very competitive rate of Rs.2.50/kWh in the open market. The low utilization of capacity has resulted a higher production cost of the end products those are not marketable in present competitive environment.

Response of MePDCL

MeECL and its subsidiary companies, including MePDCL are going through an acute financial crisis and need appropriate revision of tariff to bridge the gap between cost of supply and revenue.

As on 31 March 2016, the accumulated losses for all the restructured companies have reached to the level of Rs. 1520 crores and the total liabilities have increased to more than Rs. 2000 crores. Further, the cost of the distribution business is also increasing with improvement in infrastructure, pay increase of employees, inflation etc. The annual revision of tariff to bridge the gap of cost and tariff is essential to ensure financial sustainability of power companies and ensure reliable power supply. It is also submitted that in the past years, the tariff was not reflective of the actual cost as there was delay in availability of audited accounts after the restructuring of the new companies. But after the availability of authentic actual information, the tariff needs to be reflective of the actual cost. Hence revision of tariff is done every year by the Honorable Commission after a thorough scrutiny for prudence and rationality. This will help the utilities to come out of the vicious cycle of losses and liabilities along with the development and maintenance of an efficient power system in the state.

Moreover the rates of cross subsidy surcharge have been determined by the Honorable Commission after thorough scrutiny of the petitioner's claims and are essential for the sustenance of the business of the petitioner.

Commission's view

The cross subsidy arrived at as per provisions in the revised National Tariff Policy 2016.

Objection : High Open Access Charges

Presently BIA is struggling with stranded production capacity because of high amount of open access charges whereas the petitioner is also not losing revenue from the objector for not having any sanctioned load.

Response of MePDCL

The total charges paid by an industrial consumer while buying power under open access is INR 5.26/unit (i.e. 2.76 being open access charges and 2.5 being cost of power in exchange). As against this, the approved energy charge as per the last order of the Commission is INR 5.89/unit. As such, an industrial open access consumer is able to save more than 10% of the electricity cost by buying power under open access. As such, the claim that open access has been eliminated is devoid of any merit. In fact, the consumer has the option of saving in electricity cost by sourcing power under open access. Moreover, the Comparable rates of open access as well as retail supply tariff only justify the competitiveness of open access charges as well as the retail supply tariff.

Commission's view

The response of the MePDCL is noted.

Objection: Increase in Cross Subsidy

BIA and other major Open Access Consumers in Meghalaya are having a demand up to 47 MW i.e. 349.96 Million Units (calculated at 85% load factor) which is never being considered for calculation of tariff by the licensee in the present & preceding years. However this significant number of consumers (around 30% of the entire energy volume of the state) is continuously reducing. The distribution licensee is not losing any single rupee of revenue from these EHT open access consumers as they are not any part of their ARR as projected sales given by the licensee.

In the tariff Petition MePDCL has sought approval to increase the Cross Subsidy Surcharge (CSS) from Rs. 1.75/kWh to Rs. 2.20/kWh for HT consumers and from Rs. 1.90 to 2.40/kWh for EHT consumers.

Response of MePDCL

Since the open access consumers do not avail power supply from the MePDCL, their connected/sanctioned load or consumption must not form a part of MePDCL's projected sales or ARR.

Commission's view

The Commission has considered the Open Access Charges and Cross Subsidy Surcharge as per National Tariff Policy, 2016.

Objection: Reduction of Cross Subsidy

MePDCL is seeking increase in CSS in contravention to relevant provisions of Electricity Act, 2003 ("EA 2003"), National Electricity Policy and Tariff Policy, 2016, making their provisions illusion and redundant.

The Tariff Policy envisages a scenario where every electricity consumer pays for the cost of services to distribution licensee. With this intention it has been specifically provided in EA 2003, and other relevant statutory policies that the CSS should be brought down progressively. Section 61(g) of EA 2003 mandates that tariff should progressively reflect the cost of supply and also reduce the cross subsidies. The Tariff Policy read with Section 61(g) of the EA, 2003 clearly provides that the State Commission is required to ensure that the cross subsidies are to be progressively reduced and also ensure that tariff for each category is within +/-20% of the overall average cost of supply.

Since there is need for a compulsory reduction in cross subsidy this proposal of MePDCL should be disallowed by the Hon'ble Commission.

Response of MePDCL

The Cross Subsidy Surcharge sought by the licensee and approved by the Honorable Commission vide its tariff order dated 31.03.2016 for FY 2016-17 is lower than the value that would be arrived at by using the formula laid down in the National Tariff Policy and actual data, by 63.76% and 62.06% respectively for EHT and HT consumers. This has been done duly keeping in view the interest of the consumers, open access consumers and the licensee and it does not violate the central guidelines in this regard. In the impugned petition, the petitioner has merely asked for an increase of 25% in order to prevent a tariff shock to the consumers against tariff hike to the tune of 297% required to meet the entire cost of supply. The tariffs determined is in accordance with the Tariff Policy and the tariff is already within 20% of the average cost of supply. In the present socio-economic condition, reduction of cross subsidy beyond 20% is not suggested as it would lead to a tariff shock for low end consumers, owing to the massive rural electrification programs being carried out to achieve 24x7 Power for All.

Commission's view

The cross subsidy surcharge is decided based on the principles of Tariff Regulations and National Electricity Tariff Policy.

Objection: Voltage Wise Cost of Supply

MePDCL, in contravention to the Tariff Policy, judgments of the Hon'ble Supreme Court and Hon'ble Appellate Tribunal, the licensee has failed to determine voltage wise cost of supply. As per Regulations 99 and 104 of the MSERC MYT Regulations, 2014, which deal with CSS, MePDCL/ State Commission is duty bound to compute voltage wise cost of supply. It is submitted that this issue has been raised by the Objector number of times.

It is pertinent to note that MePDCL did not submit the voltage wise cost of supply even in the previous Tariff Order.

Response of MePDCL

The petitioner would like to submit that the requisite data for computation of voltage wise cost of supply is not available at this juncture. Effort is being initiated to improve the infrastructure and segregation of the network costs, to enable to calculate the voltage-wise cost. Considering the intensive and expensive nature of the work, the respondent requested the Hon'ble Commission to allow some more time for taking up this exercise. Further no utility in the North Eastern States or even West Bengal has carried out the exercise so far to calculate the voltage wise losses and cost of supply.

Commission's view

The views of the objector and respondent are noted. The licensee is directed to devise the mechanism expeditiously to compute voltage wise cost of supply, so that the stakeholders are not deprived of the provisions of National Tariff Policy.

Objection: Amount of Cross Subsidy Surcharge

The Hon'ble Commission on 31.03.2016 issued Tariff Order ("Tariff Order") for truing up of the revised ARR and revenues for FY 2011-12 and true up of F 2012-13 FY 2013-14 and provisional true up for FY 2014-15 and approval of the ARR for FY 2016-17 determination of retail Tariff for FY 2016-17 for supply of electricity in the state of Meghalaya. In this Order, while fixing the cross subsidy surcharge at Rs. 9.86 Crore, the Hon'ble Commission stated that it would review the cross subsidy surcharge payable by open access consumers in the second quarter of the FY 2016-17. Accordingly, the MePDCL was directed to furnish relevant details in the first week of July, 2016. The relevant extract of the Impugned Order is:

It is pertinent to mention that MePDCL is yet to comply with this direction of the Hon'ble Commission. It is prayed that this Hon'ble Commission should strictly review the amount to be collected through CSS against the amount actually collected through CSS. The Objector has also filed a review petition, in October 2016, against the Tariff Order, which is currently pending before this Hon'ble Commission.

Response of MePDCL

The amount of Cross Subsidy Surcharge has been shown in the Statement of Accounts of MePDCL under non-tariff income. MePDCL had submitted the response and compliance of the directive specified in the objection vide letter no. MePDCL/DD/T-444 (Pt V)/2016-17/33 dated 26th October 2016.

Commission's view

The cross subsidy surcharge amount is arrived as per provisions of revised National Tariff Policy 2016.

Objection: Voltage wise Cost of Supply

In the instant matter, BIA has attempted to determine the voltage wise cost of supply based on the methodology prescribed by the Hon'ble Tribunal in aforementioned judgment (para 31-34). Accordingly, the cost of supply at different voltage levels as per BIA is:

Voltage	Cost of Power per unit Sale (Rs./kWh)	N/W Cost (Rs./kWh)	Voltage wise Cost (Rs./kWh)
132 KV	3.25	2.34	5.59
33 KV	3.42	2.34	5.76
11 KV	3.72	2.34	6.06
LT	4.77	2.34	7.11

The step wise detailed computation of voltage wise cost of supply has been explained.

The voltage wise cost of supply for EHT and HT category is computed as Rs. 5.59/kWh and Rs. 5.76/kWh, respectively, for cross subsidy purpose. Thus, CSS arrived at as the difference between the average revenue realization per unit from a consumer category and the voltage-wise cost of supply for that category would be as below:

Voltage	Average Revenue Realization per unit (Rs./kWh)	Vtg. Wise COS (Rs./kWh)	CSS (Rs./kWh)
132 kV	6.06	5.59	0.47
33 kV	6.30	5.76	0.54

Response of MePDCL

MePDCL would like to submit that the retail supply tariff has been determined based on average cost at present and as such the voltage wise cost should not be used to calculate cross subsidy as the cross subsidy has also been set based on average cost of supply. However, if the methodology suggested by the objector is used, it would only lead to an increase in the cross subsidy surcharge. It is observed that the average revenue realization for HT and EHT consumers have been taken wrongly. If we use the average revenue realization as approved by the Hon'ble Commission in the order dated 31.03.2016, the values would be as shown below:

Voltage	Average realization per unit (Rs/unit) (from MSERC order dated 31st March 2016)	Voltage wise Cost (Rs/unit) (As proposed in by objector)	CSS (Rs/unit)
EHT	6.68	5.59	1.09
HT	7.19	5.76	1.43

Commission's view

Suitable mechanism for determination of Voltage wise Cost of Supply is necessary as per the National Tariff Policy. MePDCL is directed to complete the exercise for furnishing the Voltage wise Cost of Supply expeditiously.

Objection: Projections in the Tariff Petition

The above aspects may be taken into consideration while projecting the Tariff in the Tariff Petition.

Response of MePDCL

Based on the above submissions, MePDCL would like to submit that the projections made in the tariff petition should be considered for approval of tariff and MePDCL would like to confirm that there is no need for revision of the figures submitted in the petition.

Commission's view

The projections made in the Petition for the Tariff are considered as per the principles of the Tariff Regulations and prudence check of the accounts / estimates.

B. Objection : P.H.E.D

Objection: The SE/PHED/Electrical circle, Shillong has filed a written views, comments and suggestions on the proposed Revision of electricity tariffs by MePDCL on 06.03.2017. The SE/PHED has stated that PHED is depending on grants from the State Government to meet the cost of O&M. While the cost of O&M is sharply increasing along with cost of electricity tariff and other components. The Budget increase to meet the cost of O&M and electricity to meet the cost of O&M does not cross beyond 10% annually. It is afraid that further increase in the electricity tariff will render all pumping water supply schemes in the State non-operational.

The representation placed that further increase to HT/LT water works may kindly be kept in-abeyance.

Response of MePDCL

No Comments

Commission's view:

The Commission heard the representation.

C. Objector : Crematorium

Objection: The General Secretary, Greater Shillong Crematorium & Mortuary Society, Shillong has filed a written petition in the public hearing held on 09.03.2017. The Secretary has stated that they are a Registered society, functioning on non-Profit basis. The Monthly revenue from crematorium is in order of Rs. 30,000/- to Rs.35,000/- and expenses are of the order of Rs. 95,000/- , the deficit being met from donations, contributors from donors.

The secretary pleaded not to increases the charges at all.

Response of MePDCL

No Comments

Commission's view:

The matter will be examined and a suitable decision will be taken.

4. True Up for FY 2014-15

4.1 Introduction

MePDCL have filed petition for true-up of the business for the FY 2014-15 on the basis of audited statement of accounts and requested to allow the gap to be recovered in the ARR and Tariff for FY 2017-18.

