Before the
MAHARASHTRA ELECTRICITY REGULATORY COMMISSION
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Case No. 289 of 2019

Case of Adani Transmission (India) Ltd. for Truing-Up of Aggregate Revenue Requirement (ARR) for FY 2017-18 and FY 2018-19, Provisional Truing-Up of ARR for FY 2019-20 and Projection of ARR for the MYT Control period FY 2020-21 to FY 2024-25

Coram

Anand B. Kulkarni, Chairperson
I.M. Bohari, Member
Mukesh Khullar, Member

ORDER

Date: 30 March,2020

Adani Transmission (India) Limited (**ATIL**), Adani House, Navrangapura, Ahmedabad, has filed a Multi-Year (MYT) Petition for the 4th Multi Year Tariff (**MYT**) Control Period on 27 October, 2019 comprising of truing up of Aggregate Revenue Requirement (**ARR**) for FY 2017-18 and FY 2018-19, provisional truing up of ARR for FY 2019-20 and Forecast of ARR for MYT Control Period FY 2020-21 to FY 2024-25.

The Petition has been filed in accordance with the MERC (Multi Year Tariff) Regulations, 2015 ("**MYT Regulations, 2015**"), for Truing-up of ARR for FY 2017-18, FY 2018-19 and Provisional Truing-up of 2019-20 and in accordance with MERC (Multi Year Tariff) Regulations, 2019 ("**MYT Regulations, 2019**") for projection of ARR for the Fourth Control Period from 2020-21 to 2024-25.

The Commission, in exercise of the powers vested in it under Sections 61 and 62 of the Electricity Act (**EA**), 2003 and all other powers enabling it in this behalf, and after taking into consideration the submissions made by ATIL, upon Public consultation process, and upon considering all other relevant material, has approved the Truing-up of ARR for FY 2017-18 and FY 2018-19, Provisional Truing-up of ARR for FY 2019-20 and Projection of ARR for the Fourth Control Period from 2020-21 to 2024-25.

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List of Abbreviations

Abbreviation	Description
A&G	Administrative and General
AI	Availability Incentive
APML	Adani Power Maharashtra Limited
APML – T	Adani Power Maharashtra Limited – Transmission
APR	Annual Performance Review
ARR	Aggregate Revenue Requirement
ATE/APTEL	Appellate Tribunal for Electricity
ATIL	Adani Transmission (India) Limited
BoI	Bank of India
CAPEX/Capex	Capital Expenditure
CC	Carrying Cost
CEA	Central Electricity Authority
Ckt-Km	Circuit Kilometre
COD	Commercial Operation Date
Commission/MERC	Maharashtra Electricity Regulatory Commission
EA 2003	Electricity Act, 2003
EHV	Extra High Voltage
ERS	Emergency Restoration System
FY	Financial Year
GFA	Gross Fixed Assets
IDC	Interest During Construction
InSTS	Intra-State Transmission System
IoWC	Interest on working capital
Km	Kilometre
kV	Kilovolt
kW	Kilowatt
kWh	Kilowatt Hour
MAT	Minimum Alternate Tax
MSETCL	Maharashtra State Electricity Transmission Company Limited
MSLDC	Maharashtra State Load Despatch Centre
MTR	Mid-Term Review
MVAR	Mega Volt Amp (reactive)
MW	Megawatt
MYT	Multi Year Tariff
O&M	Operation and Maintenance
PBT	Profit Before Tax

Abbreviation	Description
PSM	Payment Security Mechanism
RoE	Return on Equity
SBAR	State Bank of India Advance Rate
SLDC	State Load Despatch Centre
STU	State Transmission Utility
TSU	Transmission System User
TTSC	Total Transmission System Cost

1. INTRODUCTION

1.1 Background

1.1.1 ATIL (formerly known as Adani Power Maharashtra Ltd. (Transmission Business) (APML-T) was granted Transmission License No. 2 in 2009 by the Commission vide Order dated 6 July 2009 in Case No. 138 of 2008. ATIL's Transmission System was commissioned on 26 August 2012. The Commission approved its ARR under the MYT framework for the 2nd Control Period vide Order dated 10 January 2013 in Case No. 44 of 2012. The Commission issued its Mid Term Performance Review (MTR) Order for the 2nd Control Period on 3 July 2014 in Case No. 190 of 2013, including true-up of FY 2012-13 and approved revised estimates for FY 2013-14 to FY 2015-16. The Commission also passed an Order on the Annual Performance Review (APR) Order for FY 2013-14 on 7 April 2015 in Case No. 217 of 2014. Subsequently, for the 3rd Control Period, the Commission passed an MYT Order under the MYT framework on 28 June, 2016 in Case No. 7 of 2016 ('**MYT Order'**) including true-up of FY 2013-14 and FY 2014-15, provisional true-up of FY 2015-16 and approved MYT Projection for the 3rd Control Period FY 2016-17 to FY 2019-20.

1.1.2 Erstwhile APML-T (now ATIL) filed an application dated 16 July 2014 under section 18(1) of the EA, 2003 and the MERC (Transmission License Conditions) Regulations, 2004, as amended in 2006, for amendment of its Transmission License No. 2 of 2009.

1.1.3 Subsequently, APML-T (presently ATIL) had filed a Petition for the assignment of its Transmission License to ATIL on 17 October 2014, before the Commission, seeking approval of such assignment of Transmission License of APML-T to ATIL. Accordingly, the Commission by its Order in Case No. 189 of 2014 dated 08 December 2014 approved the transfer of Transmission License of APML-T to ATIL. As per that approved scheme of assignment, all legal or other proceedings by or against APML-T, whether pending on the appointed date or which may arise in future relating to the APML-T, shall be continued and enforced by or against ATIL, and all matters pertaining to APML-T would now be taken up by ATIL.

1.1.4 The Commission also amended ATIL's Transmission License to the extent of modification in the 'Area of Transmission', by its Order dated 9 July 2015 in Case No. 136 of 2014. The Changes in the 'Area of Transmission' of ATIL, made through the License amendments.

Table 1: Transmission System of ATIL

License No. 2 of 2009 ***(Case No. 138 of 2008 dated 06.07.2009)***	**License No. 2 of 2009 First Amendment** ***(Case No. 62 of 2010 dated 30.03.2011)***	**License No. 2 of 2009 Second Amendment** ***(Case No. 136 of 2014 dated 09.07.2015)***
400 kV Double Circuit Transmission Line with quad conductor from Tiroda (Gondia) to proposed 400 kV Koradi II Sub-Station. **400 kV Double Circuit Transmission Line with quad conductor from Tiroda (Gondia) to proposed 400 kV Warora Switching Station.** **2 Nos 400 kV Bays for Tiroda-Koradi-II Double Circuit Transmission Lines at Koradi-II sub-station;** **2 Nos 400 kV Bays for Tiroda-Warora Double Circuit Transmission Lines at Warora Switching station.**	400 kV Double Circuit Transmission Line with quad Conductor from Tiroda (Gondia) to 400 kV Warora Switching Station. 2 Nos, 400 kV Bays for Tiroda-Warora Double Circuit Transmission Lines at Tiroda Project Switchyard. 2 Nos, 400 kV Bays for Tiroda-Warora Double Circuit Transmission Lines at Warora Switching Station.	400 kV Double Circuit Transmission Line with Quad Conductor from Tiroda (Gondia) to 400 kV Warora Switching Station. 2 Nos, 400 kV Bays for Tiroda-Warora Double Circuit Transmission Lines at Tiroda Project Switchyard. 2 Nos, 400 kV Bays for Tiroda-Warora Double Circuit Transmission Lines at Warora Switching station. **2 x 80 MVAR Bus Reactors, along with associated Bays, at the Tiroda Sub-station (added)**

1.2 MYT Regulations

1.2.1 The Commission notified the MYT Regulations, 2015 on 8 December 2015. These Regulations are applicable for the 3rd Control Period starting from FY 2016-17 to FY 2019-20 and amended on 29 November 2017.

1.2.2 The Commission notified the MYT Regulations, 2019 on 1 August 2019. These Regulations are applicable for the 4th Control Period from FY 2020-21 to FY 2024-25.

1.3 Filing of Petition under MYT Regulations, 2019

1.3.1 Regulation 3 of the MYT Regulations, 2019 specifies its scope. Regulation 5.1 (a) requires filing of MYT Petition by Utilities, including Transmission Licensees, for the 4th MYT Control Period by 1 November, 2019.

1.4 Petition and Prayers of ATIL

1.4.1 ATIL has filed its MYT Petition on 27 October, 2019 for Truing-Up of ARR for FY

2017-18 and FY 2018-19 and Provisional Truing-up for FY 2019-20 under the MYT Regulations, 2015, and Projection of ARR for the Fourth MYT Control Period from FY 2020-21 to 2024-25 in accordance with the MYT Regulations, 2019.

1.4.2 Main prayers of ATIL in its revised admitted Petition are as below:

a) Allow consequential revision in tariff to implement Order dated 29.05.2019 of Hon'ble APTEL in Appeal No. 250 of 2016 along with revision in availability incentives and carrying cost.

b) Allow the Operation and Maintenance Expense as claimed in this Petition

c) Allow True-up of ARR for FY 2017-18 and FY 2018-19 based on the audited accounts and approve the revenue gap of these years as presented in this Petition along with carrying cost and incentive.

d) Allow Provisional True-up of ARR for FY 2019-20 based on the un-audited accounts up to 30.09.2017.

e) Allow ARR for FY 2020-21 & FY 2024-25 as proposed by ATIL in the Petition.

f) Allow cumulative Revenue Gap including carrying cost and Incentive and allow its recovery through the new Intra State Transmission System Tariff Order or amendment of the existing Intra State Transmission System Tariff Order.

1.4.3 On 8 November 2019, the Commission conveyed preliminary data gaps and information required by ATIL. Subsequently, ATIL submitted the replies to the preliminary data gaps on 15 November 2019, wherein it requested for grant of liberty to provide the replies for most of the data gaps through revision in Petition as a supplementary filing at the earliest.

1.4.4 On 21 November 2019, the Commission conveyed 2nd set of data gaps and information required by ATIL. Subsequently, ATIL submitted the replies to the 2nd set of data gaps along with the pending replies to the preliminary data gaps on 23 November 2019.

1.4.5 The Technical Validation Session (TVS) on the Petition was held on 21 November 2019. The List of persons who participated in the TVS is at Appendix I.

1.4.6 ATIL filed the revised Petition on 10 December 2019, in accordance with the relevant provisions of MYT Regulations, 2019 and MYT Regulations, 2015, incorporating replies to the queries raised in preliminary and subsequent data gaps and clarifications on the issues raised during the discussion.

1.5 Admission of the Petition and Public Hearing Process

1.5.1 The Commission admitted the Petition on 10 December 2019 and directed ATIL to publish it in accordance with Section 64 of the EA 2003, in the specified abridged form and manner, and to reply expeditiously to any suggestions and comments received.

1.5.2 ATIL published a Public Notice inviting comments/suggestions/objections on its Petition. The Public Notice published in English in Lokmat Times and The Indian Express, and in Marathi in Loksatta and Deshonnati, all daily newspapers, on Saturday, 14 December 2019. The Petition and its Summary made available for inspection/purchase at ATIL's offices and Website (www.adanitransmission.com). The Public Notice and Executive Summary of the Petition were also made available on the websites of the Commission (www.merc.gov.in) in downloadable format.

1.5.3 The Commission did not receive any suggestions or Objections on the Petition. A Public Hearing was held in Mumbai on 07 January 2020 at 10:00 hrs at the office of the Commission. No oral suggestions/objections were put forward at the Public Hearing either. The List of Persons who attended the Public Hearing is at Appendix-II.

1.5.4 The Commission has ensured the due process contemplated under the law to ensure transparency and Public participation followed at every stage and adequate opportunity was given to all concerned to express their views.