4.2 Energy sales

The energy sales approved in the Tariff Order for FY 2014-15 and actuals submitted given in the Table below:

Table 4.1: Comparison of Energy Sales in FY 2014-15

Sl. No	Category	Approved in Tariff Order (MU)	Actual sales Reported (MU)
A	**LT**		
1	Domestic	387.00	363.20
2	Commercial	68.00	62.59
3	Industrial	7.00	5.26
4	Agriculture	0.17	0.10
5	Public Lighting	1.25	1.27
6	Water Supply	10.00	8.53
7	General Purpose	17.00	17.69
8	Kutir Jyoti	16.00	21.47
9	Crematorium	0.24	0.19
	Sub-total	**506.66**	**480.30**
B	**HT**		
1	Water Supply	30.00	32.41
2	General Purpose including Dom/ Bulk	69.00	62.03
3	Commercial	23.00	23.05
4	Industrial	274.00	221.02
5	Domestic	22.00	22.53
	Sub-total	**418.00**	**361.04**
C	**EHT**		
1	Industrial	203.00	179.60
2	Assam	22.23	20.00
	Sub-total	**225.23**	**201.60**
	TOTAL	**1149.89**	**1040.94**

The energy availability approved in the Tariff Order and actual claimed by the Petitioner now approved by the Commission are given in the Table below:

Table 4.2: Energy available for FY 2014-15

(MU)

Sl. No.	Source	As approved by MSERC	As proposed by MePDCL	Approved for true up
1	NTPC (NR)	275.49	152.84	152.84
2	OTPC Pallatana (NER)	275.22	263.63	263.63
3	NEEPCO	589.26	500.11	500.11
4	NHPC Loktak	50.69	-	-
5	MePGCL	1026.00	835.91	835.91
	Sub-total	**2216.66**	**1752.49**	**1752.49**
6	Other sources	-	351.25	351.25
	Total	**2216.66**	**2103.74**	**2103.74**

MePDCL was asked to submit the details of source wise energy drawal (MU) as per the SLDC data for the FY 2013-14 and FY 2014-15. As per the data made available for FY 2013-14 and FY 2014-15, the energy drawn from MePGCL was not featured. The data was required to compare the actual drawal with the quantum filed in the petition for energy availability at 835.91 MU and in the energy balance Table 3 furnished at 996.57 MU, which is not matching. The Commission has considered the drawal from MePGCL at 835.91 MU in the absence of drawal as per the SLDC data.

Table 4.3: Energy Balance for FY 2014-15

(MU)

Sl. No.	Particulars	Approved in the Tariff Order	Proposed by MePDCL	Approved for True up
1	Energy Sales in Meghalaya	1127.00	1040.93	1018.93
2	Energy Sales in ASEB	22.00	-	22.00
3	Total Sales	1149.00	1040.93	1040.93
4	Distribution loss (%)	24.00%	35.56%	35.56%
5	Distribution loss (MU)	362.84	574.42	574.42
6	Energy requirement at State Periphery	1511.84	1615.35	1615.35
7	Transmission losses (%)	4.00%	-	-
8	Transmission losses	62.99	-	-
9	Total input Energy	1574.84	1615.35	1615.35
10	Energy available from ER	275.49	152.84	152.84
11	ER losses at 2.3%	6.34	3.52	3.52
12	Net Energy available from ER	269.15	149.32	149.32
13	Energy available from NER	915.17	645.14	763.74
14	Total Energy	1184.32	794.46	913.06
15	Losses of NER at 3.48%	41.21	27.65	31.77
16	Energy available from outside	1143.11	766.82	881.29
17	Energy from MePGCL	1026.00	996.57	835.91
18	Total energy available	2169.11	1763.39	1717.20
19	Purchased bilaterally	0.00	309.20	351.25

Sl. No.	Particulars	Approved in the Tariff Order	Proposed by MePDCL	Approved for True up
20	Energy available for sale with MePDCL	2169.11	2072.59	2068.45
21	Energy Required	1575.00	1615.47	1615.35
22	**Surplus Energy**	**594.11**	**457.12**	**453.10**

The Commission considers T&D loss at 35.56% and surplus of energy at 471.23 MU (Grossed up) for FY 2014-15 true up (453.10 MU).

4.3 Power Purchase Cost

MePDCL has claimed power purchase cost at Rs. 578.02 Crore for purchase of 2072.59 MU as per energy balance as against 2216.66 MU approved by the Commission at Rs. 554.50 Crore.

The power purchase expenses compared are given below:

Particulars	Approved in Tariff Order (MU)	Average Cost (Rs/kWh)	Total Cost (Rs. Crore)
Purchase of power cost approved	2216.66		
Free	60.48		
	2156.18	2.57	5541.38
Purchase of power cost claimed by MePDCL	2072.59		578.02
Free Power	42.06		
	2030.53		578.02

<u>**Commission's Analysis**</u>

MePDCL has included Rs. 64.62 Crore surcharge against NEEPCO and Rs. 11.93 Crore included against NHPC Loktak plant without energy being drawn as per the Table 4 of the Petition. Whereas verification of power purchase bills reveals that a sum of Rs. 93.03 Crore towards surcharge for belated payment of dues to the Generators / Suppliers are included, it shall not be considered for determination of tariff as per Regulations.

The Commission approves power purchase cost at Rs. 473.06 Crore for FY 2014-15 true up excluding surcharge and other extra claim for Rs. 11.93 Crore.

4.4 Transmission charges

MePDCL has claimed Transmission charges at Rs. 137.50 Crore for true up of FY 2014-15 as detailed below:

Inter-State Transmission Cost of PGCIL As pert Table-4of the petition 1267.84	(Rs. Crore)	64.78
Intra State Transmission Cost MePGCL-	(Rs. Crore)	72.72
Total	**(Rs. Crore)**	**137.50**
Average Cost for 2072.59 MU		

Commission analysis

The Commission has approved Transmission charges as stated below:

Sl. No	Particulars	Unit	Approved For FY 2014-15 True up
1	Inter State Transmission Charges for 1190.66 MU	Rs. Crore	61.82
2	Intra-State Transmission Charges for 1026 MU	Rs. Crore	72.79
3	The average cost for Inter State Transmission	Rs./kWh	0.52
4	The average cost for Intra State Transmission	Rs./kWh	0.71

As against the approved quantum, MePDCL has drawn energy as stated below:

Sl. No.	Particulars	Rs. Crore
1	Inter State power drawal through PGCIL as per the Table 4 of the Petition 1267.84 MU	65.93
	Surcharge claim of PGCIL (-)	0.10
		65.83
2	Intra-State Power from MePGCL 835.91 MU (835.92 x 0.71)	59.35
	Total - 2103.75 MU	**125.18**

The Commission approves the Transmission Charges at Rs. 125.18 Crore for FY 2014-15 true up after deducting Rs. 0.10 Crore towards surcharge claimed for PGCIL.

Table 4.4: Power Purchase Cost

Sl. No.	Particulars	Approved for FY 2014-15	As Per Petition	Approved for True up of FY 2014-15
1	Power Purchase Cost	554.5	578.02	472.86
2	Transmission Charges PGCIL	61.82	64.78	65.83
3	Intra-State Transmission Charges MePTCL	72.79	72.72	59.35
4	**Total Power Purchase Cost**			**598.04**

The Commission considers Power Purchase Cost and Transmission Charges at Rs.598.04 Crore for true up of FY 2014-15.

4.5 Employee Cost

MePDCL has claimed Employees cost at Rs 108.15 Crore for FY 2014-15 for True up.

Commission analysis

As peer the Statement of Accounts for FY 2014-15 Salaries and wages, contribution to provident fund and other funds, and staff welfare expenses reported at Rs. 108.15 Crore. The 1/3rd share of employee expenses for MeECL is reported at Rs. 4.22 Crore summing up the Employee expenses reported at Rs. 108.15 Crore.

The Commission considers employee expenses at Rs. 108.15 Crore for true up of FY 2014-15.

4.6 Repairs and Maintenance Expenses

MePDCL has claimed R&M expenses at Rs. 6.18 Crore for FY 2014-15 for True up.

Commission's Analysis

As per the Statement of Accounts R&M expenses reported at Rs. 6.11 Crore for MePDCL and Rs. 0.07 Crore being 1/3rd R&M expenses for MeECL reported.

The Commission considers R&M expenses at Rs. 6.18 Crore for True up of FY 2014-15.

4.7 Administration and General Expenses

MePDCL has claimed Rs. 10.60 Crore towards Administration and General expenses including 1/3rd expenses of MeECL for true up of Business for FY 2014-15.

Commission's Analysis

As per the statement of Accounts the administration and General expenses for MePDCL reported at Rs. 8.44 Crore and 1/3rd Administration and General Expenses for MeECL reported at Rs. 2.15 Crore.

The Commission considers Administration and General Expenses at Rs. 10.59 Crore for true up of FY 2014-15.

4.8 Depreciation

MePDCL has claimed Depreciation at Rs. 10.19 Crore for true up FY 2014-15.

Commission's Analysis

As per the statement of Accounts, the Depreciation works out to Rs. 15.44 Crore for MePDCL. Capital Grants and Contributions amounted at Rs. 114.00 Crore on an average. The Depreciation is considered for MePDCL at Rs. 10.05 Crore after deducting Depreciation on grants, and 1/3rd Depreciation of MeECL is considered at Rs. 0.22 Crore.

The Commission approves Rs. 10.27 Crore towards Depreciation for True up of the business for FY 2014-15.

4.9 Interest on loan capital

MePDCL has claimed Rs. 26.03 Crore towards interest on loans for true up FY 2014-15.

Commission's Analysis

As per the Regulation 102, Interest on loan Capital shall be payable as per the approved business plan.

As per the Statement of Accounts, the following loan schedule is drawn:

Table 4.5: Interest on Loan Capital for FY 2014-15

Particulars	Opening Balance	Addition	Repayment	Closing Balance	Interest Amount
9% PFC R-APRDRP-A	10.19	-	-	10.19	0.92
8% REC (Re structured)	44.26	-	0.79	43.47	3.51
9% PFC R-APRDRP-B	-	47.92	-	47.92	2.16
Total	**54.45**	**47.92**	**0.79**	**101.58**	**6.59**

The Commission does not consider the loans drawn for other than Capital works. Similarly, the purpose for which the state Government loan was drawn is not indicated in the loan schedule. As such interest on such loans is not considered as claimed by the Licensee.

The Commission considers Interest and finance charges at Rs. 6.59 Crore for true up of business for FY 2014-15.

4.10 Interest on Working Capital

MePDCL has claimed interest on working capital at Rs. 24.26 Crore for true up for FY 2014-15.

Commission's Analysis

As per the Regulation 104, the Interest on working Capital shall be allowed as expenditure for determination of tariff irrespective of whether the Licensee had availed loan or not on the following components of ARR.

1) O&M expenses for one (1) month
2) Maintenance spares at 1% of the opening GFA escalated at 6% per annum
3) Receivables for two months.

With Interest rate at SBI PLR as on 1st day of relevant financial year, the interest on working capital is worked out in the Table below:

Table 4.6: Interest on working capital

Sl. No	Particulars	Approved for FY 2014-15
1	O&M expenses for 1 month (excluding of MeECL Cost)	9.87
2	1% of opening GFA (Rs. 324.37 Crore) escalating 6%	3.44
3	Two months of Receivables (Excl ED)	78.95
4	Total	92.26
5	**Interest at 14.75%**	**13.61**

The Commission considers Interest on working capital at Rs 13.61 Crore for true up of FY 2014-15.

4.11 Other Debits(Including provision for bad debts)

The Commission had in the tariff orders for FY 2014-15 allowed provisions for bad and doubtful debts at Rs. 0.15 Crore, was approved.

MePDCL has claimed negative for Rs. 1.05 Crore under the head other debts. The Licensee has not furnished the details of transaction and period to which negative claim is preferred.

The Commission did not consider the claim for true up for FY 2014-15.

4.12 Prior period charges (credits)

The Commission had not considered any prior period charges in the ARR for FY 2014-15. MePDCL has claimed Rs. 67.71 Crore as prior period charges/credits.

The Commission did not consider any claim under the head prior period charges for true up of FY 2014-15 in the absence of details of such claims.

4.13 Return on Equity

MePDCL has claimed Rs. 111.13 Crore towards Return on Equity as against Rs. 9.43 Crore approved in the Tariff Orders for FY 2014-15.

Commission's Analysis

The Commission feels that the claim of the Licensee for RoE of Rs. 111.13 Crore to be excessive. The RoE claim does not correspond to the GFA of the MePDCL as per the statement of accounts for FY 2014-15.

The Commission would refer to the APTEL Judgment dated 17.12.2014 in appeal No. 142 and 168 of 2013 between Mawana Sugars Ltd. Vs PSERC and others. According to the APTEL findings, the state Commission is not bound by the transfer scheme provisions and the statement of accounts.

The Commission in the circumstances considers, as per the books of accounts. The equity capital shall be computed on the GFA and additions during the year to be compliant with the requirement of Regulations 100 and 101.

Accordingly, the equity capital is computed for FY 2014-15 in the Table below:

Particulars	Unit	Approved for FY 2014-15 True up
GFA as on 31.03.2014	Rs. Crore	324.98
Additions during the year	Rs. Crore	4.64
Total		329.62
Equity capital at 30% of GFA as per Regulation 100	Rs. Crore	98.89
Return on equity at 14%	Rs. Crore	13.84

The Commission considers RoE at Rs. 13.84 Crore for FY 2014-15 true up.

4.14 Non Tariff Income/ Other Income

MePDCL has submitted in the petition that other income including Non-tariff income received is in the order of Rs 184.26 Crore as against the estimates of tariff order for Rs. 65.77 Crore.

Commission's Analysis

As per the Statement of Accounts for FY 2014-15, the following are the details of Non-tariff income are found.

Sl. No.	Particulars	As per the Statement of Accounts (Rs. Crore)
a.	**Non Tariff Income**	
	Meter rent	2.15
	Misc. Charges from consumers	20.624
	Delayed payment surcharges	38.384
	Total Non Tariff Income	**61.16**
b.	**Other Income (Incl. 1/3 MeECL))**	**14.64**
	RE subsidy	19.43
	Subsidy against power purchase	90.00
	Subsidy against loss on account of flood/ fire/ cyclone	0.73
c	**Govt. Subsidy**	**110.16**
	Total (a+b+c)	**185.96**

The Commission considers Non-Tariff income, RE subsidy including other income at Rs. 185.96 Crore for FY 2014-15 True up.

As per the Note 23 of Statement of Account, MePDCL has accounted amortization from reserves for Rs. 4.63 Crore for FY 2014-15.

4.15 AT&C Losses

MePDCL has stated that AT&C loss has been achieved at 34.53% which is less than targeted level of 38.16% in the year FY 2013 - 14, therefore no penalty is applicable for FY 2014-15.

Commission's Analysis

As per the data analyzed in the Regulatory format – D2 (A), the AT&C loss reported at 34.66% for FY 2014-15 as against the targeted level of 39.16% in the FY 2013-14.

Table 4.7: Information regarding Distribution Loss and AT&C Loss of Licensee for FY 2014-15

Sl. No.	Particulars	Calculation	Unit	Actuals
1	Generation (Own as well as any other connected generation net after deducting auxiliary consumption) within area of supply of DISCOM	A	MU	835.91
2	Input energy (metered Import) received at interface points of DISCOM network	B	MU	881.30
3	Input energy (metered Export) by the DISCOM at interface points of DISCOM network	C	MU	126.48
4	Total energy available for sale within the licensed area to the consumers of the DISCOM	D=A+B-C	MU	1590.73
5	Energy billed to metered consumers within the licensed area of the DISCOM	E	MU	1020.93
6	Energy billed to unmetered consumers within the licensed area of the DISCOM	F	MU	-
7	Total energy billed	G=E+F	MU	1020.93
8	Amount billed to consumer within the licensed area of DISCOM	H	Rs. Cr	488.04
9	Amount realized by the DISCOM out of the amount billed at H#	I	Rs. Cr	473.71
10	Collection efficiency (%) (=Revenue realized /Amount billed)	J=(I/H) x 100	%	97.06
11	Energy realized by the DISCOM	K=JXG	MU	990.91
12	Distribution Loss (%)	L={(D-G)/D} x 100	%	35.82
13	AT&C Loss (%)	M={(D-K)/D} x 100	%	34.66

The Commission considers the AT&C loss achieved at 34.66% for the FY 2014-15.

Table 4.8: AT&C loss penalty for FY 2014-15

Sl. No.	Particulars	AT&C Loss Penalty for FY 2014-15
1	Opening Balance for sale of Power (Rs. Crore)	218.93
2	Revenue billed during FY 2014-15 (Rs. Crore)	488.04
3	Less: closing balance for FY 2014-15 (Rs. Crore)	233.26
4	Collection during FY 2014-15 (1+2-3) (Rs. Crore)	473.71
5	Collection efficiency FY 2014-15	97.06%
6	AT&C loss considered for FY 2013-14	42.16%
7	Target AT&C loss for FY 2014-15	39.16%
8	Actual AT&C loss as per the Table 4.7	34.66%

The Commission did not consider any AT&C loss penalty to be levied for FY 2014-15.

4.16 Revenue from sale of Power

MePDCL has submitted that Revenue from sale of power assessed at Rs. 498.09 Crore and Rs. 52.76 Crore realized from sale of surplus power of 126.48 MU (Licensee has stated that 334.62 MU energy has been accounted for as swapping) out of surplus power of 457.12 MU as per the analysis at Table 4.3.

Commission's Analysis

As per the statement of Accounts (Note – 18) the Revenue from operations is reported at Rs. 555.50 Crore. This includes electricity duty at Rs. 4.65 Crore. The surplus power through UI sales of 126.48 MU @ Rs. 4.17/kWh revenue received at Rs. 52.76 Crore for FY 2014-15. The licensee has to gross-up the surplus energy of 453.10 MU and account for sale proceeds revenue for 10.12 MU at Rs. 4.22 Crore.

The Commission considers Revenue from Tariffs at Rs. 498.09 Crore for FY 2014-15 True up.

Summing up of above analysis of true up ARR and the Revenue gap is drawn for FY 2014-15.

Table 4.9: ARR and Revenue Gap for FY 2014-15 True up (Rs. Crore)

Sl. No.	Particulars	Approved ARR for FY 2014-15	MePDCL petition	Approved for True up
1	Power Purchase cost	554.50	578.02	472.86
2	Cost of RPO	3.86	-	-
3	Transmission Charges - PGCIL	61.82	64.78	65.83
4	Transmission Charges - MePTCL	72.79	72.72	59.35
5	Employee expenses	111.00	108.15	108.15
6	Repairs & Maintenance Expenses	8.41	6.18	6.18
7	Administration & General Expenses	7.62	10.60	10.59
8	Depreciation	4.37	10.19	10.27
9	Interest on loans	12.40	26.03	6.59
10	Interest on working capital	23.03	24.26	13.61
11	Other debts	0.15	(1.05)	-
12	Prior Period charges / credits	-	67.71	-
13	Return on Equity	9.43	111.13	13.84
14	**Annual Revenue Requirement**	**869.38**	**1078.72**	**767.27**

Sl. No.	Particulars	Approved ARR for FY 2014-15	MePDCL petition	Approved for True up
15	Less: Non-tariff income	40.00	74.10	61.16
16	Less: other income (incl 1/3rd MeECL)			14.64
17	Less: cross subsidy surcharge	5.77		
18	Less: RE subsidy	20.00	110.16	110.16
19	Less: Amortization grant			4.63
20	Less: Revenue from sale of surplus Power 126.48 MU	184.74	52.76	52.76
21	**Net ARR**	**618.87**	**841.70**	**523.92**
22	Revenue from Tariffs	619.63	498.09	498.09
23	**Revenue (Surplus)/ Gap**	**0.76**	**343.61**	**25.83**

5. ARR & Determination of Tariff for FY 2017-18

5.1 Introduction

This chapter deals with the determination of Revenue Gap/Surplus as well as consumer Tariff for FY 2017-18. As per MYT Regulations, the Licensee need to give a mid-term Review to the Commission for making adjustment in the second year of the Control Period if required so. However, the Licensee in its petition proposed the ARR for FY 2017-18 as already approved by the Commission in its Order dated 31.03.2015. Accordingly, the Commission has considered the ARR approved in MYT order for FY 2017-18 and adjustment on account of True up for FY 2011-12, FY 2012-13, FY 2013-14 (Review) and true up of FY 2014-15 while determining the Revenue Gap/Surplus for the FY 2017-18. The Commission has considered the petition of the Licensee. In the past, the Commission has not accepted it due to the fact that there was no audited accounts made available to the Commission. The audited accounts upto FY 2014-15 are made available to the Commission in the month of January, 2017 without C&AG audit report. As per the MYT Regulations, the Business plan is required to be filed three months before the filing of the tariff petition for FY 2017-18. The accounts of FY 2014-15 are now audited by statutory auditors. The Licensee may file the petition in accordance with the Regulations, well in time, so as to consider the same in the next petition.

As approved in MYT Order for the period FY 2015-16 to FY 2017-18 the following is the category-wise sales approved by the Commission for FY 2017-18.

Table 5.1: Category-wise sales approved for FY 2017-18

(MU)

Particulars	Projected by MePDCL FY 2017-18	Approved for FY 2017-18
LT		
Domestic (including MeECL employees)	424.12	425.00
Commercial	69.73	101.00
Industrial	5.54	8.00
Agriculture	0.11	0.11
Public lighting	1.56	1.56
Water supply	13.24	13.00
General Purpose	35.20	36.00
Kutir Jyoti	28.64	29.00

Particulars	Projected by MePDCL FY 2017-18	Approved for FY 2017-18
Crematorium	0.19	0.19
Subtotal	**578.33**	**612.86**
HT		
Domestic	24.39	26.00
Water supply	31.53	32.00
Bulk Supply	53.63	57.00
Commercial	19.82	34.00
Industrial	226.46	230.00
Assam	19.63	21.00
Subtotal	**375.46**	**400.00**
EHT		
Industrial	149.14	160.00
Subtotal	**149.14**	**160.00**
Total	**1102.93**	**1172.86**

5.2 RPO Compliance for FY 2017-18

The Commission has determined the RPO requirement for FY 2017-18 as follows in MYT Order for FY 2016-17.

Table 5.2: RPO Compliance for FY 2017-18

Year	Solar (MU)	Solar (%)	Non-Solar (MU)	Non-Solar (%)	Total (MU)	Total (%)
FY 2017-18	5.04	0.43%	24.28	2.07%	29.32	2.50%

As per the information made available to the Commission, the Licensee has not made any purchase from solar sources. However, from the Non solar sources, the target has been met. In the MYT Order, the Commission has already worked out the RPO compliance of the previous years backlog and for the MYT period. The Commission has already sanctioned the budget for meeting the solar RPO. The Commission has already instructed the Electricity Inspector to enforce the RPO compliance from captive generation. In light of new Tariff Policy, the Solar Purchases need to be corrected on account of Hydro Generation in the state. Accordingly, the Commission directs the Licensee to fulfill the RPO requirement as set out in the Tariff Order dated 31.03.2015 in chapter 7 and submit a report to the Commission by 30.09.2017. The Commission is reviewing its RPO Regulations so as to meet the requirements as set out in the new Tariff Policy and Guidelines of Govt. of India.

5.3 Losses

In the Tariff Order for MYT Period the following distribution loss and regional transmission losses are considered.

Eastern Region Transmission losses during FY 2017-18 are considered at 2.12% being the average weekly loss as per the latest data of 52 weeks. Similarly, for North Eastern Region Transmission losses during FY 2017-18 are considered as 2.99% being the average weekly loss as per the latest data for 52 weeks.

Intra State Transmission loss is considered at 4.0% for FY 2017-18. The Distribution loss considered for FY 2017-18 is at 21%.