1.6 Organisation of the Order

1.6.1 This Order organized in the following seven sections

- **Section 1:** of the Order provides a brief history of the quasi-judicial regulatory process undertaken by the Commission.
- **Section 2:** of the Order details the Impact of APTEL judgement in appeal no. 250 of 2016 for FY 2012-13 to FY 2016-17.
- **Section 3:** of the Order details the Truing-up of expenses of ATIL for FY 2017-18 and FY 2018-19 as per MYT Regulations, 2015.
- **Section 4:** of the Order details the Provisional True-up of ARR for FY 2019-20 as per MYT Regulations, 2015.
- **Section 5:** Of the Order details the Approval of ARR for Fourth Control Period from FY 2020-21 to FY 2024-25 as per MYT Regulations, 2019.

- **Section 6:** Sets out the Mechanism for Recovery of Transmission Charges.
- **Section 7:** Deals with the Applicability of this Order.

2 IMPACT OF APTEL JUDGMENT IN APPEAL NO. 250 OF 2016

2.1 Background

2.1.1 Aggrieved by Commission's disallowance of certain expenses in the MYT Order dated 28 June 2016 in Case No. 7 of 2016, the ATIL had approached the Hon'ble APTEL (APTEL). The Appeal of the ATIL was registered as Appeal No. 250 of 2016.

2.1.2 The ATIL had raised the following issues before the APTEL for consideration:

a) Non allowance of Capital Cost of Bus Reactors.

b) Considering Outstanding Delayed Payment Charges (DPC) as Non-Tariff Income for reduction of allowed ARR.

c) Non allowance of Actual Operations & Maintenance (O&M).

d) Disallowance of expenses incurred towards the demerger process.

2.1.3 The APTEL vide its Judgment dated 29 May 2019 partially allowed ATIL's appeal wherein some of its claims were allowed and other claims were disallowed. The relevant extracts of the APTEL Judgment is given below for ready reference.

"5.11 ..., we opine that the ***decision of the Respondent Commission to deny the capital cost and consequential tariff to the Appellant is not justified****. .... The Commission* ***has to consider the costs incurred by the Licensee for installation of Bus Reactors and allow corresponding tariff including carrying cost****.*

6.17 ..., ***there is no doubt that such treatment to consider DPC as non tariff income is incorrect.*** *Also, in such a situation a pragmatic way to ensure that Principle of Equity prevails would be to not consider DPC as Non-Tariff Income. Accordingly, we decide that DPC shall not be considered as Non-Tariff Income.*

...

7.7 ... it is noted that the State Commission has to follow its Regulations on all aspects including the O&M expenses. ***Further, if the O&M expenses are allowed on actual basis, the whole purpose of specifying norms after following due process of public consultation shall be defeated. Accordingly, we opine that findings of the State Commission on this issue is just and right in accordance with law and the Commission's Regulations. Therefore, this issue is decided against the Appellant.***

8.4 After having a careful examination of all the material brought before us on the issues raised in Appeal and submissions made by the Appellant and the Respondent, we are of the considered view that though the demerger scheme was approved by Commission, the said activity was not serving any purpose to the existing business *of the Licensed activity.* ***Hence, the Respondent commission's decision to disallow the related demerger expenses is correct and therefore we decide not to interfere in the decision/findings of the Commission in the impugned order.***

SUMMARY OF OUR FINDINGS

9. In view of our consideration and findings as stated above, we are of the considered opinion that some issues raised in the instant appeal have merits and hence, Appeal deserves to be allowed partly. Summary of our findings is as follows:

9.1 ***Regarding non-allowance of Capital Cost of 2x80 MVAR of Bus Reactors with associated bays, we observe that the Respondent Commission has not taken a judicious decision in the matter resulting into financial loss to the Appellant. This issue is therefore, decided in favour of the appellant****.*

9.2 The delayed payment charges have been considered by the Respondent Commission as Non-tariff Income for reduction of ARR. After careful consideration of all the aspects in the matter, ***we decide that the delayed payment charges are not to be considered as Non-Tariff Income to be deducted from the allowed ARR. This issue is thus decided in favour of the Appellant****.*

9.3 ***Regarding allowance of actual O&M expenses,*** *we are of the considered opinion that the State Commission is to follow regulations on all aspects including O&M expenses and need not adopt divergent methodology on case to case basis. Accordingly, we hold that the Respondent Commission has taken a just and right decision in accordance with law and its own regulations. Therefore,* ***this issue is decided against the Appellant***

9.4 ***Regarding disallowance of expenses incurred towards the demerger process, we find that the Respondent Commission has rightly disallowed the demerger expenses claimed by the Appellant.*** *We decide this issue against the Appellant.*

ORDER

For the forgoing reasons, the Appeal filed by the Appellant is allowed partly. ***The impugned order of the Respondent Commission dated 28.06.2016 is set aside to the extent allowed in this judgement and order at Para 9.1 to 9.4. We direct the Respondent Commission (MERC) to accordingly pass consequential orders for revision of tariff in accordance with our findings as stated supra.****"*

ATIL's Submission

2.1.4 Based on above rulings in the APTEL Judgement, the ATIL has submitted the decisions of the APTEL as given below:

a) Capital Cost of the two Bus Reactors has to be allowed along with O&M Cost associated with two bays of the Bus Reactors from its date of COD along with Carrying Cost.

b) Consideration of DPC as Non-Tariff Income is incorrect.

c) O&M Cost allowed by the Commission has been upheld by the APTEL.

d) Decision of the Commission not to allow cost of demerger is upheld by the APTEL.

2.1.5 ATIL has further submitted that to implement the above mentioned APTEL Judgement, it is required to revise the Trued-Up ARR for the year FY 2012-13 to FY 2016-17 to consider the impact of reinstatement of capital cost towards bus reactors from COD onwards and that of revising the treatment for DPC in FY 2015-16. The ATIL has submitted the detailed working of the differential ARR, for each item of tariff based on its claimed amount of tariff "With Bus Reactor", equating with amount approved by the Commission "Without Bus Reactor". It has also submitted the working of carrying cost due to the differential tariff till 31st March 2020. Submissions of ATIL's for each year is provided as below:

<u>FY 2012-13:</u>

2.1.6 ATIL has submitted that the Commission had approved the True-UP for FY 2012-13 by its Order dated 3 July 2013 in Case No. 190 of 2013.

2.1.7 The working of the differential tariff for FY 2012-13 based on the Judgement of the APTEL in Appeal No. 250 of 2016 is as given in the Table below:

Table 2 : Consequential Impact of APTEL Judgement for FY 2012-13

Particulars	Allowed by Commission	Allowable after APTEL Judgement	Differential Claimed
Operation & Maintenance Expenses	4.18	4.58	0.40
Depreciation Expenses	21.59	22.32	0.73
Interest on Long-term Loan Capital (inclusive of additional interest passed to consumers)	35.31	37.27	1.96

Particulars	Allowed by Commission	Allowable after APTEL Judgement	Differential Claimed
Interest on Working Capital and on security deposits	1.70	2.36	0.66
Income Tax	Impact Considered in FY 2020-21 ARR		
Contribution to Contingency reserves	1.02	1.06	0.04
Total Revenue Expenditure	**68.37**	**72.15**	**3.79**
Return on Equity Capital	19.01	19.66	0.65
Aggregate Revenue Requirement	**87.39**	**91.80**	**4.44**
Less: Non-Tariff Income	0.53	0.53	-
Aggregate Revenue Requirement from Transmission Tariff	**86.86**	**91.27**	**4.41**
Carrying cost till 31.03.2020			3.55
Additional Amount Claimed			**7.99**

<u>FY 2013-14 AND FY 2014-15:</u>

2.1.8 ATIL has submitted that the Commission had approved True-Up of ARR for FY 2013-14 and FY 2014-15 in its Order dated 28 June 2016 in Case No. 7 of 2016.

2.1.9 ATIL has worked out the differential tariff for FY 2013-14 and FY 2014-15 for each item of tariff and after working out revised impact of sharing of gains and losses.

2.1.10 The Submissions of ATIL's working is provided in the Tables below:

Table 3 : Consequential Impact of APTEL Judgement for FY 2013-14

Particulars	Allowed by Commission	Allowable after APTEL Judgement	Differential Claimed
Operation & Maintenance Expenses	7.35	9.45	2.10
Depreciation Expenses	36.15	37.37	1.22
Interest on Long-term Loan Capital (inclusive of additional interest passed on to consumer)	53.88	55.71	1.83
Interest on Working Capital and on security deposits	2.77	2.99	0.22
Income Tax	Impact considered in FY 2020-21		
Contribution to Contingency reserves	1.71	1.77	0.06
Total Revenue Expenditure	**110.53**	**115.96**	**5.43**
Return on Equity Capital	31.83	32.91	1.08

Particulars	Allowed by Commission	Allowable after APTEL Judgement	Differential Claimed
Aggregate Revenue Requirement	**142.36**	**148.87**	**6.51**
Less: Non-Tariff Income	0.48	0.48	-
Less: Income from Other Business	-	-	-
Aggregate Revenue Requirement from Transmission Tariff	**141.88**	**148.39**	**6.51**
Carrying cost till 31.03.2020			4.25
Additional Amount Claimed			**10.77**

Table 4 : Consequential Impact of APTEL Judgement for FY 2014-15

Particulars	Allowed by Commission	Allowable after APTEL Judgement	Differential Claimed
Operation & Maintenance Expenses	7.99	10.20	2.21
Depreciation Expenses	36.15	37.37	1.22
Interest on Long-term Loan Capital	49.22	50.89	1.67
Interest on Working Capital and on security deposits	2.70	2.99	0.29
Income Tax	Impact considered in FY 2020-21		
Contribution to Contingency reserves	1.71	1.77	0.06
Total Revenue Expenditure	**108.01**	**113.47**	**5.45**
Return on Equity Capital	31.83	32.91	1.08
Aggregate Revenue Requirement	**139.85**	**146.39**	**6.54**
Less: Non-Tariff Income	2.10	2.10	-
Less: Income from Other Business	-	-	-
Aggregate Revenue Requirement from Transmission Tariff	**137.75**	**144.29**	**6.54**
Carrying cost till 31.03.2020			3.34
Additional Amount Claimed			**9.88**

FY 2015-16 AND FY 2016-17:

2.1.11 ATIL has submitted that the Commission had approved the Truing-Up of ARR for FY 2015-16 and 2016-17 in the Order dated 12 September 2018 in Case No. 170 of 2017. ATIL has submitted the detailed working of differential tariff after working out revised impact of sharing of gains and losses.

2.1.12 The submissions of ATIL is provided in the tables provided below:

Table 5 : Consequential Impact of APTEL Judgement for FY 2015-16

Particulars	Allowed by Commission	Allowable after APTEL Judgement	Differential Claimed
Operation & Maintenance Expenses	8.85	11.14	2.29
Depreciation Expenses	36.15	37.37	1.22
Interest on Long-term Loan Capital	44.81	46.33	1.52
Interest on Working Capital and on security deposits	2.65	2.98	0.33
Income Tax	Impact Considered in FY 2020-21 ARR		
Contribution to Contingency reserves	-	1.77	1.77
Total Revenue Expenditure	**103.51**	**110.66**	**7.14**
Return on Equity Capital	31.83	32.91	1.08
Aggregate Revenue Requirement	**135.35**	**143.57**	**8.22**
Less: Non-Tariff Income	22.18	0.33	-21.85
Less: Income from Other Business	-	-	-
Aggregate Revenue Requirement from Transmission Tariff	**113.16**	**143.24**	**30.07**
Carrying cost till 31.03.2020			12.10
Additional Amount Claimed			**42.17**

Table 6 : Consequential Impact of APTEL Judgement for FY 2016-17

Particulars	Allowed by Commission	Allowable after APTEL Judgement	Differential Claimed
Operation & Maintenance Expenses	6.79	8.28	1.49
Depreciation Expenses	36.15	37.37	1.22
Interest on Long-term Loan Capital	40.40	41.77	1.37
Interest on Working Capital and on security deposits	0.79	2.69	1.90

Particulars	Allowed by Commission	Allowable after APTEL Judgement	Differential Claimed
Income Tax	Impact Considered in FY 2020-21 ARR		
Contribution to Contingency reserves	-	1.77	1.77
Total Revenue Expenditure	**89.81**	**97.55**	**7.74**
Return on Equity Capital	31.83	32.91	1.08
Aggregate Revenue Requirement	**122.65**	**130.47**	**8.83**
Less: Non-Tariff Income	0.36	0.36	
Less: Income from Other Business	-	-	-
Aggregate Revenue Requirement from Transmission Tariff	**121.28**	**130.11**	**8.83**
Carrying cost till 31.03.2020			2.65
Additional Amount Claimed			**11.48**