T & D Losses

The Licensee has projected sales within the state at 1102.93 MU with T&D losses at 29.95% as against approved losses at 21% in the MYT order for FY 2017-18. It appears that MePDCL had not initiated steps to reduce the T&D losses. It could be seen from the past performance that the Licensee had never achieved their own projections leave apart the Commission's approved levels. The following is the data available from the books.

Year	T&D Losses		Power drawal for sales in State	
	Projected (%)	Achieved (%)	Drawal (MU)	Sale achieved (MU)
FY 2012-13	28.38	30.16	1560.94	1060.55
FY 2013-14	30.28	32.55	1609.69	1052.53
FY 2014-15	27.34	35.56	1615.47	1020.93

The Commission directs the Licensee to improve metered sales and to take steps to reduce the T&D losses.

5.4 Energy Requirement

Energy Requirement for FY 2017-18 was approved in MYT Order as shown below:

Sl. No	Particulars	FY 2017-18
1	Estimated Energy Sales (including ASEB) (MU)	1173
2	Distribution losses %	21%
3	Distribution losses (MU)	312
4	Energy input required at the distribution periphery (MU)	1485

5.5 Energy Availability

As approved in MYT Order, Energy Availability for FY 2017-18 is as follows:

Station	(MU)
NTPC (Bongaigoan)	200
OTPC	346
NEEPCO	614
MePGCL	930
Bilateral	230
Total	2320

5.6 Energy Balance

Energy Balance approved by the Commission for FY 2017-18 in Review Order dated 11.08.2015 is as given below:

Table 5.3: Energy Balance approved for FY 2017-18

Sl. No.	Particulars	FY 2017-18 (MU)
A	**Energy Requirement**	
1	Energy Sales within state	1152.00
2	Energy Sales to Assam	21.00
3	Total Energy Sales (1+2)	1173.00
4	Distribution loss%	21.00%
5	Distribution loss (MU)	312.00
6	Energy Requirement (3+5)	1485.00
B	**Energy Availability**	
7	Energy Purchase from ER	136.00
8	Less ER Loss %	2.12%
9	Less ER Loss (MU)	2.90
10	Energy Purchase from ER (7-9)	133.10
11	Energy Purchase from NER	1210.00
12	Total Power (10+11)	1343.10
13	Less: NER Tr Loss%	2.99%
14	Less: NER Tr Loss (MU)	40.16
15	Net Energy available at NERLDC	1302.94
16	Net Energy Purchase from MePGCL	1182.00
17	Other sources	0.00
18	Total energy available at NERLDC	2484.94
19	**Less: Intra state Transmission loss @ 4%**	**99.40**
20	Net energy available for MePDCL	2385.54
21	Surplus/Deficit	900.54
22	Grossed up by 4%	938.07
23	UI sales	-
24	Swapping	-
25	**Total Surplus power**	**938.07**

5.7 Power Purchase Cost

MePDCL has projected cost of power purchase to the extent of 363.13 MU at Rs. 5.78/kWh from Bongaigaon Thermal Plant whereas cheaper market (IEX) price at Rs. 1.97/kWh is available as projected in the petition for bilateral purchase. The deviation cost of 20MU at Rs. 4.44/kWh is also higher compared to ER power approved at Rs. 3.88/kWh.

The Licensee shall not purchase high cost power, when open market power is available at a cheaper rate.

The Commission considers that projected power purchase from Bongaigaon at Rs. 5.78/kWh may not be ventured, instead MePDCL may consider purchase from UI/Market (IEX) available at cheaper price. MePDCL has projected power purchase cost of MLHEP (Leshka) at Rs. 499.58 Crore whose average cost is shown at Rs. 10.43/kWh. This is perhaps because the true up gap of Leshka project for FY 2013-14 and FY 2014-15 has been factored. Thus there has been abnormal projection of power purchase cost .

The Commission considers that the true up gap of Leshka project for FY 2013-14 and FY 2014-15 at Rs. 163 Crore shall be paid to the Generation corporation on the invoices raised separately without subjecting the tariff hike with past period costs due to true up etc.

The Power purchase cost for 2320 MU at Rs. 645.56 Crore is considered for FY 2017-18. Accordingly, the PGCIL and MePTCL transmission charges are approved.

Transmission charges-PGCIL (Rs. Crore)	-	61.00
Transmission charges-MePTCL (Rs. Crore)	-	107.64
Total charges (Rs. Crore)	**-**	**168.64**

- The power purchase rates as furnished by MePDCL are adopted for NTPC, NEEPCO, NHPC and OPTCL as per the latest FPPPA.
- The rates for CGS are adopted as per CERC Regulations, 2015.

- The PPA of NHPC expired on 01.04.2016. However, the Commission considers the procurement of energy from NHPC-Loktak beyond Agreement period.
- MePGCL rates as approved for MYT are considered.
- UI purchases are not considered since there is a surplus of 900.54 MU energy. Power Purchase Cost as approved in MYT Order for FY 2017-18 is adjusted with reference to capital cost approved in respect of MLHEP is as shown below:

Table 5.4: Power Purchase Cost for FY 2017-18 approved by the Commission

Station	Energy (MU)	Energy Charge Rate (Rs./Unit)	Variable Cost (Rs. Cr.)	Fixed Cost (Rs. Cr.)	Total Cost (Rs. Cr.)	Average Rate (Rs./Unit)
NTPC						
Farakka	28	3.14	8.80	3.03	11.83	4.22
Kahalgaon I	15	2.95	4.43	1.83	6.28	4.19
Khalgaon II	75	2.75	20.59	9.50	30.09	4.01
Talcher	18	1.59	2.86	1.76	4.61	2.56
Bongaigoan	200	2.65	55.71	36.04	91.75	3.28
OTPC						
OTPC Pallatana	346	1.31	46.87	66.57	113.44	2.54
NEEPCO						
Kopili Stage-I	85	0.45	3.83	4.83	8.66	1.02
Kopili Stage-II	8	0.94	0.75	0.66	1.41	1.76
Khandong HEP	17	1.11	1.89	3.56	5.45	3.21
Rangandai HEP	131	1.22	15.98	24.42	40.40	3.08
Doyang HEP	23	2.08	4.78	5.49	10.27	4.47
AGBPP	187	2.03	37.93	29.49	67.42	3.61
AGTPP	69	2.60	17.95	9.23	27.18	3.94
AGTPP C-Cycle	36	2.12	7.63	7.00	14.63	4.06
Free Power	58		0.00		0.00	-
NHPC						
NHPC Loktak	-	-	-	-	-	-
MePGCL						
Sonapani	5.89	0.68	0.72	0.71	1.43	2.43
Lakroh						-
Umiam Stage-I HEP	99.45	0.58	6.65	8.44	15.09	1.52
Umiam State-II HEP	42.65	0.82	3.43	7.78	11.21	2.63
Umiam State-III HEP	125.38	0.81	10.00	12.68	22.68	1.81
Umiam State-IV HEP	186.32	0.54	9.98	12.66	22.64	1.22
Umtru HEP	20.25	0.54	1.07	1.37	2.44	1.20
Myntdu Leshka HEP	450	1.90	85.28	92.18	177.46	3.94
Umtru New	-	-	-	-	-	-
Other sources	230				11.98	0.52
Total	**2320**		**322.45**	**323.11**	**645.56**	**2.78**

5.8 Transmission Costs

As per MYT Order the following Transmission cost is approved for FY 2017-18.

Sl. No.	Particulars	FY 2017-18
1	Transmission Charges of PGCIL	61.00
2	Transmission charges of MePTCL	107.64
3	**Total**	**168.64**

5.9 FPPPA

As regards FPPPA, the Commission has earlier approved the formula for determination of FPPPA on quarterly basis. However, the Licensee has filed a petition to Hon’ble APTEL in this regard. The Commission has already intimated the licensee to file appropriate petition to the Commission for amendment in the FPPPA formula. During the exercise of the truing up of past 4 years, the Commission found that the power purchase cost has gone down significantly than the approved levels due to reduction in demand and sales. The Commission has already trued up the power purchase cost in previous years in this Order. In the present circumstances, the fuel market scenario, the potential of hydro projects in Meghalaya, the Commission feels that levying of Fuel Surcharge may not be required in the current year. However, the Commission is of the view that the Licensee is free to file FPPPA adjustments, if it is required, to the Commission for its approval with its suggestions, if any for change in the present formula. The Commission shall dispose off the petition expeditiously.

5.10 Operation and Maintenance expenses

Employee Cost

The Commission allows the Employee Expenses at Rs. 98.00 Crore for FY 2017-18 in the same line as approved in the MYT Order.

R&M Expenses

The Commission has already approved R&M Expenses in the MYT Order and approves the same at Rs. 6.86 Crore for FY 2017-18 also.

A&G Expenses

The Commission has considered Rs. 64.00 Crore which includes MeECL expenses as against Rs. 79.58 Crore projected by MePDCL. The Commission would like to clarify that as per the submission of the Licensee, the Commission in its MYT Order dated 31.03.2015 has considered the apportionment of the MeECL Expenses towards Employees Terminal benefits in A&G Expenses. The same shall continue. However, after the audited accounts are made available, the Commission shall review the matter and take necessary action.

The Commission has approved Rs. 64.00 Crore towards A&G expenses for FY 2017-18 including MeECL costs.

5.11 Depreciation

The Commission allows the Depreciation as allowed in MYT Order at Rs. 9.45 Crore for FY 2017-18.

5.12 Interest on Capital Loans

Most of the works are executed under RGGVY, RAPDRP with 90% grants and 10% loan. The Interest Charges are allowed as per the schedule of loans borrowed for capital works. The Commission has already done the exercise in MYT Order and the same is allowed at Rs. 19.17 Crore for FY 2017-18.

5.13 Interest on working Capital

Interest on working capital has been considered as per Regulations at 14.75% SBI PLR as on 01.04.2015. The Commission has allowed Rs. 18.35 Crore for FY 2017-18 and the same is considered.

5.14 Return on Equity

Segregation of Equity among the utilities is not done. Audit of Accounts are yet to be undertaken. The Commission considered return on equity as per the previous year approvals. The Commission would like to clarify that MYT Regulations provide that while calculating the capital cost, any grants received from central or state govt. from any source which doesn’t carry any liability of repayment shall be excluded from the capital cost for the purpose of computation of RoE. The Commission would also like to clarify that as per Hon'ble APTEL's various judgments in the matter of computation of RoE, the original equity of the erstwhile Electricity Boards shall become the basis for computation of RoE of the restructured utilities. In light of the above, the Commission allows Rs. 9.43 Crore as RoE in FY 2017-18.

5.15 Bad and doubtful debts

As per MYT Order, the Commission allows Rs.3 Crore as provision for bad debts. The Commission would also like to highlight here that the Licensee shall need to submit the report of receivable audit and action plan for recovery of long outstanding dues before writing it off from the accounts.

5.16 Non-Tariff Income

The Commission as per MYT Order considers Rs. 58 Crore as Non Tariff Income for FY 2017-18. The Commission would also like to direct the Licensee to get the C&AG certificate for change in Non Tariff Income due to Hon'ble Supreme Court Order and place it before the Commission by 30.09.2017 so as to take necessary action as per the law in the next Tariff Order.

5.17 Cross Subsidy Surcharge

The Commission approves Rs. 9.86 Crore as cross subsidy surcharge for FY 2017-18. However, the Commission directs the licensee to give a report on realization of dues as per the Commission's Order for the past period from such consumers by 30.09.2017. The Commission would like to clarify that NOC for open access shall only be given to those who have no pending dues against them as per the Regulations.

5.18 RE subsidy

The Commission considered Rs. 17.50 Crore as RE subsidy for FY 2017-18.

5.19 Revenue from sale of surplus power

As per the approved energy balance vide the Commission's Review Order dated 11.08.2015, the surplus power reassessed at 938.07 MU. As done in the past, the Commission allows the same at the minimum rate of Rs.3.25/kWh and computed the revenue at Rs. 304.87 Crore as against Rs.247.70 Crore approved in MYT Order dated 31.03.2015. The Commission would like to clarify that the additional revenue from sale is just indicative figure and directs the Licensee to ensure efficient management of sale and drawal so that the revenue from sale of surplus power should not be less than the approved rate.

5.20 Approved ARR for the FY 2017-18

Based on the above, the following Table summarizes the Annual Revenue Requirement as approved by the Commission for FY 2017-18.

Table 5.5: Approved ARR for FY 2017-18

Sl. No.	Particulars	Approved for FY 2017-18
1	Cost of Power Purchase	645.56
2	Inter State Transmission charges	61.00
3	MePTCL incl. Gap FY 2013-14 & FY 2014-15	107.64
4	Employee Costs	98.00
5	R&M Expenses	6.86
6	A&G Expenses	64.00
7	Depreciation	9.45
8	Interest on loan capital	19.17
9	Interest on working capital	18.35
10	Return on equity	9.43
11	Income Tax	-
12	Provision for Bad and Doubtful Debts	3.00
13	**Total Revenue Requirement**	1042.46
14	Less: Non Tariff Income	58.00
15	Less: Cross Subsidy Surcharge	9.86
16	Less: RE Subsidy	17.50
17	Less: Sale of surplus power	304.87
18	**Net Revenue Requirement**	**652.23**

5.21 Revenue from Existing Tariffs

The revenue considered by the Commission from sale of 1173 MU at the existing tariff is shown in the Table below:

Table 5.6: Revenue approved for FY 2017-18

Sl. No	Category	Energy (MU)	Total Revenue (Rs. Cr)	Avg. Rate (Rs. Unit)
	LT Category			
1	Kutir Jyoti	29	9.51	3.28
2	Domestic	425	213.35	5.02
3	Commercial	101	74.74	7.40
4	Industrial LT	8	5.82	7.28
5	Public Lighting	1.56	1.00	6.41
6	Water Supply	13	8.87	6.82
7	General Purpose	36	23.83	6.62
8	Agriculture	0.11	0.05	4.55
9	Crematorium	0.19	0.08	4.21
	HT Category			
10	Domestic (HT)	26	18.88	7.26
11	Commercial (HT)	34	25.53	7.51
12	Industrial (HT)	230	165.37	7.19
13	Public Water Supply	32	22.08	6.90
14	General Purpose/Bulk Supply	57	41.78	7.33
	EHT Category			
15	Industrial EHT	160	106.88	6.68
16	Assam	21	12.47	5.94
	Total	**1173**	**730.24**	**6.23**

5.22 Revenue Gap for past periods

Earlier, the Commission had passed orders allowing the revenue gap against the review petition filed for FY 2011-12, FY 2012-13 and FY 2013-14 provisionally in the absence of C&AG audit report.

According to review and true up for FY 2014-15 the revenue gaps are reassessed as stated in below Table.

Table 5.7: Past period revenue gaps

Financial Year	Gap (Rs. Crore)
FY 2011-12	7.35
FY 2012-13	40.69
FY 2013-14	91.81
FY 2014-15	25.83
Total Gap	**165.68**

The Commission, had adjusted Rs. 45.07 Crore out of the total gap in the tariffs approved for FY 2016-17. The balance gap of Rs. 120.61 Crore (165.68-45.07) is now being adjusted in FY 2017-18 tariffs.

5.23 Net ARR and Revenue Gap for FY 2017-18

Table 5.8: Net ARR and Revenue gap approved for FY 2017-18

Sl. No.	Particulars	For FY 2017-18 (Rs. Crore)
1	Net ARR for FY 2017-18	652.23
2	Add: Balance of True up Gap for FY 2011-12	7.35
3	Add: True up Gap for FY 2012-13 Review	40.69
4	Add: True up Gap for FY 2013-14 Review	91.81
5	Add: True up Gap for FY 2014-15 True up	25.83
6	Total Gap	165.68
7	Less: Adjusted in FY 2016-17	45.07
8	Balance Gap after Adjustment	120.61
9	**Total ARR for FY 2017-18 (1+8)**	772.84
10	Less: Revenue from Existing Tariff	730.24
11	**Net Gap /Surplus**	**42.60**

As seen from the above Table, the revenue from existing tariff is a deficit of Rs. 42.60 Crore for FY 2017-18. The Commission considers an increase of tariff by 5.7% would meet the ARR for FY 2017-18. Accordingly, the tariffs approved as at Table 6.2 of Chapter 6.

6. Tariff Principles and Design

6.1 Background

The Commission while determining the Revenue Requirement and retail tariff of MePDCL for FY 2016-17, has been guided by the provisions of the Electricity Act, 2003, Revised National Tariff Policy, Regulations on Terms and Conditions of Tariff issued by Central Electricity Regulatory Commission (CERC) and Regulations on Terms and Conditions on Tariff notified by MSERC. The act mandates that the tariff determination shall be guided by the factors which encourage competition, efficiency, economical use of resources, good performance and optimum investment.

The National Tariff Policy (NTP) notified by Govt. of India provides comprehensive guidelines for determination of tariff and also in working out the revenue requirement of power utilities. The Commission has endeavored to follow these guidelines as far as possible.

The mandate of NTP is that tariff should be within ±20% of the average cost of supply for the year. It is not possible for the Commission to lay down the road map for reduction of cross subsidy, mainly because of lack of data regarding Cost of Supply (CoS) at various voltage levels. In view of the prevailing situation, the Commission has gone on the basis of average cost of supply for working out consumer category wise cost of supply. The better performance in reduction in loss levels would result in substantial reduction in average cost of supply.

6.2 Tariffs proposed by MePDCL and approved by the Commission

MePDCL in its tariff petition for FY 2017-18 has proposed increase of 25% over existing tariff for various categories of consumers to earn additional revenue to meet the gap to some extent. The balance gap has been proposed to be kept as regulatory asset which is to be liquidated in the future years. The category wise Tariffs proposed by MePDCL are shown in the Table below:

Table 6.1: Category wise Tariffs of existing and proposed for FY 2017-18

Sl. No	Category	Existing Tariff		Proposed Tariff	
		Fixed Charges (Rs./kw/month)	Energy Charges (Rs/kWh)	Fixed Charges (Rs./kw/month)	Energy charges (Rs/kwh)
1	Kutir Jyoti				
A	Unmetered (per connection)	110		140	
B	Metered		2.65		3.30
2	Domestic	50		65	
A	First 100 Units		3.15		3.95
B	Next 100 Units		3.75		4.70
C	Above 200 Units		5.00		6.25
3	Commercial (CLT)	100		125	
A	First 100 Units		5.30		6.70
B	Above 100 Units		6.75		8.45
4	Industrial LT	100	5.45	125	6.80
5	Public Lighting (PL)	100	6.15	125	7.70
6	Fixed charges for Public Lighting (Unmetered)	Rs./Lamp/ Point /Month			
7	Types of Lamps				
A	Incandescent lamp				
I	40W	110		150	
II	60 W	170		225	
III	100 W	270		365	
B	Fluorescent Lamp				
I	Up to 40 W	170		225	
C	Mercury Vapor Lamp				
I	80 W	250		330	
II	125 W	350		465	
III	250 W	740		980	
IV	500 W	1370		1815	
D	Sodium Vapor Lamp				
I	up to 150 W	540		715	
II	Above 250 W	830		1100	
III	400 W	1380		1825	
E	CFL Fittings				
I	Up to 45 W	165		215	
II	Above 45 W up to 85 W	265		350	
F	LED Fittings	515		675	
G	Metal Halide	625		825	
8	Public Water Supply/sewage treatment plant (WSLT)	100	6.15	125	7.70
9	General Purpose (GP)	100	6.15	125	7.70
10	Agriculture (AP)	60	2.50	75	3.15
11	Crematorium (Rs./Connection/Month)	6200	3.75	7750	4.70
	High Tension	**Rs/kVA/ month**	**Rs/kWH**	**Rs/kVA/month**	**Rs/kWH**

Sl. No	Category	Existing Tariff		Proposed Tariff	
		Fixed Charges (Rs./kw/month)	Energy Charges (Rs/kWh)	Fixed Charges (Rs./kw/month)	Energy charges (Rs/kwh)
12	Domestic (DHT)	190	5.65	240	7.55
13	General Purpose/ Bulk Supply (BS)	190	5.65	240	7.05
		Rs/kVA/ month	Rs/kvah	Rs/kVA/month	Rs/kVAh
14	Commercial (CHT)	190	6.05	240	7.55
15	Industrial (IHT)	190	5.89	240	7.35
16	Public Water Supply (WSHT)	190	5.65	240	7.05
	Extra High Tension	**Rs/kVA/ month**	**Rs/kVAh**	**Rs/kVA/month**	**Rs/kVAh**
17	Industrial EHT	190	5.65	240	7.05

Commission's Analysis

The Commission does not agree with the proposal of the Licensee to increase 25% tariff over the existing tariff. The approved Tariffs for supply of energy with respect of different categories of consumers for FY 2017-18 are given in the Table below:

Table 6.2: Category wise tariff approved for FY 2017-18

Sl. No.	Category	Approved	
		Fixed Charges (Rs./Conn/kW)	Energy Charges (Rs./kWh)
	Low Tension		
1	**Kutir Jyoti**		
	Unmetered	130	
	Metered		2.80
2	**Domestic**	50	
	First 100 Units		3.30
	Next 100 Units		3.90
	Above 200 Units		5.30
3	**Commercial**	110	
	First 100 Units		5.50
	Above 100 Units		7.00
4	**Industrial LT**	110	5.60
5	**Public Lighting (Metered)**	110	6.30
6	**Public Lighting (Unmetered)**	**Rs/Lamp/Point/Month**	
a	**Incandescent Lamp**		
i)	40 W	120	
ii)	60 W	200	
iii)	100 W	280	
b	**Fluorescent Lamp**		
i)	Up to 40 W	180	
c	**Mercury Vapor Lamp**		
i)	80 W	300	
ii)	125 W	400	

Sl. No.	Category	Approved	
		Fixed Charges (Rs./Conn/kW)	Energy Charges (Rs./kWh)
iii)	250 W	800	
iv)	500 W	1500	
d	**Sodium Vapor Lamp**		
i)	150 W	700	
ii)	250 W	900	
iii)	400 W	1400	
e	**CFL Fittings**		
i)	Up to 45 W	200	
ii)	>45 W up to 85 W	300	
f	**LED Fittings**	500	
g	**Metal Halide**	700	
7	Public Water Supply	110	6.30
8	General Purpose	110	6.30
9	Agriculture	100	2.75
10	Crematorium	6500	3.75
	High Tension	**Rs./kVA/month**	**Rs./kWh**
11	Domestic	200	6.00
12	General Purpose/ Bulk Supply	200	6.00
		Rs./kVA/month	**Rs./kVAh**
13	Commercial	200	6.50
14	Industrial	200	6.50
15	Public Water Supply	200	6.00
	Extra High Tension	**Rs./kVA/month**	**Rs./kVAh**
16	Industrial	200	6.00

6.3 Cross Subsidy

The Commission would like to discuss about the provisions of MSERC (Terms and conditions for Determination of Tariff) Regulations, 2011 about the cross subsidy. The Regulation prescribes that cross subsidy for the consumer means the difference between the average realisation per unit from the category and the combined average cost of supply per unit. It has also mentioned that in the first phase, the Commission shall determine the tariff so that it progressively reflects combined average unit cost of supply in accordance with the National Tariff Policy. The Commission has also tried to adhere with the Regulations of the Commission while determining the Tariff. The tariff has been set in accordance with the Act and Regulations keeping in view the ground realities of the state.

Table 6.3: Cross subsidy (%) for FY 2017-18

Sl. No.	Category	Approved Cross subsidy for FY 2017-18
1	Domestic	19.36%
2	Non Domestic (Commercial)	(-)18.87%
3	Industrial LT	(-)16.86%
4	Public Lighting	(-)2.97%
5	Water Supply LT	(-)9.60%
6	General Purpose LT	(-)6.33%
7	Agriculture	26.99%
8	Crematorium	32.37%
9	Domestic HT	(-)16.64%
10	Commercial HT	(-)20.62%
12	Industrial HT	(-)15.49%
13	Public Water Supply	(-)10.84%
14	General Purpose HT	(-)17.74%
15	Industrial EHT	(-)7.30%

7. Wheeling Charges and Cross Subsidy Surcharge for FY 2017-18

7.1 MePDCL Submission

The Petitioner has proposed to increase the distribution wheeling charges and cross subsidy surcharge by 25% in FY 2017-18 as shown in the Table below:

Sl. No.	Particulars	Existing (Rs./kWh)	Proposed (Rs./kWh)
1	Distribution Wheeling Charges	1.36	1.70
2	Cross subsidy surcharge for HT consumers	1.75	2.20
3	Cross subsidy surcharge for EHT consumers	1.90	2.40

The Petitioner has also submitted that the levy of open access charges shall be as per MSERC Open Access Regulations, 2012 and its subsequent amendments.