2.1.13 ATIL has also claimed the carrying cost on the additional claimed amount till 31st March, 2020 and recovery in FY2020-21. However, while working out the same, ATIL has not considered the carrying cost in the first year, when the claim was due and also not in FY 2020-21, in which recovery is proposed. The workings as claimed by ATIL is shown below:

Carrying Cost Working	Impact of Judgement	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	Total
Principal Amount/ Interest Rate		14.75 %	14.75 %	14.29 %	10.79 %	10.19 %	10.19 %	9.89 %	9.96 %	
Impact of Bus Reactor										
2012-13	4.44		0.65	0.63	0.48	0.45	0.45	0.44	0.44	7.99
2013-14	6.51			0.93	0.70	0.66	0.66	0.64	0.65	10.77
2014-15	6.54				0.71	0.67	0.67	0.65	0.65	9.88
2015-16	8.22					0.84	0.84	0.81	0.82	11.53
2016-17	8.83						0.90	0.87	0.88	11.48
Total	***34.54***	***0.00***	***0.65***	***1.56***	***1.89***	***2.62***	***3.52***	***3.42***	***3.44***	***51.65***
Impact of DPC										
2015-16	21.85					2.23	2.23	2.16	2.18	30.64
Total	***21.85***					***2.23***	***2.23***	***2.16***	***2.18***	***30.64***
Total Impact	**56.39**	**-**	**0.65**	**1.56**	**1.89**	**4.85**	**5.75**	**5.58**	**5.62**	**82.29**

Commission's Analysis and Ruling

2.1.14 The Commission has noted the submissions and examined the methodology adopted by ATIL on the Impact of the APTEL judgement dated 29 May 2019 in Appeal No. 250 of 2016 for the past period from FY 2012-13 and related past recoveries, the effect of which is considered in FY 2020-21.

2.1.15 From the above submissions, it is evident that the ATIL has worked out the impact of disallowed Capital Cost of 2x80 MVAR of Bus Reactors with associated bays for all the past years starting from FY 2012-13 and the impact of DPC by not considering it as a Non-Tariff Income for FY 2015-16. It is also evident that ATIL has not worked out the Impact using the parameters approved by the Commission during the Truing-up process, but has considered values against some of the ARR components such as interest expenses, contribution to contingency reserves, etc., as claimed at the time of respective Petitions for the particular years. It is also noted that while working out carrying cost, no carrying cost claim has been considered in first year (in which the claim was due) as well as in year of recovery of impact (i.e., for FY 2020-21).

2.1.16 The Commission has worked out the impact of the APTEL judgement by considering a) the Capitalisation of Rs. 23.24 Crores for 2x80 MVAR of Bus Reactors at Tiroda sub-station in FY 2012-13 and b) considering the DPC amount of Rs. 21.85 Crores in FY 2015-16 as Non-Tariff Income as per APTEL's Judgment. The Commission has re-worked the Trued-up ARR components from FY 2012-13 to FY 2016-17 and the Carrying Cost has been levied on the difference between calculated Revised Trued-up ARR and Commission approved Trued-up ARR components. While working out carrying cost, the same has been done based on the principle set out in the past order in line with APTEL Judgment. The workings have been detailed out in the subsequent paragraphs.

2.1.17 **Operation and Maintenance Expenses:** The revised Normative O&M Expenses has been worked out now by considering Normative O&M Expenses of 2 extra Bays at Tiroda end (of Bus reactors), in addition to Normative O&M Expenses of 4 Bays (2 Bays each at Tiroda and Warora sub-station) already approved in the past by the Commission. Similarly, as regards actual O&M expense, the Commission has considered the actual O&M expense towards 2 extra Bays at Tiroda end (of Bus reactors) incurred during the respective years in addition to the actual O&M expense as allowed while undertaking the Truing-up exercise for FY 2012-13 to FY 2016-17 for sharing of Gains and Losses of O&M expense. Accordingly, the revised O&M Expenses has been worked out for the past period as below:

Table 7 : Revised Normative O&M Expenses for FY 2012-13 to FY 2016-17 approved by the Commission

Particulars	Unit	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Commercial Operation Date/ Date of Charging	**dd/mm/yy**	**26-08-2012***				
Transmission Lines						
Distance of Line	Ckt. Km.	438.00	438.00	438.00	438.00	438.00
MERC Norm	Rs. Lakh/Ckt. Km.	0.56	0.59	0.63	0.66	0.42
O&M Expenses	**Rs. Crore**	**1.46**	**2.58**	**2.76**	**2.89**	**1.84**
Bays						
No. of Bays at Tiroda	No.	4.00	4.00	4.00	4.00	4.00
No. of Bays at Warora	No.	2.00	2.00	2.00	2.00	2.00
MERC Norm - applicable for Bays at Tiroda and Warora	Rs. Lakh/Bay	99.11	104.78	110.78	160.44	74.13 (Tiroda), 122.49 (Warora)
O&M Expenses	**Rs. Crore**	**3.55**	**6.29**	**6.65**	**9.63**	**5.42**
Revised Normative O&M Expenses	**Rs. Crore**	**5.02**	**8.87**	**9.41**	**12.52**	**7.25**

*based on STU's Letter dated 23 May 2016

Table 8 : Revised O&M Expenses for FY 2012-13 to FY 2016-17 approved by the Commission (Rs. Crore)

Particulars	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Revised Normative O&M Expenses	5.02	8.87	9.41	12.52	7.25
Actual Expense Claimed as per Trued-up Order	4.88	10.60	11.79	13.60	10.32
Efficiency (Gain)/ Loss	(0.14)	1.72	2.39	3.68	3.07
Revised O&M Expense	**4.97**	**9.45**	**10.20**	**11.14**	**8.28**
Allowed at the time of True-up	**4.18**	**7.35**	**7.99**	**8.85**	**6.79**
Differential amount allowed in this Order	**0.79**	**2.10**	**2.21**	**2.29**	**1.49**

2.1.18 **Depreciation:** Gross Fixed Assets is increased by Rs. 23.24 Crores against 2x80 MVAR of Bus Reactors at Tiroda sub-station in FY 2012-13 and accordingly revised depreciation is worked out for FY 2012-13 to FY 2016-17 as shown below:

Table 9 : Revised Depreciation for FY 2012-13 to FY 2016-17 approved by the Commission (Rs. Crore)

Particulars	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Opening Gross Fixed Assets	-	707.84	707.84	707.84	707.84
Addition during the Year	707.84	-	-	-	-
Asset Retirement	-	-	-	-	-
Closing Gross Fixed Assets	707.84	707.84	707.84	707.84	707.84
Average Depreciation rate	5.28%	5.28%	5.28%	5.28%	5.28%
Revised Depreciation	**22.32**	**37.37**	**37.37**	**37.37**	**37.37**
Allowed at the time of True-up	**21.59**	**36.15**	**36.15**	**36.15**	**36.15**
Differential amount allowed in this Order	**0.73**	**1.22**	**1.22**	**1.22**	**1.22**

2.1.19 **Interest on Loan:** Normative Loans approved by the Commission is increased by Rs. 16.27 Crores in FY 2012-13 owing to considering normative debt component of Bus Reactors and accordingly revised Interest on Loan is worked out for FY 2012-13 to FY 2016-17 as shown below:

Table 10 : Revised Interest on Loan for FY 2012-13 to FY 2016-17 approved by the Commission (Rs. Crore)

Particulars	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Opening Balance	-	473.17	435.79	398.42	361.04
Additions	495.49	-	-	-	-
Repayments	22.32	37.37	37.37	37.37	37.37
Closing Balance	473.17	435.79	398.42	361.04	323.67
Average Loan during the Year	484.33	454.48	417.11	379.73	342.36
Interest rate	12.49%	12.25%	12.20%	12.20%	12.20%
Interest expenses	**36.13**	**55.67**	**50.89**	**46.33**	**41.77**
Additional interest charged by BOI & Finance Charges*	0.38	0.03	-	-	-
Revised Total Interest Expenses	**36.51**	**55.70**	**50.89**	**46.33**	**41.77**
Allowed at the time of True-up	**35.31**	**53.88**	**49.22**	**44.81**	**40.40**
Differential amount allowed in this Order	**1.20**	**1.82**	**1.67**	**1.52**	**1.37**

**(Additional interest expense and finance charges due to delay in securitization was allowed as controllable expense and only 1/3rd of the same was allowed during respective true-up Orders)*

2.1.20 **Interest on Working Capital:** The Commission has considered the values and methodology as employed in the past during the True-up process and accordingly revised Interest on Working Capital is worked out for FY 2012-13 to FY 2016-17 as shown below:

Table 11 : Revised Interest on Working Capital for FY 2012-13 to FY 2016-17 approved by the Commission (Rs. Crore)

Particulars	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Operation and Maintenance expenses for one month	0.41	0.74	0.78	0.83	0.60
Maintenance spares as percent of the opening Gross Fixed Assets for the Year	4.23	0.59	0.59	0.59	7.08
Revenue from transmission charges at the prevailing Tariffs	11.27	18.40	17.88	17.51	15.70
Revised Total Working Capital Requirement	**15.92**	**19.73**	**19.25**	**18.93**	**23.38**
Rate of Interest (% p.a.)	14.52%	14.75%	14.75%	14.75%	10.79%
Revised IoWC before sharing	**2.31**	**2.91**	**2.84**	**2.79**	**2.52**
Actual IoWC Claimed as per Trued-up Order					**-**
Efficiency (Gain)/ Loss					**(2.52)**
Revised IoWC after Sharing of (Gains)/ Losses	**2.31**	**2.91**	**2.84**	**2.79**	**0.84**
Allowed at the time of True-up	**1.70**	**2.77**	**2.70**	**2.65**	**0.79**
Differential amount allowed in this Order	**0.61**	**0.14**	**0.14**	**0.14**	**0.05**

2.1.21 **Return on Equity:** The Equity approved by the Commission is increased by Rs. 6.97 Crores in FY 2012-13 owing to considering normative equity component of Bus Reactors and accordingly revised RoE is worked out for FY 2012-13 to FY 2016-17 as shown below:

Table 12 : Revised Return on Equity for FY 2012-13 to FY 2016-17 approved by the Commission (Rs. Crore)

Particulars	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Opening Equity	-	212.35	212.35	212.35	212.35
Additions to equity towards capital investments	212.35	-	-	-	-
Retirement	-	-	-	-	-
Closing balance of Equity	212.35	212.35	212.35	212.35	212.35
ROE Rate	15.50%	15.50%	15.50%	15.50%	15.50%
ROE on Opening Equity	-	32.91	32.91	32.91	32.91

Particulars	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
ROE on additions during the Year	19.66	-	-	-	-
Revised Total Return on Equity	**19.66**	**32.91**	**32.91**	**32.91**	**32.91**
Allowed at the time of True-up	**19.01**	**31.83**	**31.83**	**31.83**	**31.83**
Differential amount allowed in this Order	**0.65**	**1.08**	**1.08**	**1.08**	**1.08**

2.1.22 **Contribution to Contingency Reserve:** The Commission has considered the similar percentage of contribution to contingency reserve (as a percentage of Opening GFA) during the financial year as approved by the Commission during the Truing-up process and accordingly revised Contribution to Contingency Reserve is worked out for FY 2012-13 to FY 2016-17.

2.1.23 The Commission had directed ATIL in the last MTR Order in Case No. 170 of 2017 dated 12 September, 2018 to invest the amount of contingency reserve approved in FY 2012-13, FY 2013-14 and FY 2014-15 (which total amounted to Rs. 4.44 Crores) within three months from issuance of the said Order, i.e., by 12 December, 2018. The relevant extract of the directive as per the last MTR Order is reproduced below for reference purpose.

"2.9.6. As regards contingency reserves allowed in the past, i.e., prior to FY 2015-16, the Commission directs ATIL to invest within 3 months from issuance of this Order, the amount of contingency reserve allowed till date in the Securities authorised under the Indian Trusts Act, 1882 in line with the provisions of MYT Regulations, 2011."

2.1.24 ATIL in the present Petition has submitted compliance of the above directive. Accordingly, the ATIL has invested Rs. 4.44 Crores in SBI Mutual Funds on 12 November, 2018 and provided proof on investment in the form of Chartered Accountant Certificate submitted as part of a reply to the data gaps raised. Therefore, the ATIL has complied with the directions given in the past by the Commission.

2.1.25 However, while computing the revised contribution to contingency reserves so as to implement the APTEL Judgment, the values of the investment towards the contingency reserves is increased (which amounts to total of Rs. 4.59 Crores as against Rs. 4.44 Crore already approved for FY 2012-13 to FY 2014-15 in past orders).

2.1.26 **Therefore, the Commission directs ATIL to invest the contingency reserves amounting to Rs. 0.15 Crores (the difference of Rs. 4.59 Crores and Rs. 4.44 Crores) within 6 months from the issuance of this Order, in the Securities authorised under the Indian Trusts Act, 1882 in line with the provisions of MYT Regulations. Based on the decision of the Commission, which is elaborated subsequently in this Order, ATIL should invest such incremental amount of Rs. 0.15 Crore as well as re-invest the already invested amount (Rs. 4.44 Crore) forming the contribution to contingency reserve, in to instruments as elaborated in subsequent sections of this Order. The rationale for such decision is also elaborated in true-up chapters of this Order.**

2.1.27 Revised Contribution to Contingency Reserve for FY 2012-13 to FY 2016-17 is as shown in Table below:

Table 13 : Revised Contribution to Contingency Reserve for FY 2012-13 to FY 2016-17 approved by the Commission (Rs. Crore)

Particulars	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Opening Gross Fixed Assets	707.84	707.84	707.84	707.84	707.84
Opening Balance of Contingency Reserve	-	1.05	2.82	4.59	4.59
Opening Balance of C.R as % of Opening GFA	0.00%	0.15%	0.40%	0.65%	0.65%
Revised Contribution to Contingency Reserves during the Year	**1.05**	**1.77**	**1.77**	**0.00**	**0.00**
Contribution to C.R during the Year as % of Opening GFA as approved by the Commission	0.15%	0.25%	0.25%	0.00%	0.00%
Closing Balance of Contingency Reserve	1.05	2.82	4.59	4.59	4.59
Closing Balance of C.R as % of Opening GFA	0.15%	0.40%	0.65%	0.65%	0.65%
Allowed at the time of True-up	**1.02**	**1.71**	**1.71**	**-**	**-**
Differential amount allowed in this Order	**0.03**	**0.06**	**0.06**	**-**	**-**

2.1.28 **Income Tax:** The ATIL has not submitted any workings against the Income Tax revision for FY 2012-13 to FY 2016-17. However, the ATIL has claimed the Income Tax in the FY 2020-21 against the APTEL judgement's related recovery from FY 2012-13 to FY 2016-17.

2.1.29 Therefore, the Commission finds it appropriate to re-calculate the Income Tax based on the revised ARR considering the impact of APTEL's Judgement and accordingly revised Income Tax is worked out for FY 2012-13 to FY 2016-17 as shown below. The Commission has employed the same methodology as employed in the past while undertaking the Truing-up exercise for calculating the revised Income Tax. The Income Tax has been re-calculated considering the incremental expenses allowed through this order for the respective years for FY 2012-13 to FY 2016-17.

Table 14: Revised Expenses for calculating Income Tax for FY 2012-13 to FY 2016-17 approved by the Commission (Rs. Crore)

Particulars	Formula	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Total Expenses as per book of accounts	a	59.80	109.07	95.67	102.42	89.88
Total ARR as per Trued-up Order excluding AI and CC	b	86.86	141.88	137.75	113.16	121.28
Total ARR excluding CC and AI in this Order considering ATE impact	c	90.19	147.18	143.01	118.23	125.55
Incremental expense allowed	d=c-b	3.33	5.30	5.26	5.07	4.27
Revised Expenses to be considered for Income Tax calculation	e=a+d	**63.13**	**114.37**	**100.93**	**107.49**	**94.15**

2.1.30 The revised expenses as worked out in the above table has now been considered to the working out the Profit before Tax (PBT) for re-computation of Income Tax. Besides, for working out the allowable tax, efficiency gain and Availability incentives have been deducted as per the provision of the relevant MYT Regulations. The working for the revised income tax is presented in the table below.

Table 15 : Revised Income Tax for FY 2012-13 to FY 2016-17 approved by the Commission (Rs. Crore)

Particulars	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Total Revenue	82.57	152.59	147.05	156.08	118.23
Revised Expense	63.13	114.37	100.93	107.49	94.15

Particulars	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Profit Before Tax (revised)	19.44	38.22	46.12	48.59	24.07
Less: Efficiency Gain	-	-	-	-	0.84
Less: Availability Incentive	-	2.22	2.55	2.33	0.95
Book Profit	19.44	36.00	43.56	46.26	22.28
MAT rate	20.03%	20.96%	20.96%	21.34%	21.34%
Revised Tax Payable under MAT	**3.89**	**7.54**	**9.13**	**9.87**	**4.75**
Allowed at the time of True-up	**4.56**	**8.67**	**10.25**	**11.06**	**5.68**
Differential amount allowed in this Order	**(0.66)**	**(1.13)**	**(1.12)**	**(1.19)**	**(0.93)**

2.1.31 **Non-Tariff Income:** The Commission has recomputed the non-Tariff income to the extent of revised amount of contribution to contingency reserve approved for past years as above in this Order. Besides, the Commission has deducted the Income from DPC of Rs. 21.85 Crores for FY 2015-16 based on the APTEL's Judgement in Appeal No. 250 of 2016. Accordingly, the revised Non-Tariff Income is worked out for FY 2012-13 to FY 2016-17 as shown below in the Table.

2.1.32 It is to be noted that similar issue of DPC and it's treatment in the matter of JPTL is subjudice before the Hon'ble Supreme Court in Appeal No. 2805 & 2806 of 2018 and that the outcome of the proceedings and directions of Hon'ble Supreme Court shall be adhered to in matter of treatment of DPC, which hitherto has been allowed under this Order in pursuance of the ATE Judgment in Appeal No. 250 of 2016 dated 29 May 2019. Thus, DPC allowance in the present Order is subject to the outcome of the Hon'ble Supreme Court's Judgment in the matter of DPC in Appeal No. 2805 & 2806 of 2018.

Table 16 : Revised Non-Tariff Income for FY 2012-13 to FY 2016-17 approved by the Commission (Rs. Crore)

Particulars	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Revised Non-Tariff Income	0.53	0.48	2.10	0.35	0.37
Allowed at the time of True-up	**0.53**	**0.48**	**2.10**	**22.18#**	**0.36**
Differential amount allowed in this Order	**-**	**-**	**-**	**(21.83)***	**0.01**

#-Includes DPC of Rs. 21.85 Cr.

**-.Rs. 02 Cr is additional non-tariff income considered owing to revised contribution to contingency reserve approved now for past years owing to revised GFA due to Bus reactors*

2.1.33 **Availability Incentive:** The Commission has considered the same methodology as employed in the past during the True-up process in respective Orders and accordingly revised Availability Incentive which is worked out for FY 2012-13 to FY 2016-17 as shown below. However, the Annual Revenue Requirement for FY 2015-16 considered is excluding Income Tax as per the methodology employed in Case No. 170 of 2017.

Table 17 : Revised Availability Incentive for FY 2012-13 to FY 2016-17 approved by the Commission (Rs. Crore)

Particulars	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Annual Revenue Requirement	90.19	147.18	143.01	130.22*	125.57
Target Availability	98.00%	98.00%	98.00%	98.00%	99.00%
Actual Availability Achieved	99.83%	99.48%	99.83%	99.83%	99.86%
Upper cap for Incentive Availability	99.75%	99.75%	99.75%	99.75%	99.75%
Revised Availability Incentive	**1.61**	**2.22**	**2.55**	**2.33**	**0.95**
Allowed at the time of True-up	**1.55**	**2.14**	**2.46**	**1.82**	**0.92**
Differential amount allowed in this Order	**0.06**	**0.08**	**0.09**	**0.51**	**0.03**

** Excluding Income Tax*

2.1.34 **Differential Impact of the APTEL's Judgement for Past Period:** The Commission had approved True-up of ARR for FY 2012-13 in its Order dated 03 July, 2014 in Case No. 190 of 2013, True-up of ARR for FY 2013-14 and FY 2014-15 in its Order dated 28 June, 2016 in Case No. 7 of 2016 and True-Up of ARR for FY 2015-16 and FY 2016-17 in its Order dated 12 September, 2018 in Case No. 170 of 2017. To implement the Judgement of the APTEL in Appeal No. 250 of 2016, the Commission has determined the differential impact for each components of the ARR from FY 2012-13 to FY 2016-17 after working out the revised impact of sharing of Gains and Losses, in line with the methodology adopted by the Commission during the Truing-up process. Below are the summary tables of differential Tariff for respective past years.

Table 18 : Differential Impact of the APTEL's Judgement approved by the Commission

for FY 2012-13 (Rs. Crore)

Particulars	Approved in Order (Case No. 190 of 2013)	Revised Trued Up - APTEL Judgement	Differential Impact
Operation & Maintenance Expenses	4.18	4.97	0.79
Depreciation Expenses	21.59	22.32	0.73
Interest on Long-term Loan Capital	35.31	36.51	1.20
Interest on Working Capital and on security deposits	1.70	2.31	0.61
Income Tax	4.56	3.89	(0.66)
Contribution to Contingency reserves	1.02	1.05	0.03
Total Revenue Expenditure	**68.37**	**71.06**	**2.69**
Return on Equity Capital	19.01	19.66	0.65
Aggregate Revenue Requirement	**87.39**	**90.72**	**3.33**
Less: Non-Tariff Income	0.53	0.53	-
Less: Income from Other Business	-	-	-
Aggregate Revenue Requirement excluding AI and CC	**86.86**	**90.19**	**3.33**
Availability Incentive	1.55	1.61	0.06
Aggregate Revenue Requirement excluding carrying Cost	**88.41**	**91.80**	**3.39**

Table 19 : Differential Impact of the APTEL's Judgement approved by the Commission for FY 2013-14 (Rs. Crore)

Particulars	Approved in Order (Case No. 7 of 2016)	Revised Trued Up - APTEL Judgement	Differential Impact
Operation & Maintenance Expenses	7.35	9.45	2.10
Depreciation Expenses	36.15	37.37	1.22
Interest on Long-term Loan Capital	53.88	55.70	1.82
Interest on Working Capital and on security deposits	2.77	2.91	0.14
Income Tax	8.67	7.54	-1.13
Contribution to Contingency reserves	1.71	1.77	0.06
Total Revenue Expenditure	**110.53**	**114.75**	**4.22**
Return on Equity Capital	31.83	32.91	1.08
Aggregate Revenue Requirement	**142.36**	**147.66**	**5.30**
Less: Non-Tariff Income	0.48	0.48	-
Less: Income from Other Business	-	-	-
Aggregate Revenue Requirement excluding AI and CC	**141.88**	**147.18**	**5.30**

Availability Incentive	2.14	2.22	0.08
Aggregate Revenue Requirement excluding carrying Cost	**144.03**	**149.40**	**5.37**

Table 20 : Differential Impact of the APTEL's Judgement approved by the Commission for FY 2014-15 (Rs. Crore)

Particulars	Approved in Order (Case No. 7 of 2016)	Revised Trued Up - APTEL Judgement	Differential Impact
Operation & Maintenance Expenses	7.99	10.20	2.21
Depreciation Expenses	36.15	37.37	1.22
Interest on Long-term Loan Capital	49.22	50.89	1.67
Interest on Working Capital and on security deposits	2.70	2.84	0.14
Income Tax	10.25	9.13	-1.12
Contribution to Contingency reserves	1.71	1.77	0.06
Total Revenue Expenditure	**108.01**	**112.20**	**4.19**
Return on Equity Capital	31.83	32.91	1.08
Aggregate Revenue Requirement	**139.85**	**145.11**	**5.26**
Less: Non-Tariff Income	2.10	2.10	-
Less: Income from Other Business	-	-	-
Aggregate Revenue Requirement excluding AI and CC	**137.75**	**143.01**	**5.26**
Availability Incentive	2.46	2.55	0.09
Aggregate Revenue Requirement excluding carrying Cost	**140.22**	**145.57**	**5.35**