Commission's analysis

The Commission has noted the submission of the Petitioner and taken a view in this Order. The Commission has fixed the ARR of MePDCL for FY 2017-18 as per the Regulations and taken as the base for determining the wheeling charges in accordance with MSERC (Terms and Conditions of Open Access) Regulations, 2012. The Wheeling Charges for all consumers for FY 2017-18 is shown in the Table below:

Particulars	(Rs. Crore)
ARR of MePDCL for FY 2017-18 excluding Non-Tariff Income	984.46
Total Power Purchase cost of MePDCL	645.56
Total Transmission Charges	168.64
ARR- PPC - Transmission Charges	170.26
Total Sale including outside sale to Assam (MU)	1173

The wheeling charges per unit rate works out to Rs. 1.45. The Commission directs to recover these charges as per Regulations, payable on the basis of contracted Capacity/Scheduled Load or actual power flow whichever is higher.

Cross subsidy surcharge

The open access consumers are liable to pay cross subsidy surcharge to compensate the distribution utility for any loss of revenue due to shifting of its consumers to the open access system. The Commission has examined the sale to EHT category which have opted for Open Access in FY 2012-13 to FY 2014-15. The trend of the consumption has been declining year after year and are 224 MU, 203 MU and 161MU respectively. In the Tariff exercise, this category gives the cross subsidy to the subsidized consumers. It needs to be recognized that If these consumers go out of the grid, then the utility may financially suffer as well as Domestic/BPL/Agriculture consumers will be effected as the cross subsidy which they were getting in earlier years, has come down in FY 2017-18. The Commission has also exercised that the amount of cross subsidy required by subsidized category has now come to around Rs. 24 Crore which was earlier around Rs. 10 Crore. This has happened because the consumption in Industrial consumers has gone down. It is therefore necessary that the Commission should allow cross subsidy surcharge at such a level which will compensate the common consumers, utility as well as it should not become so onerous to the Open Access consumers. It is also important in the present scenario in the State where the surplus power has been allowed right from the ARR of FY 2013-14 up to date to the Licensee by allowing him to purchase power more than their demand. In situation of surplus, it is experienced that the Licensee is selling the power to the exchange at a cheaper rate than the average power purchase cost. If these open access consumers opt to buy from the Licensee, which they are not doing at present, this shall add additional revenue to the State. In accordance with the Law, if the consumer opts for Open Access, he needs to pay at least the amount of Cross subsidy surcharge to compensate the subsidized category of consumers. It is expected that the Open Access consumers would still be in comfortable position even after paying present cross subsidy surcharge, wheeling charges to the Licensee and purchase of power from power exchange/trader. The Commission endeavors that with the current cross subsidy surcharges, interest of both the consumer including Open Access consumers and the Licensees are balanced and are at win-win situation where everyone is availing 24x7 power supply.

The cross subsidy surcharge for open access consumers for the year 2017-18 is calculated in accordance with the Regulations. The Regulation prescribes that the amount of surcharge shall be so calculated as to meet the current level of cross subsidy from that category of consumers and shall be paid to the distribution licensee of area of supply where the consumer is located. In order to meet this objective, the Commission has tried to find out the cross subsidy surcharge in the following manner:

Cross Subsidy Surcharge (S) = Tariff payable by the relevant category (T) – Cost of Supply (C)

Weighted Average Cost of Power Purchase = Rs. 2.78/kWh
Loss in EHT level = 4%
Weighted Average Cost of Power Purchase including losses = Rs. 2.89/kWh
Wheeling charges at EHT level =Rs.1.45/kWh
Cost of service to EHT category (C) = Rs.4.34/kWh
Average Tariff of EHT category (T)= Rs. 6.68/kWh
S= 6.68-4.34 = Rs. 2.34/kWh Limited to 20% applicable Tariff - Rs. 1.34/kWh.

Similarly, for HT Level,
Weighted Average Cost of Power Purchase = Rs. 2.78/kWh
Loss in HT level = 6%
Weighted Average Cost of Power Purchase including losses = Rs. 2.95/kWh
Wheeling charges at HT level =Rs.1.45/kWh
Cost of service to HT category (C) = Rs.4.40/kWh
Average Tariff of HT category (T)= Rs. 7.22/kWh
S= 7.22-4.40 = Rs. 2.82/kWh Limited to 20% applicable Tariff - Rs. 1.44/kWh.

In the above calculations, the commercial losses are not factored in because the voltage wise losses are yet to be filed, which will increase the cost of service at least by 10%. In spite of Hon'ble APTEL Order dated 01.12.2015, the Licensee could not submit the information. The Commission is therefore constrained to work out the loss estimation and voltage wise cost of supply to each category in the absence of required data. The Commission accordingly directs the Licensee that the calculation of cross subsidy at each voltage should be filed to the Commission within 6 months time for FY 2017-18. The Commission shall thereafter analyse the data and work out the Cost of Supply at each voltage level and re-evaluate the cross subsidy surcharge, if necessitated.

The Licensee in its petition has proposed the wheeling charges and Cross subsidy surcharge as under:

a. Distribution Wheeling Charges = Rs. 1.70/kWh

b. Cross subsidy surcharge For HT level = Rs. 2.20/kWh

c. Cross subsidy surcharge For EHT level = Rs. 2.40/kWh

The Commission in order to balance the interest of consumers, Open Access Consumers and Licensee, computed the Cross Subsidy Surcharge, which shall suffice to offset the requirement of the cross subsidy amount of the Domestic, BPL and Agriculture sectors. The Commission shall review the matter with the actual transactions of the Open Access in the State in the next quarter. The Licensee is directed to furnish the details in the first week of July'2017. The following rates shall be recovered from the Open Access Consumers along with the other charges from 01.04.2017 under the same terms and conditions as per the Regulations.

- **For HT level = Rs. 1.44/kWh @ 6% loss**
- **For EHT level = Rs. 1.34/kWh @ 4% loss**

8. Directives

8.1 Compliance of Directives in last Tariff Order

Direction

1) Reduction in AT&C losses

(i) Reduction in T & D losses

(ii) Reduction in commercial losses

(iii) Improvement in metering, billing and collection

Status report by MePDCL

It is submitted that targets and action plans for the reduction of the commercial losses in all the circles have been fixed for AT &C loss reduction.

(Comments of MSERC: The targets and action plans fixed circle wise, and achievements thereon, may be submitted to the MSERC every quarter, within 15 days of end of quarter)

It is further submitted that checking of pilferages/thefts is being conducted by the MTI & Vigilance Sub Division of the respective circles.

(Comments of MSERC: Quarterly report, circle wise may henceforth be submitted to MSERC every quarter, within 15 days of end of quarter)

It is submitted that the replacement of defective meters is being carried out continuously.

(Comments of MSERC: Report may be submitted on circle -wise achievement every quarter, within 15 days of end of quarter)

It is further submitted that online collection system has already been implemented in Shillong, Jowai, Nongpoh, Sohra, Mairang and Nongstoin. Collection is also being made through CSC-SPV's in different areas throughout the State. The total number of collection centres (through CSC-SPV's) as on 15.06.2015 is 53 (fifty three). Separate counters for women and senior citizens have been introduced in Shillong and facilities provided.

(Comments of MSERC: Efforts to be taken to familiarise all customers about new payment methods introduced, through brief publicity material enclosed together with one bill during the year)

It is stated that 132/33 KV & 33/11 KV substations including incoming and outgoing feeders in Shillong have been metered and monitored.

Energy audit of 11 KV feeders and commercial complex distribution transformers in Shillong is being done regularly and the report of the same is being submitted monthly.

2) Energy procurement

It is submitted that the major procurement of power is from the State generation sources and Central Generating Stations as per allocation. Adequate provision for availability has been made for three years.

(**Comments of MSERC : The Licensee shall ensure optimum level of procurement in order to reduce the cost and tariffs)**

3) Time of Day Tariff

It is submitted that while studying the impact from a group of consumers it was found that the Peak and off peak demand difference for industries is too low to be controlled through implementation of ToD tariff. A more detailed study is being made regarding the benefits of implementing the ToD billing and the same shall be submitted to the Commission.

(Comments of MSERC: The process shall be expedited, and shall be submitted to the MSERC before next Tariff Petition)

4) Computerized billing

It is submitted that the consumers in Shillong, Jowai, Nongpoh, Sohra, Mairang and Nongstoin can deposit at any collection centre where SAP billing system is being implemented. Also with the opening of the collection centres through CSC-SPV the consumers can make payment from any of these counters throughout the State.

(Comments of MSERC: The Licensee shall further strengthen the facility)

5) Energy audit of high revenue yielding centre's

It is submitted that the energy audit in Byrnihat Industrial Area through third party is being done.

(Comments of MSERC: The process shall be expedited, **and copy of report shall be shared with the MSERC before next Tariff hearing)**

6) Submission of audited record

It is noted that the accounts for FY 2012-13 and FY 2013-14 have been finalized and placed before the statutory authorities and the accounts for FY 2014-15 and FY 2015-16 be audited. **(Comments of MSERC: The Licensee shall expedite the process of obtaining the C&AG audit report by close coordination with the concerned AG, by a nodal officer who may be identified specifically for this purpose)**

7) Settlement of past dues

It is submitted that action has been taken to see that there is no power regulation to the consumers. Efforts are being made to clear the outstanding power purchase dues. Accordingly, in light of the power purchase dues of NEEPCO, MePDCL has approached Power Finance Corporation Limited (PFC) for sanction of medium term loan to pay off its outstanding dues of power purchase and has sought approval of MSERC. The Commission has allowed working capital needs of the Licensee in order to pay the power purchase dues to the suppliers.

(Comments of MSERC: Steps taken may be followed up closely.)

8) Energy conservation and DSM

MeECL submitted that in fact the Government has observed that CFL is to be phased out and consumers are encouraged to use LED bulbs for lighting purpose. It may be mentioned that the M/s Energy Efficiency Services Limited is being engaged as consultant to assist MePDCL to implement energy conservation and DMS. The Licensee shall advise the local Government to avoid use of florescent, Mercury, sodium vapor ,CFL fittings, incandescent lamps by replacing with LED nature of lamps and fittings in order to ensure implementation of energy conservation and DSM.

(Comments of MSERC: The efforts may be continued. EESL may be advised to strengthen their publicity efforts in local media and also increase the number of outlets/ agencies for sale of LED bulbs to the consumers in general)

9) Man power utilization study

It is submitted that the Manpower mapping is being done by Corporate Affairs.

(Comments of MSERC: The Licensee shall expedite the study report to maintain optimum level of manpower, without affecting efficiency while at the same time reducing costs. Report may be shared with the MSERC latest by 30/9/17)

10) The Commission further directs the Licensee that payable/receivable towards UI are to be scrutinized accurately so that any excess allowed in the power purchase cost due to difference in scheduling and actual drawal by the open access consumer should not be collected from the consumers.

11) The Commission directs the Licensee to place the details of transaction of pension, terminal liabilities and status of the Trust made for disbursement of the retired employees in its next ARR so as to make any necessary adjustments, if any, in accordance with the Regulations.

12) The Commission directs that the Petitioner shall furnish the complete report on the implication of the Hon'ble Supreme Court Orders dated 28.08.2012 along with the report of C&AG on Statement of Accounts of FY 2012-13. It should be filed as a separate petition along with the proposal of benefit to be given to the other category of consumers during the same period as indicated in the Hon'ble Supreme Court order.