Table 21 : Differential Impact of the APTEL's Judgement approved by the Commission for FY 2015-16 (Rs. Crore)

Particulars	Approved in Order (Case No. 170 of 2017)	Revised Trued Up - APTEL Judgement	Differential Impact
Operation & Maintenance Expenses	8.85	11.14	2.29
Depreciation Expenses	36.15	37.37	1.22
Interest on Long-term Loan Capital	44.81	46.33	1.52
Interest on Working Capital and on security deposits	2.65	2.79	0.14
Income Tax	11.06	9.87	-1.19
Contribution to Contingency reserves	-	-	-
Total Revenue Expenditure	**103.51**	**107.51**	**4.00**

Particulars	Approved in Order (Case No. 170 of 2017)	Revised Trued Up - APTEL Judgement	Differential Impact
Return on Equity Capital	31.83	32.91	1.08
Aggregate Revenue Requirement	**135.35**	**140.43**	**5.08**
Less: Non-Tariff Income	22.18	0.35	-21.83
Less: Income from Other Business	-	-	-
Aggregate Revenue Requirement excluding AI and CC	**113.16**	**140.08**	**26.92**
Availability Incentive	1.82	2.33	0.51
Aggregate Revenue Requirement excluding carrying Cost	**114.99**	**142.40**	**27.41**

Table 22 : Differential Impact of the APTEL's Judgement approved by the Commission for FY 2016-17 (Rs. Crore)

Particulars	Approved in Order (Case No. 170 of 2017)	Revised Trued Up - APTEL Judgement	Differential Impact
Operation & Maintenance Expenses	6.79	8.28	1.49
Depreciation Expenses	36.15	37.37	1.22
Interest on Long-term Loan Capital	40.40	41.77	1.37
Interest on Working Capital and on security deposits	0.79	0.84	0.05
Income Tax	5.68	4.75	-0.93
Contribution to Contingency reserves	-	-	-
Total Revenue Expenditure	**89.81**	**93.01**	**3.20**
Return on Equity Capital	31.83	32.91	1.08
Aggregate Revenue Requirement	**122.65**	**125.93**	**3.28**
Less: Non-Tariff Income	0.36	0.37	0.01
Less: Income from Other Business	-	-	-
Aggregate Revenue Requirement excluding AI and CC	**121.28**	**125.55**	**4.27**
Availability Incentive	0.92	0.95	0.03
Aggregate Revenue Requirement excluding carrying Cost	**122.20**	**126.51**	**4.31**

2.1.35 **Carrying/ (Holding) Cost for Past Period:** The Commission has worked out the Carrying/ (Holding Cost) on the Differential Tariff (Excluding the DPC Impact) for FY 2012-13 to FY 2016-17 and on the DPC Impact for FY 2015-16 based on the revised ARR against the APTEL Judgement. As the recovery of the total differential Tariff is allowed in FY 2020-21, the carrying cost for the respective start of the year and for the FY 2020-21 is considered as half year as per the principles followed by the Commission in the past. Accordingly, the Carrying/ (Holding) Cost is worked out as below:

Table 23 : Carrying/ (Holding) Cost on Differential Impact of the APTEL's Judgement approved by the Commission for FY 2012-13 to FY 2016-17 (Rs. Crore)

Carrying Cost Working	Differential Impact	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Principal Amount/ Interest Rate		14.52 %	14.58 %	14.75 %	14.75 %	10.79 %	10.18 %	9.89 %	9.55 %	9.55 %	
Impact of Bus Reactor											
2012-13	3.39	0.25	0.49	0.50	0.50	0.37	0.35	0.34	0.32	0.16	6.66
2013-14	5.37		0.39	0.79	0.79	0.58	0.55	0.53	0.51	0.26	9.78
2014-15	5.35			0.39	0.79	0.58	0.54	0.53	0.51	0.26	8.95
2015-16	5.56				0.41	0.60	0.57	0.55	0.53	0.27	8.49
2016-17	4.31					0.23	0.44	0.43	0.41	0.21	6.02
Total	***23.98***	***0.25***	***0.89***	***1.69***	***2.49***	***2.36***	***2.44***	***2.37***	***2.29***	***1.15***	***39.90***
Impact of DPC											
2015-16	21.85				1.61	2.36	2.22	2.16	2.09	1.04	**33.33**
Total	***21.85***				***1.61***	***2.36***	***2.22***	***2.16***	***2.09***	***1.04***	***33.33***
Total Impact	**45.83**	**0.25**	**0.89**	**1.69**	**4.10**	**4.71**	**4.67**	**4.53**	**4.38**	**2.19**	**73.23**

2.1.36 The overall differential impact along with the carrying cost has been considered for recovery as part of ARR approved for FY 2020-21 in this order.

3 TRUE-UP FOR FY 2017-18 AND FY 2018-19

3.1 Background

3.1.1 The Commission issued the Mid-Term Review (MTR) Order dated 12 September 2018 in Case No. 170 of 2016. In the said Order, the Commission approved True-up of ARR for FY 2015-16, FY 2016-17 and Provisional True-up of FY 2017-18 and approved revised ARR projection for FY 2018-19 and 2019-20.

3.1.2 In the aforesaid MTR Order, the Commission has disallowed certain expenses, which are listed below:

i. Disallowance of additional capital cost of Rs 4.35 Cr towards capitalisation of additional spares on 01.04.2015 as it is after cut-off date of 2 years of capitalisation.

ii. Disallowance of O&M cost beyond the normative O&M Cost plus 1/3rd of excess of actual cost over normative cost.

iii. Consideration of DPC as non-tariff income for FY2015-16

iv. Consideration of normative Interest on working capital as efficiency gains as working capital is funded through internal accruals and no identifiable loan was available for funding working capital requirement.

v. Disallowance of contribution to contingency reserve for the year FY2015-16 & FY2016-17 as no investment was made against contingency reserve in accordance with Regulations.

vi. Disallowance of Actual Interest on Lon-term loan sourced through ICD under refinancing.

3.1.3 Aggrieved by the disallowances, ATIL approached the APTEL vide Appeal No. 402 of 2018. The proceedings in the matter are still underway and final Judgment is yet to be issued by the APTEL.

3.1.4 Meanwhile, ATIL has submitted the present Multi-Year Tariff Petition in accordance with the provisions of Regulation 5.1 (a) of the MYT Regulations, 2019, whereby the Licensee has to file a Petition before the Commission for truing-up of FY 2017-18 and 2018-19 and Provisional True-up of FY 2019-20 in accordance with the principles of the MYT Regulations, 2015. The relevant extracts of the Regulations are reproduced below for ease of reference.

"5. Petitions to be filed in the Control Period—
5.1 The Petitions to be filed in the Control Period under these Regulations are as under: —

…
Multi-Year Tariff Petition, which is complete in all aspects as per these Regulations, shall be filed by November 1, 2019 by Generating Companies and Transmission Licensees and SLDC, comprising: —

Truing-up for FY 2017-18 and FY 2018-19 to be carried out under the Maharashtra Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2015 …

Provisional Truing-up for FY 2019-20 to be carried out under the Maharashtra Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2015;

Aggregate Revenue Requirement for each year of the Control Period under these Regulations;

Revenue from the sale of power at existing Tariffs and charges and projected revenue gap for each year of the Control Period under these Regulations;

Proposed category-wise Tariff or Fees & Charges for each year of the Control Period under these Regulations.

3.1.5 ATIL has further submitted that it is filing the present MYT Petition without prejudice to its rights and contentions in the Appeal, which it has filed before the ATE in Appeal No. 402 of 2018.

Truing up of FY 2017-18 and FY 2018-19

3.1.6 ATIL has submitted the actual expenses for the period FY 2017-18 and FY 2018-19for true up, based on the carved out audited accounts of ATIL (Tiroda-Warora asset).

3.1.7 ATIL has given details of its expenses under various heads, viz., capital expenditure, O&M expenses, depreciation, interest on loans, interest on working capital, income tax, etc. as per the data formats specified by the Commission. The Commission has elaborated the expenditure allowed under each of the expense heads and the total expenditure for ATIL approved for FY 2017-18 and FY 2018-19.

3.1.8 The analysis underlying the Commission's approval is also set out in this Section.

3.1.9 The Commission has undertaken the Truing-up of ARR for FY 2017-18 and FY 2018-19 relying on the carved out audited accounts for the respective financial years as submitted by ATIL and after prudence check. However, the Commission has noted its observation regarding non-submission of a 'separate' audited accounts for the ATIL (Tiroda-Warora asset), but only a carved out audited accounts and also non-submission of a reconciliation statement duly certifying reconciliation of its business regulated by MERC with others, which are requirements as per provisions of the MYT Regulations of the Commission.

3.2 Accounting Statement for the Licensed Transmission Business

ATIL's Submission

3.2.1 ATIL has submitted that the Accounting Statements and extracts of books of accounts for FY 2017-18 and FY 2018-19 for the Transmission business under the scope of Licence No. 2 of 2009 has been carved out from the audited accounts of ATIL as a whole (Including the Mundra-Mohindergarh HVDC Transmission system and Mundra-Dehgam AC Transmission System). The carved out Audited Annual Accounts of ATIL – Tiroda Warora for FY 2017-18 & FY 2018-19 on standalone basis were submitted by ATIL as Annexure 3 & Annexure 4 to the admitted Petition.

3.2.2 ATIL has clarified that the standalone audited accounts for FY 2017-18 & FY 2018-19 includes all the details of revenues, costs, assets, liabilities, reserves and provisions pertaining to transmission business as under Regulation 16.2 of the MERC (Transmission Licensee Conditions) Regulations, 2004.

3.2.3 ATIL has submitted that the majority of expenses for transmission business of ATIL has been booked on actual basis as incurred for the transmission segment while balance common expenses have been allocated based on Turnover w.r.t ATIL as a whole company.

Commission's Analysis and Ruling

3.2.4 The Commission had asked ATIL to submit Audited financial statements of ATIL as a whole (Including the Mundra-Mohindergarh HVDC Transmission system and Mundra-Dehgam AC Transmission System) and the reconciliation statement for FY 2017-18 and FY 2018-19 duly certified by the Statutory Auditor, by allocating total expenses and revenue of ATIL as a whole along with the basis of allocation, in the data gap set raised dated 15th November 2019.

3.2.5 In reply to the above data gap set raised dated 15th November 2019, ATIL submitted Audited Accounts of ATIL business as a whole and did not reply to part b) of query asking for reconciliation statement. This missing reply was again highlighted in data gap set raised dated 23rd November 2019.

3.2.6 In reply to the above data gap set raised dated 23rd November, 2019, ATIL just referred to the note in the Annual Accounts wherein the basis of allocation between the ATIL (Tiroda-Warora assets) as a separate entity and ATIL as a whole company was provided, and did not submit the reconciliation statement.

3.2.7 In view of the above replies to the data gap sets, it is clear that ATIL has only submitted the carved out audited accounts from the ATIL business as a whole.