(Comments of MSERC: Report may be submitted expeditiously, after which the Commission shall take a final view.)

13) The Commission directs the Licensee that there should be an independent audit of power purchases from FY 2011-12 up to FY 2014-15 wherein the study should be made on current bill for each year, the delayed payment surcharge and supplementary bills because of revision of tariffs separately. **This report should be**

given to the Commission along with the C&AG audit report in the next true up petition.

14) The Commission directs the licensee to give a report on realization of dues as per the Commission's Order for the past period from OA consumers by 30.09.2017. **The Commission reiterates that NOC for open access shall only be given to those who have no pending dues against them as per the Regulations**.

15) The Commission directs the Licensee to segregate the Technical & Commercial losses and submit the report to the Commission, in so far as it relates to the revenue yielding area. This report should be submitted latest by 30.09.2017. **The Commission advises the management to go for third party verification in Industrial areas and in Shillong Urban**.

8.2 New Directives

1. **Power purchase:** Licensee has been projecting high volume of power procurement without corresponding increase in the level of energy sales. As a result of the huge quantum of energy being surrendered to UI/exchange, IEX which at times does not cover cost price, this results in high cost of procurement and ultimately results in substantial increase in tariffs. The Licensee shall properly estimate the demand and follow the procedure laid down for sale to the consumers in licensed area. The Licensee shall obtain prior approval from the Commission invariably where it is proposed to purchase power from sources other than approved vendors bilaterally, as specified in Regulation 93.

2. Licensee has been filing tariff petitions belatedly for FY 2016-17 and FY 2017-18 without submitting audited accounts for FY 2014-15 and FY 2015-16 respectively and seeking provisional true up which is a deviation from the Regulation 15 (3) of MSERC Regulations, 2011.

   The delay in filing the petitions with in-adequate data and without audited accounts results in duplication of the true up exercise for the same period of time , and in the process, the distribution of gains/losses to the beneficiaries is delayed.

The Commission will ordinarily not condone delay in filing petitions with in-adequate information / data and without audited accounts in future. The Licensee shall bear the obligation of interest claims if any, made by aggrieved Stake Holders.

3. **T&D Losses:** The Licensee has been projecting the T&D Losses ranging from 25% to 28% while filing the tariff petitions during the past 4 years, whereas the targets have not only been met , but the performance has been deteriorating from year to year.

   The following data reveals the non-performance of Licensee in the area of T&D losses:

	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Projected	28.74%	27.07%	27.59%	26.41%
Achieved	31.59%	32.55%	35.56%	35.56%

   Regulation 91 (4) specifies that the Licensee shall conduct regular energy audit and submit reports relating to the previous years and substantiate estimation of energy losses. This has not been adhered to. The reasons for non-submission of energy audit reports shall be explained to the Commission. In the absence of the energy audit reports, the Commission may have to suo-moto determine the loss levels and power procurement shall be restricted accordingly, in order to safe guard the interests of the Stake holders. It also needs to be stated that even a marginal improvement in checking T&D losses can have a substantial impact on the tariff rates which can be passed on to the consumers, while at the same time improving the financials of the Licensee itself.

4. The Licensee is directed to file true up petition along with C&AG Audit report, since present true up orders for FY 2014-15 are passed only on provisional basis.

5. **Metering, Billing and Collection Efficiency:** The Licensee is directed to ensure 100% metering of all categories. Similarly, all 33kV and 11kV feeders and distribution transformers in towns and urban areas, which would enable the Licensee to conduct energy audit accounting for assessing the exact T&D losses. While no new unmetered connections shall be given henceforth, an action plan may also be

formulated to cover all unmetered connections existing at present . This Action Plan may be drawn up and shared with the Commission by the 31/7/17

The licensee shall also ensure 100% of billing every month by employing IT tools like hand held spot billing machines.

The Licensee should provide multiple options for bill payment by consumers in order to improve the collection efficiency. It is also to be ensured that disconnection of consumer is enforced for non-payment, as multiple facilities have been provided for the convenience of the consumer. All the consumer service centers at sub-division level should co-relate entire metering, billing and collections, so that irritants like wrong billing etc are avoided .

6. Submission of audited record:

The Licensee should ensure availability of C&AG audit reports of FY 2014-15 and FY 2015-16 which have been substantially delayed, for filing with the statutory authorities and also filing with the Commission.

7. Settlement of past dues to the Generators/traders/suppliers:

The Commission has been approving the working capital to meet the power purchase obligations to avoid levy of surcharge for belated payment of power purchase dues. Borrowing loans from financial institutions to discharge power purchase liabilities will result in additional interest burden, with consumers ultimately being penalized with that interest commitment through tariffs. The Commission will not allow any such interest commitment in the ARR.

8. Voltage wise Cost of Supply

Hon'ble APTEL in its verdict in the Appeal No. 146 of 2014, held that the State Commission should initiate study of voltage wise cost of supply to determine more accurately the cross subsidy by various category of consumers for use in the tariff order for FY 2015-16. In compliance of Hon'ble APTEL directions licensee was asked to workout cost of supply and submit the report by 30.09.2016 (Directive 11). The report is still awaited. The Commission is constrained to issue a final direction in the matter, and the licensee is directed to expedite submission of the same. The report should be filed positively before 30.06.2017.

9. Approved Tariff for FY 2017-18

A. LOW TENSION TARIFF

1. Domestic (Low Tension)

This category shall be applicable to domestic consumption, which includes consumption;

a. For lighting, heating, cooling, fans and other household appliances in a private dwelling house;
b. In temples, churches, mosques, gurudwaras and other places of religious worship;
c. In hospitals, dispensaries, health centres run by Government or by charitable, religious or social organizations on a no-profit or non-commercial basis.
d. In schools, colleges, hostels boarding houses for students run by Government or by charitable, religious or social organizations on a no-profit or non commercial basis; and
e. In ashrams, dharamshalas, community halls and institutions run by recognized welfare organizations.
f. MeECL officers and its employee’s residences.

1.1 Kutir Jyoti/BPL

Kutir Jyoti connections have been covered under Domestic category with metered and unmetered sub categories.

1.1.1 Unmetered Kutir Jyoti

The existing Tariff for this category of consumers is Rs.110 per connection per month. The MeECL has proposed a rate of Rs.140 per connection per month for this category. The Commission has approved Rs.130 per connection per month for all existing unmetered consumers.

Tariff for BPL (unmetered) for FY 2017-18

Category	Existing Tariff (Rs./conn/month)	Proposed Tariff (Rs./conn/month)	Approved Tariff (Rs./conn/month)
Kutir Jyoti (KJ-U)/BPLU	110	140	130

This Tariff is applicable for existing unmetered consumer under Kutir Jyoti unmetered category until they are metered. No new connection should be given without meter.

1.1.2 Metered Kutir Jyoti

The MePDCL has proposed tariff of metered Kutir Jyoti consumers at Rs.3.30 per unit for monthly consumption within 0-30 units. They have also proposed that if the monthly consumption in any month exceeds the limits of 30 units then their excess consumption over and above 30 units shall be done on the Tariff as prescribed for normal domestic consumers. The Commission as allowed Rs.2.80 per unit for BPL metered category up to a consumption of 30 units. In case, they consumes more than 30 Units then the billing of excess unit shall be done on the Tariff prescribed for normal domestic consumers for appropriate slab rates.

Tariff for BPL (metered) for FY 2017-18

Category	Existing Tariff (Rs./ kWh)	Proposed Tariff (Rs./ kWh)	Approved Tariff (Rs./ kWh)
Kutir Jyoti (KJ-M)/BPLM	2.65	3.30	2.80

1.2 Domestic Consumers

The existing Tariff is 2 part Tariff. The fixed charge is levied on the basis of KW load per month and energy charges are applicable in 3 slabs with different rates for each slab. The Commission has not made any changes in the structure and approved the same. However, the Commission has revised rates for each slab and fixed charges per KW which are given below in the Tariff.

Fixed Charges

Fixed Charges for Domestic consumers for FY 2017-18

Category	Existing Tariff (Rs./kW/Month)	Proposed Tariff (Rs./kW/Month)	Approved Tariff (Rs./kW/Month)
Domestic (DLT)	50	65	50

Energy Charges

Energy charges for Domestic consumer for 2017-18

Category	Slabs	Existing Tariff (Rs./conn/month)	Proposed Tariff (Rs./conn/month)	Approved Tariff (Rs./conn/month)
Domestic (DLT)	First 100 units	3.15	3.95	3.30
	Next 100 units	3.75	4.70	3.90
	Above 200 units	5.00	6.25	5.30

2. Non-Domestic (Low Tension)

The existing Tariff has a structure of 2 part Tariff. The fixed charges are levied on the basis of KW load per month and energy charges are applicable for two slabs with different rates for each slab. The Commission has not made any changes in the structure and approved the same. However, the Commission has approved different rate for each slab and fixed charges per KW which are given below in the Tariff.

Fixed charges

Fixed charges for Non domestic consumer for 2017-18

Category	Existing Tariff (Rs/kW/Month)	Proposed Tariff (Rs/kW/Month)	Approved Tariff (Rs/kW/Month)
Non Domestic (CLT)	100	125	110

Energy Charges

Energy charges for Non domestic consumer for 2017-18

Category	Slabs	Existing Tariff (Rs/kWh)	Proposed Tariff (Rs/kWh)	Approved Tariff (Rs/kWh)
Non Domestic (CLT)	First 100 Units	5.30	6.70	5.50
	Above 100 Units	6.75	8.45	7.00

3. Industrial Low Tension

This category is applicable for small and medium industrial consumer who is given supply on low tension wires. The Commission has approved the following two parts without changing the structure of the current tariff keeping in view the present cross subsidy adjustment.

Fixed charges

Fixed charges for Industrial (LT) consumer for 2017-18

Category	Existing Tariff (Rs/kW/Month)	Proposed Tariff (Rs/kW/Month)	Approved Tariff (Rs/kW/Month)
Industrial (ILT)	100	125	110

Energy Charges

Energy charges for Industrial (LT) consumer for 2017-18

Category	Existing Tariff (Rs/kWh)	Proposed Tariff (Rs/kWh)	Approved Tariff (Rs/kWh)
Industrial (ILT)	5.45	6.80	5.60

4. Public Service Low Tension

This category comes under Public Service connections given supply through LT lines. The approved Tariff for metered connections and unmetered connections are given below:

5. Public Lighting (Metered)

Fixed charges

Fixed charges for Public Lighting (Metered) consumer for 2017-18

Category	Existing Tariff (Rs/kW/Month)	Proposed Tariff (Rs/kW/Month)	Approved Tariff (Rs/kW/Month)
Public Lighting (Metered)	100	125	110

Energy Charges

Energy charges for Public Lighting (metered) for 2017-18

Category	Existing Tariff (Rs/kWh)	Proposed Tariff (Rs/kWh)	Approved Tariff (Rs/kWh)
Public Lighting (PL)	6.15	7.70	6.30

Public Lighting (Unmetered)

Fixed charges for Public Lighting (unmetered) for 2017-18

Type of lamp	Existing Tariff (Rs/Lamp/Point /month	Proposed Tariff (Rs/Lamp/Point /month	Approved Tariff (Rs/Lamp/Point /month
Incandescent lamps			
40 Watts	110	150	120
60 Watts	170	225	200
100 Watts	270	365	280

Type of lamp	Existing Tariff (Rs/Lamp/Point /month	Proposed Tariff (Rs/Lamp/Point /month	Approved Tariff (Rs/Lamp/Point /month
Florescent lamps			
Up to 40 Watts	170	225	180
Mercury vapor lamp			
80 Watts	250	330	300
125 Watts	350	465	400
250 Watts	740	980	800
500 Watts	1370	1815	1500
Sodium vapor lamp			
Up to 150 Watts	540	715	700
250 Watts	830	1100	900
400 watts	1380	1825	1400
CFL fittings			
Up to 45 Watts	165	215	200
Above 45 Watts & Up to 85 Watts	265	350	300
LED fittings	515	675	500
Metal halide	625	825	700

6. Public Water Supply /Sewage Treatment Plants

This category is related to Public Water Supply and Sewage Treatment plants and comes under public consumption. The following rates are approved for water supply and sewage treatment plants. These ates are decided keeping their nature of use and cross subsidy level,

Fixed charges

Fixed charges for Public Water Supply for 2017-18

Category	Existing Tariff (Rs/kW/ Month)	Proposed Tariff (Rs/kW/ Month)	Approved Tariff (Rs/kW/ Month)
Public Water Supply (WSLT) /Sewage Treatment Plants	100	125	110

Energy Charges

Energy charges for Public Water Supply for 2017-18

Category	Existing Tariff (Rs/kWh)	Proposed Tariff (Rs/kWh)	Approved Tariff (Rs/kWh)
Public Water Supply (WSLT) / Sewage Treatment Plants	6.15	7.70	6.30

7. General Purpose

This Tariff is made for Government connections which are not covered under any other category of Public connections. The approved Tariff for this category is as follows:

Fixed charges

Fixed charges for General purpose for 2017-18

Category	Existing Tariff (Rs/kW/ Month)	Proposed Tariff (Rs/kW/ Month)	Approved Tariff (Rs/kW/ Month)
General purpose (GP)	100	125	110

Energy Charges

Energy charges for General purpose for 2017-18

Category	Existing Tariff (Rs/kWh)	Proposed Tariff (Rs/kWh)	Approved Tariff (Rs/kWh)
General Purpose (GP)	6.15	7.70	6.30

8. Agriculture

This category is meant for agriculture where there are only few consumers in the State.