3.2.8 As per the Regulation 5.2 of MYT Regulations, 2015, ATIL is required to submit the separate audited Accounting Statement. The said provision of the regulation is reproduced below for reference:

"5.2 The Petitioner shall submit separate audited Accounting Statements along with the Petition for determination of Tariff or Fees and Charges and Truing-up under these Regulations :"

3.2.9 Further, as per Regulation 2.1(1)(viii) of MYT Regulations, 2015, ATIL is required to submit the reconciliation statement between its regulated and unregulated business operations, as part of the accounting statements. As per Proviso 1 and 2 of Regulation 2.1(1) of MYT Regulations, 2015, it is also clear that ATIL is required to submit separate Accounting Statements for each licensed Business in accordance with the Licence conditions, and for each regulated Business. Based on non-submission of separate accounting statements and reconciliation statements by ATIL, the Commission holds the right to reject the Petition as per the regulations. The said provisions of the regulation are reproduced below for reference:

"2. ***Definitions*** *–*

2.1 …

*(1) "***Accounting Statements***" means for each Year, the following statements, namely: — …*

…

(viii) reconciliation statement, duly certified by the statutory auditors, showing the reconciliation between the total expenses, revenue, assets and liabilities, of the entity as a Company and the expenses, revenue, assets and liabilities, separately for each business regulated by the Commission and unregulated business operations ;

…

Provided that separate Accounting Statements shall be prepared and submitted to the Commission for each licensed Business in accordance with the Licence conditions, and for each regulated Business:

Provided further that, in case separate Accounting Statements are not submitted for each licensed Business in accordance with the Licence conditions and for each regulated Business for the Financial Year (FY) 2016-17 onwards, the Petitions filed by the Generating Company or Licensee or MSLDC, may be rejected by the Commission after giving the Petitioner a reasonable opportunity of being heard *:".*

3.2.10 In view of non-submission of reconciliation statement, it is difficult to verify or establish that only the income and expenses actually pertaining to the ATIL (Tiroda-Warora assets) is considered for claim of ARR before the Commission and no income or expenses which are other-wise part of other regulated or unregulated business is loaded in to the ARR of ATIL (Tiroda-Warora assets). This is particularly the requirement in context of verification of actual interest expenses and income tax to be considered while truing up of ARR for FY 2017-18 and FY 2018-19. In the absence of meeting this requirement by ATIL, the carved out accounts and additional documentary proof such as CA certificate, etc., have been relied for scrutiny of such expense of ATIL for FY 2017-18 and FY 2018-19.

3.2.11 **Therefore, the Commission hereby directs ATIL to maintain separate audited accounts for its business as per the requirement of Regulation 2.1(1) of the MYT Regulations, 2015, and henceforth submit it along with reconciliation statement duly certified by the statutory auditors while claiming truing up of completed years. ATIL should ensure compliance of this for future ARR/Tariff Petitions.**

3.3 Operation and Maintenance Expenses

3.3.1 Operation and Maintenance (O&M) expenses comprises of Employee related costs, Administrative and General (A&G) Expenses, and Repairs and Maintenance (R&M) Expenses.

3.3.2 While computing the O&M expenses, ATIL has also included the O&M expenses associated with two 80 MVAR bus reactors in accordance with the APTEL Judgment dated 29 May, 2019, as mentioned in detail in the above sections.

3.3.3 The MYT Regulations, 2015 specify O&M expense norms for FY 2017-18 and FY 2018-19 for 'New transmission Licensees', which are applicable for arriving at the O&M expense norms for ATIL.

3.3.4 Regulation 58 of the MYT Regulations, 2015 specifies as follows:

"58. Operation & Maintenance expenses

58.1 The norms for O&M expenses for existing and new Transmission Licensees have been stipulated for the Control period on the basis of circuit kilometres of transmission lines and number of Bays in the substation of the Transmission Licensee, as given below:

…61.7.1 For the new Transmission Licensees, the year-wise O&M norms shall be:-

…

Explanation: The term "New Transmission Licensee" shall mean the transmission Licensee for which Transmission License is granted by the Commission prior to or after the date of effectiveness of these Regulations and for whom the O and M norms have not been specified in Regulations 58.2 to 58.5.

ATIL's Submission

3.3.5 ATIL has submitted that in the MTR order dated 12 September 2018 in Case No. 170 of 2017, the Commission has treated O&M expenses as controllable expenses.

3.3.6 ATIL highlighted that based on provisions of the MYT Regulations, 2011, it was treated as a New Transmission Licensee and normative O&M expense applicable to MSETCL was only allowed to ATIL for the period FY 2012-13 to FY 2015-16. Further , Regulation 58.7 of MYT Regulations, 2015 provided the norms for the New Transmission licensees and as per the explanation provided for new transmission licensees, the said norms apply to ATIL for calculation of its O&M Expenses.

3.3.7 ATIL has stated that the MYT Regulations, 2015 provides for increase in O&M cost being in the nature of inflation linked cost and has submitted the O&M norms made applicable to ATIL over a period of time as shown in the Table below.

Table 24: O&M Norms for ATIL for different control periods (as submitted by ATIL)

Year	Normative O&M Expense			
	Rs Lakhs / Bay	Escalation	Rs Lakhs / Ckt. Km	Escalation
2012-13	99.11		0.56	
2013-14	104.78	5.72%	0.59	5.36%
2014-15	110.78	5.73%	0.63	6.78%
2015-16	117.11	5.71%	0.66	4.76%
2016-17	74.13	**-36.70%**	0.42	**-36.36%**
2017-18	77.84	5.00%	0.44	4.76%
2018-19	81.73	5.00%	0.46	4.55%

Year	Normative O&M Expense			
	Rs Lakhs / Bay	Escalation	Rs Lakhs / Ckt. Km	Escalation
2019-20	85.82	5.00%	0.48	4.35%

3.3.8 According to ATIL, the treatment of ATIL as a New Licensee in the MYT Regulations, 2015 has created an anomaly with respect to allowance of O&M Expenses to ATIL.

3.3.9 In view of the above, ATIL requested the Commission to exercise "Power to Remove Difficulty" as per Regulation 102 of the MYT Regulations, 2015 and allow actual cost towards O&M expense incurred by ATIL for the respective period. ATIL further requests the Commission to exercise its power in terms of Regulations 101 "Power to amend" such that ATIL is allowed its actual O&M Expenses as pass through as part of ARR.

3.3.10 ATIL also quoted various rulings/opinions of the Commission in the past which includes the relevant clauses of Case No. 67 of 2006, Case No. 9 of 2013 and Approach Paper for MYT Regulations, 2011 to demonstrate the view of the Commission in setting O&M norms in the past.

3.3.11 ATIL has submitted that the Commission should allow the O&M expense as per actuals considering the variation in O&M expense from MSETCL norms as uncontrollable in nature.

3.3.12 ATIL thus has claimed Rs. 9.64 Crore as the actual O&M expenses for FY 2017-18 and Rs. 11.92 Crore for 2018-19. The O&M expense approved by the Commission in its MTR Order (Case No.170 of 2017) and that claimed by ATIL in the present MYT Petition is presented in the following table.

Table 25 : O&M Expenses for FY 2017-18 and FY 2018-19 as submitted by ATIL (Rs. Crore)

SL. No	Particulars	FY 2017-18		FY 2018-19	
		MTR Order	ATIL Petition	MTR Order	ATIL Petition
1	R&M Expenses	6.06	6.87	6.35	8.99
2	Employee Expenses		1.72		1.56
3	A&G Expenses		1.05		1.37
Total		**6.06**	**9.64**	**6.35**	**11.92**

3.3.13 Further, as regards license fees of Rs. 0.13 Crore in FY 2017-18, ATIL submitted that it has accounted the same under head of A&G expense. For FY 2017-18 it has also accounted a Petition filing fees of Rs. 0.075 Crore for FY2016-17. It has submitted that the same is separately reimbursable under Regulation 4 of MERC (Fees & Charges) Regulations 2004, and therefore requested to consider the same as pass through.

3.3.14 ATIL has requested to consider the entire O&M expense as uncontrollable parameter and approve the same on actual basis.

Commission's Analysis and Ruling

3.3.15 The Commission in the MTR order dated 12th September, 2018 has provided the rationale behind approving the O&M expenses on a normative basis by treating it as controllable expenses and the Truing-up of O&M expenses for FY 2017-18 and FY 2018-19 is carried out accordingly.

3.3.16 The Commission has noted the submissions of ATIL and verified the audited accounts for the claim for O&M Expenses for FY 2017-18.

3.3.17 The normative O&M expenses submitted by ATIL for the 400 kV bays consisting of 6 bays including the bays of bus reactors has been computed by applying the norms for New Transmission licensees and not as per the norms of the previous years.

3.3.18 For the two 400 kV bays located in the Warora substation, ATIL has contracted the O&M to MSETCL and the O&M expenses for these bays are computed according to Regulation 58.8 of MYT Regulations, 2015 by applying the norms applicable for MSETCL.

3.3.19 Request of ATIL for exercising the powers for removal of difficulties under Regulation 102 of MYT Regulations, 2015 cannot be considered in this case, particularly, since the Commission has already allowed O&M expenses as per provisions stipulated under the said MYT Regulations through its earlier MYT as well as MTR Order, along with reasons and rationale as elaborated under the said orders. Moreover, it is worthwhile to note that the recent Judgment of APTEL dated 29 May 2019, in Appeal No. 250 of 2016 filed by ATIL, has upheld the views of the Commission disallowing the claim on original O&M Expenses of ATIL in Case No. 7 of 2016 and allowing only on normative basis as set out in the MYT Regulations. The relevant extract of the APTEL Judgment is provided below for quick reference:

> *9.3* ***<u>Regarding allowance of actual O&M expenses, we are of the considered opinion that the State Commission is to follow regulations on all aspects</u>***

> ***<u>including O&M expenses and need not adopt divergent methodology on case to case basis.</u>*** *Accordingly, we hold that the Respondent Commission has taken a just and right decision in accordance with law and its own regulations. Therefore, this issue is decided against the Appellant*

3.3.20 In the present Order, the Commission has approved the Operation and Maintenance on a normative basis as per Regulation 58.7 of MYT Regulations 2015 by treating the O&M expenses as controllable after carrying out the sharing of gains or losses in accordance with Regulation 11 of the MYT Regulations, 2015.

3.3.21 As regards claim of ATIL to consider Petition Filing Fee and License Fee during FY 2017-18 and FY 2018-19 for separate pass through, the Commission is of the view that there is no specific provision in the MYT Regulations, 2015 to allow and pass through such expenses. Besides, as per Regulation 4 of the MERC (Fees and Charges) Regulations, 2017 (which supersedes the Maharashtra Electricity Regulatory Commission (Fees and Charges) Regulations, 2004), the Transmission Licensee is entitled to include the amount of any Fee or Charge paid by it as an expense in the determination of its Tariff, however it is not specified to be a separate pass through as claimed by ATIL. Further, such O&M expenses of recurring nature are factored in the O&M expense norms stipulated under the Regulations for transmission Licensees and thus is taken care within the stipulated norms. In view of the foregoing, no separate pass through of such expense is allowed.

3.3.22 The O&M expenses as approved by the Commission for FY 2017-18 and FY 2018-19 are given in the Table below:

Table 26 : O&M Expenses approved by the Commission for FY 2017-18 and FY 2018-19 (Rs. Crore)

Particulars	Unit	FY 2017-18			FY 2018-19		
		MTR Order	MYT Petition	Approved in this Order	MTR Order	MYT Petition	Approved in this Order
Transmission Lines							
Distance of Line	Ckt. Km.	438.00		438.00	438.00		438.00
MERC Norm	Rs. Lakh/Ckt. Km.	0.44		0.44	0.46		0.46
O&M Expenses	**Rs. Crore**	**1.93**		**1.93**	**2.01**		**2.01**
Bays							
No. of Bays at Tiroda	No.	2.00		4.00	2.00		4.00

Particulars	Unit	FY 2017-18			FY 2018-19		
		MTR Order	MYT Petition	Approved in this Order	MTR Order	MYT Petition	Approved in this Order
MERC Norm (for New Licensee) - applicable for Bays at Tiroda	Rs. Lakh/Bay	77.84		77.84	81.73		81.73
No. of Bays at Warora	No.	2.00		2.00	2.00		2.00
MERC Norm (for MSETCL) - applicable for Bays at Warora	Rs. Lakh/Bay	128.61		128.61	135.04		135.04
O&M Expenses	**Rs. Crore**	**4.13**		**5.69**	**4.34**		**5.97**
Total O&M Expenses	**Rs. Crore**	**6.06**	**9.64**	**7.61**	**6.35**	**11.92**	**7.98**

3.3.23 **The Commission has considered O&M Expenses as controllable expenses. Hence, the O&M Expenses in excess of Rs. 7.61 Crore for FY 2017-18 and O&M Expenses in excess of Rs. 7.98 Crore for FY 2018-19 are considered as an efficiency loss, and the Commission has considered the sharing of this efficiency loss as per the applicable provisions of MYT Regulations, 2015. The approved net entitlement of O&M Expense for FY 2017-18 and FY 2018-19, after the sharing of loss, is elaborated subsequently in this Order.**

3.4 Capital Expenditure and Capitalisation

ATIL's Submission

3.4.1 ATIL has submitted in the Petition that as per the APTEL Judgement dated 29 May, 2019 in Appeal no. 250 of 2016, it was decided to allow the capital cost of 2 bus reactors. Therefore, ATIL has calculated the Capital cost of Rs. 707.84 Crore as for the Transmission system considering the Rs. 23.24 Crore for the bus reactors and associated bays at Tiroda substation.

3.4.2 ATIL has not submitted any additional capitalization for FY 2017-18. For FY 2018-19 ATIL has submitted an additional capitalization of Rs. 4.76 Crore under the procurement of ERS. ATIL has submitted that it has completed the procurement of Emergency Restoration System (ERS) and has submitted the Cost Auditor's certificate for Commission's verification.

3.4.3 ATIL submitted total capitalisation for FY 2018-19 as following:

Items	Amount
ERS	4,54,50,001
Other ERS related Spares	11,83,029
PLC Coupling Unit	1,60,024
KVM Extender USB	1,14,000
Relay	7,21,054
Total	4,76,28,108

Commission's Analysis and Ruling

3.4.4 The Commission has considered the impact of capital cost of Bus Reactors to the tune of Rs. 23.24 Crore, as per the APTEL Judgment in the matter. As elaborated in the previous section on impact of APTEL Judgment the impact of this capital cost addition has been considered from FY 2012-13 itself i.e., since CoD of the project. Accordingly, while allowing the Opening GFA for FY 2017-18 and in all subsequent years, consequential impact of allowed capital cost of Bus Reactor has been considered.

3.4.5 Further, the Commission while revising the projection of ARR for FY 2018-19 in the MTR order in Case No. 170 of 2017 had provisionally approved an additional Capitalization of Rs. 4.5 Crore towards procuring ERS while recognizing the Regulation 22 of the CEA Grid Standard Regulations, 2010. As observed from the above table provided in ATIL's submission, it has claimed a total capitalisation of Rs. 4.76 Crore in FY 2018-19, which comprise of Rs. 4.54 Crore against 'ERS', 0.12 Crore against 'other ERS related spares and balance capitalisation towards other 3 items as appearing in the table. ATIL subsequently submitted copy of Chartered Accountant certificate dated 23 November 2019 certifying the additional capitalisation in FY 2018-19 as Rs. 4.76 Crore. The amount certified by the CA is reproduced as under:

Sr. No	Asset Class	Additional Capitalisation in FY 2018-19
1	Plant & Machinery – ERS & Others	4.76
	Total	**4.76**

3.4.6 Subsequently, the Commission sought for Cost Auditors certificate towards ERS in response which a copy of the Cost Auditor certificate dated 28 November 2019 was submitted by ATIL. Upon perusal it was observed that the cost auditor has certified only

Rs. 4.54 Crore against ERS and no amount was certified towards any ERS related spares as claimed by ATIL.

3.4.7 In this context, difference in figures presented in chartered accountant certificate and cost auditor certificate was observed and additional clarification was sought from ATIL regarding the same. In response, ATIL submitted that Rs. 4.54 Crore in the CA certificate is towards ERS and balance Rs 0.22 Crore is towards 'other ERS related Spares'. ATIL also stated that Cost auditor certificate furnished is bare cost for ERS.

3.4.8 Upon perusal of all three submissions made by ATIL as discussed above, it is observed that there is consistency in the cost of ERS which is Rs. 4.54 Crore which is only marginally higher than what was provisionally approved by the Commission in MTR towards capitalisation of ERS in FY 2018-19. Accordingly, the same is allowed for trueing up of FY 2018-19.

3.4.9 **As regards balance capitalisation amount claimed in FY 2018-19, it is observed that in one submission (Petition) ATIL has claimed Rs. 0.12 Crore towards capitalisation of 'other ERS related spares', while in subsequent submission (data gaps), the capitalisation towards 'other ERS related spares' is shown as Rs 0.22 Crore. Considering this inconsistency, and moreover since cost auditor has not recognised any cost towards 'other ERS related spares', the Commission has not considered the balance capitalisation of Rs. 0.22 Crore (over and above ERS cost) capitalisation in the FY 2018-19.**

3.4.10 The Capitalization approved by the Commission for FY 2017-18 and FY 2018-19 is given in the Table below:

Table 27 : Capitalization approved by the Commission for FY 2017-18 and FY 2018-19 (Rs. Crore)

Particulars	FY 2017-18			FY 2018-19		
	MTR Order	MYT Petition	Approved in this Order	MTR Order	MYT Petition	Approved in this Order
Capitalization	-	-	-	-	4.76	4.54

3.5 Depreciation

ATIL's Submission

3.5.1 ATIL has worked out depreciation considering opening GFA of Rs. 707.84 Crore considering the capital cost of 2 bus reactors. ATIL has applied the rates as specified in the MYT Regulations, 2015 to calculate the depreciation for FY 2017-18 and FY 2018-

19 as shown in the Table below.

Table 28: Depreciation for FY 2017-18 and FY 2018-19 as submitted by ATIL (Rs. Crore)

Particulars	FY 2017-18		FY 2018-19	
	MTR Order	ATIL Petition	MTR Order	ATIL Petition
Opening GFA	684.60	707.84	684.60	707.84
Additions during the year	-	-	4.50	4.76
Closing GFA	684.60	707.84	689.10	712.60
Depreciation Rate	5.28%	5.28%	5.28%	5.28%
Depreciation	**36.15**	**37.37**	**36.27**	**37.50**

Commission's Analysis and Ruling

3.5.2 The Commission approves the depreciation amount as per the Capitalisation and GFA approved in this Order for FY 2017-18 and FY 2018-19 in accordance with Regulation 27 of MYT Regulations, 2015.

3.5.3 The Depreciation as approved by the Commission against ATIL's claim is shown in the Table below:

Table 29: Depreciation approved by the Commission for FY 2017-18 and FY 2018-19

(Rs. Crore)

Particulars	FY 2017-18			FY 2018-19		
	MTR Order	MYT Petition	Approved in this Order	MTR Order	MYT Petition	Approved in this Order
Opening Gross Fixed Assets	684.60	707.84	707.84	684.60	707.84	707.84
Addition during the Year	-	-	-	4.50	4.76	4.54
Asset Retirement	-	-	-	-	-	-
Closing Gross Fixed Assets	684.60	707.84	707.84	689.10	712.60	712.38
Average Depreciation rate	5.28%	5.28%	5.28%	5.28%	5.28%	5.28%
Depreciation	**36.15**	**37.37**	**37.37**	**36.27**	**37.50**	**37.49**

3.6 Return on Equity

ATIL's Submission

3.6.1 ATIL submitted that it has computed RoE in accordance with Regulation 28.2 and 28.3

(b) of the MYT Regulations, 2015 for FY 2017-18 and FY 2018-19. Further, it has considered the equity base for computation of Return on Equity as 30% of the capital cost including the cost of Bus Reactors and associated bays in view of the APTEL Judgement dated 29 May, 2019 in Appeal no. 250 of 2016.

3.6.2 ATIL's ROE computation vis-à-vis the ROE approved in the MYT Order for FY 2017-18 and FY 2018-19 is given in the Tables below:

Table 30: Return on Equity for FY 2017-18 as submitted by ATIL (Rs. Crore)

Particulars	MTR Order	ATIL Petition
Regulated Equity at the beginning of the year	205.38	212.35
Capitalisation during the year	-	-
Consumer Contribution and Grants used during the year for Capitalisation	-	-
Equity portion of Capitalisation during the year	-	-
Reduction in Equity Capital on account of retirement/replacement of assets	-	-
Regulated Equity at the end of the year	205.38	212.35
RoE at the beginning of the year @15.5%	31.83	32.91
RoE portion of Capitalisation during the year @15.5%		
Total Return on Regulatory Equity	**31.83**	**32.91**

Table 31: Return on Equity for FY 2018-19 as submitted by ATIL (Rs. Crore)

Particulars	MTR Order	ATIL Petition
Regulated Equity at the beginning of the year	205.38	212.35
Capitalisation during the year	4.5	4.76
Consumer Contribution and Grants used during the year for Capitalisation		
Equity portion of Capitalisation during the year	1.35	1.43
Reduction in Equity Capital on account of retirement/replacement of assets		
Regulated Equity at the end of the year	208.17	213.78
RoE at the beginning of the year @15.5%	32.05	32.91
RoE portion of Capitalisation during the year @15.5%	0.10	0.11
Total Return on Regulatory Equity	**32.15**	**33.03**

Commission's Analysis and Ruling

3.6.3 **For the Truing-up of RoE for FY 2017-18 and FY 2018-19, the Commission has considered the revised opening equity approved for respective years against the APTEL Judgement and the approved normative equity portion (30%) of the approved Capitalisation during the year. RoE is taken at 15.5% of the equity, in accordance with the Regulation 28.2 of MYT Regulations, 2015. The computation of approved RoE is shown below:**

Table 32: Return on Equity approved by the Commission for FY 2017-18 and FY 2018-19 (Rs. Crore)

Particulars	FY 2017-18			FY 2018-19		
	MTR Order	MYT Petition	Approved in this Order	MTR Order	MYT Petition	Approved in this Order
Opening Equity	205.38	212.35	212.35	205.38	212.35	212.35
Additions to equity towards capital investments	-	-	-	1.35	1.43	1.36
Retirement	-	-	-	-	-	-
Closing balance of Equity	205.38	212.35	212.35	206.73	213.78	213.71
ROE Rate	15.50%	15.50%	15.50%	15.50%	15.50%	15.50%
ROE on Opening Equity	31.83	32.91	32.91	32.04	32.91	32.91
ROE on additions during the Year	-	-	-	0.10	0.11	0.11
Total Return on Equity	**31.83**	**32.91**	**32.91**	**32.15**	**33.03**	**33.02**

3.7 Interest on Long Term Loans

ATIL's Submission

3.7.1 ATIL has considered the normative loan at 70% of the Capital Cost including the capital cost of bus reactors and associated bays, for computation of interest on loan as per Regulation 29 of the MYT Regulations, 2015 for FY 2017-18 and FY 2018-19.

3.7.2 ATIL has worked out the normative loan on 01.04.2016 by deducting the cumulative repayment as admitted by the Commission up to 31.03.2016 for the Gross Normative Loan, according to regulation 29.2 of MYT Regulations, 2015. The repayment during the year FY 2017-18 and FY 2018-19 is computed as equal to depreciation by ATIL as per regulation no. 29.3.

3.7.3 As per regulation 29.5 of MYT Regulations, 2015 ATIL has computed the weighted average interest rate of loan for the year FY 2017-18 and FY 2018-19 as 13.25% and has submitted that the commission consider the same while approving the interest expenses for the above True-up years.

3.7.4 ATIL has submitted that it has explored the possibility of refinancing the loan from other lenders, but alternate lenders were not willing to make available for replacement of loan at better rates than refinanced rate of 13.25% in view of high risk profile of the project and in view of adverse regulatory development. It has submitted the letters of correspondence received from SBI Cap and the rate schedule from PFC, showing that the interest rate for refinancing the debt will be in the range of 13.5% to 14%.

3.7.5 ATIL has noted that the Commission in the past in Para 3.6.10 of the MTR Order in Case No. 170 of 2017 and Regulation 29.10 of the MYT Regulations 2015 has stated that refinancing of loan should be done only if it results in net savings of interest expense. It has also further submitted that, subsequent to reviewing the facility agreement of the ICD loan procured by ATIL for refinancing, the Commission had noted that the refinancing attempt by ATIL has only led to increased burden on the Licensee and stakeholders at large.

3.7.6 Thus, ATIL has stated that the Commission has failed to appreciate the fact that the conditions stipulated or envisaged under an Inter Corporate Deposit (ICD) Agreement as they are standard conditions which are incorporated in financial documents.