Fixed charges

Fixed charges for Agriculture for 2017-18

Category	Existing Tariff (Rs/kW/ Month)	Proposed Tariff (Rs/kW/ Month)	Approved Tariff (Rs/kW/ Month)
Agriculture (AP)	60	75	100

Energy Charges

Energy charges for Agriculture for 2017-18

Category	Existing Tariff (Rs/kWh)	Proposed Tariff (Rs/kWh)	Approved Tariff (Rs/kWh)
Agriculture (AP)	2.50	3.15	2.75

9. Crematorium

This category is meant for crematorium using electricity for their day to day operation. As per the proposal there is only one consumer in this category. In the last Tariff Order the Commission has considered the nature and purpose of this crematorium which is meant for service to the society and operating on no profit no loss basis. The commission has held that on the basis of their nature of job their rates are considered equivalent to domestic consumers. The similar treatment has been given this year to this category with fixed charges on per connection basis and energy charges on metered consumption.

Fixed charges

Fixed charges for Crematorium for 2017-18

Category	Existing Tariff (Rs/conn/ Month)	Proposed Tariff (Rs/conn/ Month)	Approved Tariff (Rs/conn/ Month)
Crematorium (CRM)	6200	7750	6500

Energy Charges

Energy charges for Crematorium for 2017-18

Category	Existing Tariff (Rs/kWh)	Proposed Tariff (Rs/kWh)	Approved Tariff (Rs/kWh)
Crematorium (CRM)	3.75	4.70	3.75

B. High Tension Supply

As per the supply code this category is meant for those consumers who get supply from HT wires. The billing of this type of consumers is being done on the basis of provision of supply code.

10. Domestic High Tension

This tariff is applicable to domestic consumer having supply from HT system of the licensee. Their tariff is approved as follows.

Fixed charges

Fixed charges for Domestic (HT) for 2017-18

Category	Existing Tariff (Rs/kVA/ Month)	Proposed Tariff (Rs/kVA/ Month)	Approved Tariff (Rs/kVA/ Month)
Domestic HT (DHT)	190	240	200

Energy Charges

Energy charges for Domestic (HT) for 2017-18

Category	Existing Tariff (Rs/kWh)	Proposed Tariff (Rs/kWh)	Approved Tariff (Rs/kWh)
Domestic HT (DHT)	5.65	7.55	6.00

11. Non Domestic High Tension

This tariff is applicable to Commercial consumer having supply from HT system of the licensee. Their tariff is revised keeping in view of their present level of cross subsidy and its suitable correction. The Commission has approved their tariff as follows

Fixed charges

Fixed charges for Non Domestic (HT) for 2017-18

Category	Existing Tariff (Rs/kVA/ Month)	Proposed Tariff (Rs/kVA/ Month)	Approved Tariff (Rs/kVA/ Month)
Non Domestic HT (CHT)	190	240	200

Energy Charges

Energy charges for Non Domestic (HT) for 2017-18

Category	Existing Tariff (Rs/kVAh)	Proposed Tariff (Rs/kVAh)	Approved Tariff (Rs/kVAh)
Non Domestic HT (CHT)	6.05	7.55	6.50

12. Industrial High Tension

These are industrial consumers taking supply on HT. These consumers are charged on KVAh basis. The tariff is revised as follows.

Fixed charges

Fixed charges for Industrial (HT) for 2017-18

Category	Existing Tariff (Rs/kVA/ Month)	Proposed Tariff (Rs/kVA/ Month)	Approved Tariff (Rs/kVA/ Month)
Industrial High Tension	190	240	200

Energy Charges

Energy charges for Industrial (HT) for 2017-18

Category	Existing Tariff (Rs/kVAh)	Proposed Tariff (Rs/kVAh)	Approved Tariff (Rs/kVAh)
Industrial High Tension	5.89	7.35	6.50

13. General Purpose Bulk Supply (BS)

Fixed charges

Fixed charges for General Purpose Bulk (HT) for 2017-18

Category	Existing Tariff (Rs/kVA/ Month)	Proposed Tariff (Rs/kVA/ Month)	Approved Tariff (Rs/kVA/ Month)
General Purpose Bulk Supply (BS)	190	240	200

Energy Charges

Energy charges for General Purpose Bulk (HT) for 2017-18

Category	Existing Tariff (Rs/kWh)	Proposed Tariff (Rs/kWh)	Approved Tariff (Rs/kWh)
General Purpose/Bulk Supply	5.65	7.05	6.00

14. Public Water Supply/Sewage Treatment Plant

Fixed charges

Fixed charges for Public Water Supply (HT) for 2017-18

Category	Existing Tariff (Rs/kVA/ Month)	Proposed Tariff (Rs/kVA/ Month)	Approved Tariff (Rs/kVA/ Month)
Public Water Supply (WSHT)	190	240	200

Energy Charges

Energy charges for Public Water Supply (HT) for 2017-18

Category	Existing Tariff (Rs/kVAh)	Proposed Tariff (Rs/kVAh)	Approved Tariff (Rs/kVAh)
Public Water Supply	5.65	7.05	6.00

C. Extra High Tension Supply

15. Industrial Extra High Tension

Fixed charges

Fixed charges for Industrial (EHT) for 2017-18

Category	Existing Tariff (Rs/kVA/ Month)	Proposed Tariff (Rs/kVA/ Month)	Approved Tariff (Rs/kVA/ Month)
Industrial (IEHT)	190	240	200

Energy Charges

Energy charges for Industrial (EHT) for 2017-18

Category	Existing Tariff (Rs/kVAh)	Proposed Tariff (Rs/kVAh)	Approved Tariff (Rs/kVAh)
Industrial (IEHT)	5.65	7.05	6.00

D. Others

16. Temporary supply (HT & LT)

MeECL has proposed to continue their existing arrangement where the fixed and energy charges shall continue to be double of the normal applicable rates for all categories. The Commission has agreed to their proposal. Remaining terms and conditions of the tariff rate schedule shall be same as approved last year.

Annexure-I

RECORD NOTE OF THE 20th MEETING OF THE STATE ADVISORY COMMITTEE HELD AT ON 06th FEBRUARY 2017 AT THE MSERC CONFERENCE HALL, SHILLONG.

Present:-

Members of the State Advisory Committee and Commission

1) Shri. WMS Pariat, Chairman, MSERC.
2) Shri. J.B. Poon, Secretary, MSERC
3) Shri. Ramesh Bawri, President Meghalaya Confederation of Industries.
4) Shri. S. K. Lato, Jowai.
5) Shri S Narzari, GM (Comm.), NEEPCO

Calling the 20th Meeting of the State Advisory Committee (SAC) to order, the Chairman welcomed the members present. He briefly informed the members about the purpose of the meeting as envisaged in the Electricity Act 2003 highlighting the salient features of distribution ARR for FY 2017-18. He also briefed the members on the present MSERC, MYT Regulation 2014 and implications of each of the component of ARR in the Tariff. Members of the Advisory Committee were briefed that the Commission has admitted ARR petition for Distribution, Transmission, Generation on 17.01.2017. The utilities had published the salient features of this petition inviting comments of each stakeholders including public. On the ARR & Tariff Petition for the year 2017-18, the Chairman called upon the Hon'ble Members to participate in the deliberations on tariff proposals and invited their suggestions. Members of the SAC raised the following issues:

1. Shri Ramesh Bawri

Shri Ramesh Bawri brought up many pertinent issues relating to the petition and submitted that books of account are not proper as timely submission of ARR and audited statements of account are not updated. He has given following suggestions to the Commission on Tariff issues.

(1) He has appreciated that separate petitions have been filed by MePGCL, MePDCL and MePTCL as required under the Electricity Act, 2003 this would lead to a much better understanding of the workings of MeECL. However, he has suggested that to

consolidate all expenditures record in one single table so that it would be more transparent for the Commission to determine the cost of individual companies in comparison to what approved last year for a single entity.

(2) Mr. Bawri requested the Commission to review the status of directions given to MePGCL, MePDCL and MePTCL last year while finalizing the Tariff Order so that the road map given by the Commission is properly implemented in the interest of the Public.

(3) It was submitted that some of the calculation sheets are not matching with the other related calculations and therefore it would be difficult to understand the exact numbers in the ARR petition. This leads to an unnecessary exercise of correction on the part of the Commission, besides the Advisory Board and the General Public who may not be aware of the intricacies of law. It is therefore suggested that each subsidiary Company of MeECL be advised to submit their proposals in accordance with the Regulations in future.

(4) In the absence of the accounts for earlier years, it is not possible to comment on the eligibility of **Return on Equity**. It is however suggested that the Hon'ble Commission may kindly verify the eligible amount in accordance with Regulations 51 and 53, keeping the Debt-Equity Ratio norms also in mind.

2. Shri. S.K Lato

Shri S.K.Lato stated that he also fully supported all the views expressed by Mr. Ramesh Bawri and requested the Commission to take these into consideration while deciding the Tariff for the year 2017-18. He wanted that the performance of MePDCL needs to be improved in terms of better operation, quality supply and improvement in their current efficiency to work & optimize their resources.

Summing-up the discussions, the Chairman placed on record his profound gratitude to the Hon'ble Members present, for their valuable suggestions and submissions and assured that these would be kept in view, while finalizing the Tariff for the year 2017-18.

(J.B. Poon)

Secretary, MSERC

Annexure-II

LIST OF PARTICIPANTS IN THE PUBLIC HEARING ON 09.03.2017

On behalf of MePDCL/MeECL

1. Shri K N War, Chief Engineer, MePDCL
2. Shri A Kharpan, Addnl. CE
3. Shri G S Mukherjee, Company Secy
4. Shri P Sahkhar, SE (RA&FD)
5. Shri R Majaw, SE, EM
6. Shri M Chylla, SE, RO
7. Shri L Kharpran, Section Officer
8. Shri K A Sohtun, AO
9. Shri Piyush Whie, consultant
10. Shri S Biswal, consultant
11. Shri S Samantary, consultant

On behalf of Byrnihat Industries Association

1. Shri Sumanta Chand
2. Shri Mandakini Ghosh, Advocate
3. Shri Utkarsh Agarwal
4. Shri Shyam Sunder Agarwal
5. Shri Madan Mittal
6. Shri Vinod Agarwal
7. Shri Narayan Agarwala
8. Shri Amit Choudhury
9. Shri Ami Sundhi
10. Shri Deepak Surana

On behalf of consumer/consumer's representatives

P.H.E.D.

1. Shri H S Nongkynrih, SE, PHED
2. Shri C Marngar, EE, PHED
3. Shri B L Lawai, EE, PHED

CREMATORIUM

1. Shri Bikram Dhar
2. Shri Jayanta Malakar