3.7.7 ATIL has submitted that the Commission provisionally disallowed certain Capital Cost Items viz Bus Reactor in Case No. 7 of 2016, which qualified the default, on part of ATIL of the Clause 6.1.11 (b) of Common Rupee Term Loan (RTL) dated 25.11.2011 in terms of Clause 2.8 (iv) of the RTL agreement dated 17.08.2012 wherein ATIL was required to get clearances of the Commission related to Project Cost. Thus, ATIL was required to wrap up the Project within principally approved project cost as per order of Commission in Case No. 190 of 2013 and ATIL had to arrange additional capital to finance the disallowed capital cost from its own resource.

3.7.8 ATIL has submitted that, due to reasons stated above, refinancing was not the choice of ATIL but the outcome of adverse conditions/uncertainty and thus it decided to refinance the loan by ICD which is also an approved lending for group entities at an agreed interest rate of 12.1% as per terms of financing, which was lower than the interest of the current loan portfolio of ATIL, which was in the range of 12.2% and 13.5%.

3.7.9 With reference to Para 3.6.14 of the Commission’s order in Case No. 170 of 2017, as given below, ATIL has submitted that none of the provisions under the EA impose any requirement/ stipulation upon a licensee to inform the Commission or to seek its approval before entering into a financial arrangement towards obtaining a loan.

"3.6.14. The Commission observes that even though the ICD agreement was signed at 12.10% p.a. on 10 September 2015, the interest rate within a few months has increased to 12.50% p.a. on account of 'Increased cost' clause of the facility agreement as highlighted above. The 'Increased cost' clause of the facility agreement was triggered owing to another ICD loan already being availed by ATIL at a higher interest rate of 12.50% p.a. though its group company Adani Infra (India) limited, and that this reset has effected on retrospective basis i.e., from 10th September, 2015. Further, subsequent to issuance of MYT Order by the Commission in Case No. 7 of 2016, the interest rate was once again revised by the ICD provider now to reach 13.25% owing to the disallowances in the said Order, and here again the impact of resulted interest rate variation as per the schedule 4, was with retrospective effect."

3.7.10 It has further submitted that there is no restriction upon the licensee under the regulatory framework to obtain long-term finance from its group entity as fall back option. In the present case, ATIL obtained financial assistance from its group entity namely, ATL, at competitive interest rates. However, owing to adverse regulatory developments, as submitted above, ATIL was subjected to comply with the specific conditions of the ICD Agreement due to change of circumstances which was beyond the control of ATIL and is a result of regulatory orders.

3.7.11 In addition ATIL has also submitted that it is only trying to recover its actual, bona fide and diligent costs incurred towards interest on long-term loan and that the Commission while denying the cost incurred by ATIL towards interest on long-term loan, overlooked the fact that the adverse conditions incorporated or provided under the ICD Agreement in relation to increase in rate of interest, on account of adverse regulatory development, was conceived by the lender to cover the high risk perspective involved. Accordingly, the lenders stipulated and provided for increase in the rate of interest owing to adverse regulatory developments. Such covenants included in the ICD Agreement are based on commercial principles relating to prudent practices and are common and universally acceptable covenants in the financing documents/ agreements.

3.7.12 ATIL's Interest on Loan computation vis-à-vis the Interest cost approved in the MYT Order for FY 2017-18 and 20181-19 is given in the Table below:

Table 33: Interest on Long Term Loans for FY 2017-18 and FY 2018-19 as submitted by ATIL (Rs. Crore)

Particulars	2017-18		2018-19	
	MTR Order	ATIL Petition	MTR Order	ATIL Petition
Opening Balance of Loan	313.04	323.68	279.49	286.30

Particulars	2017-18		2018-19	
	MTR Order	ATIL Petition	MTR Order	ATIL Petition
Addition of Loan during the year	-	-	3.15	3.33
Repayment of Loan during the year	36.15	37.37	36.27	37.50
Closing Balance of Loan	276.89	286.30	243.77	252.14
Average Loan balance during the year	294.96	304.99	260.33	269.22
Interest Rate	12.20%	13.25%	12.20%	13.25%
Finance Charges	-	-	-	-
Total Interest Expenses	**35.99**	**40.41**	**31.76**	**35.67**

Commission's Analysis and Ruling

3.7.13 The Commission notes the submissions of ATIL regarding its claim on Interest on Loan for FY 2017-18 and FY 2018-19. As regards the quantum of loan to be considered for working out the interest expense, the Commission has considered the revised approved opening loan balance, approved loan addition based on approved capitalisation during the respective years, and corresponding closing balance during FY 2017-18 and FY 2018-19.

3.7.14 The Commission has considered normative debt equity ratio of 70:30 for calculation of Interest on Long Term Loans for FY 2017-18 and FY 2018-19 in accordance with the Regulation 29.5 under MYT Regulation, 2015.

3.7.15 The Commission has not considered ATIL's interest rate claim of 13.25% as per ATL ICD Loan and interest cost arising from the 'refinancing' exercise carried out by ATIL, based on the reasons elaborated in the Truing-Up section of FY 2016-17 in the MTR Order dated 12 September, 2018 in Case No. 170 of 2017. The key extract of the ruling in reproduced as under.

> *"3.6.13. The above-referred Regulation is clear that re-financing should be done as long as it results in net savings on interest expense. It is observed that in the present case, ATIL is contending that the refinancing done through ICD facility from ATL was in anticipation of a reduction of 0.10% of the interest rate from the prevailing 12.20%, which prima-facia appears to be only marginal reduction. However, owing to the specific conditions of the ICD facility agreement with ATL, the interest rate ultimately is reported to have increased in spite of ATIL refinancing its existing loan. In this context, one will have to assess whether it was really a refinancing attempt or not as no net benefit is derived*

and has only led to increased interest burden on the Licensee and stakeholders at large. The Commission has perused the Facility Agreement, which ATIL has entered with ATL to avail the new loan. The following table provides key details of the ICD facility agreement.

- *Availed from: Adani Transmission Limited (ATL)*
- *Date of Agreement : 10 September, 2015*
- *Loan Disbursement : Rs. 473.6 Crore*
- *Purpose (As per Facility Agreement) – "The Borrower shall apply the amounts borrowed by it under the Facility (s) only for the end use"*
- *End Use: "shall mean repayment/prepayment of whole or part of Existing Debt with any accrued interest…"*
- *Increased Cost: means*
    - *(i) An additional or increased cost of which the Borrower is notified; or*
    - *(ii) Increase in opportunity cost on account of lower interest rate as compared to interest rate charged by other Group Company ICD provider*
- *Clause related to events that would trigger increase in interest rate as provided in Schedule 4 (Rate of Interest) of the Facility Agreement.*

Particulars	***Rate of Interest***
Rate of Interest	*12.1%*
In case of disallowance of Capital Cost greater than 15 Cr by MERC in relation to the Capital Cost claimed by ATIL for Tirora-Warora	*12.7%*
In case of Non Allowance of Actual O&M Expenses as Uncontrollable and disallowance of Capital Cost greater than Rs. 15 Cr by MERC in relation to Capital Cost claimed by ATIL for Tirora-Warora Assets	*13.25%*

3.6.14. The Commission observes that even though the ICD agreement was signed at 12.10% p.a. on 10 September 2015, the interest rate within a few months has increased to 12.50% p.a. on account of 'Increased cost' clause of the facility agreement as highlighted above. The 'Increased cost' clause of the facility agreement was triggered owing to another ICD loan already being availed by ATIL at a higher interest rate of 12.50% p.a. though its group company Adani Infra (India) limited, and that this reset has effected on retrospective basis i.e., from 10th September, 2015. Further, subsequent to *issuance of MYT Order by the Commission in Case No. 7 of 2016, the interest rate was once again revised by the ICD provider now to reach 13.25% owing to the disallowances in the said Order, and here again the impact of resulted interest rate variation as per the schedule 4, was with retrospective effect.*

3.6.15. As regards the clause of "increased cost" in the facility agreement, the Commission is of the view that this clause was making the initial interest rate of 12.10% (agreed under schedule 4 of the facility agreement) non-effective from the very date of signing of the agreement. This is proved from the fact that ATIL was already availing an ICD loan from a group company Adani Infra (India) Ltd. at a higher rate of 12.50% at the time of signing the new ICD agreement with ATL, copy of which is submitted by ATIL as part of the present Regulatory proceedings. The ICD loan from Adani Infra (India) Ltd. having a tenure of 365 days was signed on 20 March, 2015 which was in force while the new ICD with ATL was signed at interest rate of 12.10% p.a. Considering this, the initial interest rate of 12.10% specified in the ICD agreement with ATL never had relevance and the clause of "increased cost" was already triggered from day one of the facility agreement. In this context, ATIL's contention that the refinancing was done in anticipation of expected reduction in interest rate holds no merit.

3.6.16. As regards the other conditions and corresponding increase in interest rate agreed by ATIL under schedule 4 of the facility agreement with ATL, the Commission notes that there are explicit linkages to the treatment by the Commission of various ARR components such as O&M and capex components in its ARR/MYT Orders. The Commission here would specifically like to highlight that, such clauses in the loan agreement appears to have been accepted by both the parties on a mutual consent, in anticipation that any loss in revenue owing to disallowance in capital cost or O&M expense should lead to commensurate compensation through additional interest expense which again is another component of ARR of the Licensee. The Commission does not find it to be appropriate on the part of a Licensee that owns and operates a regulated business, to pass on such costs, which has implications on its beneficiaries (i.e. Transmission System Users) and the common consumer at large. Further, before signing such ICD Agreement, with such unusual conditions, the Petitioner has neither informed nor sought approval from the Commission, considering the implications of the matter.

3.6.17. In view of above, the Commission cannot consider to allow the interest rate claims of Petitioner as per ATL ICD loan and to allow interest costs arising from the 'refinancing' exercise carried out by ATIL. Thus, the interest rate claim by ATIL is disallowed and for truing up for FY 2016-17, the Commission continues to approve the rate of interest at 12.20% p.a. as was approved in the MYT Oder for the year."

3.7.16 The Commission also notes that ATIL has preferred an Appeal in the matter of such disallowance in the aforesaid MTR Order, and the matter is still pending before the APTEL.

3.7.17 **In accordance with the detailed reasoning as mentioned in the sections of MTR Order as mentioned above, the Commission continues to approve the rate of interest at 12.20 % p.a. as was approved in the past for FY 2017-18 and FY 2018-19. The Commission reiterates that as a prudent practice refinancing needs to result in benefit to the consumers, especially in a regulated framework. The detailed working is shown below:**

Table 34: Interest on Long Term Loans approved by the Commission for FY 2017-18 and FY 2018-19 (Rs. Crore)

Particulars	FY 2017-18			FY 2018-19		
	MTR Order	MYT Petition	Approved in this Order	MTR Order	MYT Petition	Approved in this Order
Opening Balance	313.04	323.68	323.67	276.89	286.30	286.30
Additions	-	-	-	3.15	3.33	3.18
Repayments	36.15	37.37	37.37	36.27	37.50	37.49
Closing Balance	276.89	286.30	286.30	243.77	252.14	251.98
Average Loan during the Year	294.96	304.99	304.98	260.33	269.22	269.14
Interest rate approved	12.20%	13.25%	12.20%	12.20%	13.25%	12.20%
Interest expenses	**35.99**	**40.41**	**37.21**	**31.76**	**35.67**	**32.83**

3.8 Interest on Working Capital (IoWC)

ATIL's Submission

3.8.1 IoWC has been computed as per Regulation 31.2 of the MYT Regulations, 2015 for FY 2017-18 and FY 2018-19.

3.8.2 The Commission while approving the IoWC for the FY 2016-17 in the Order in Case No. 170 of 2017 dated 12 September 2018 arbitrarily and in violation of the statutory provisions and settled principle of law, has considered IoWC for FY 2016-17, as efficiency gain, on the ground that ATIL has not availed any working capital loan.

3.8.3 With regards to what is stated above, ATIL submitted that transmission business involves higher expenditure towards Operation and Maintenance costs and that in order to maintain the system, including maintenance of availability of the transmission system of more than 99% in a year, ATIL is required to maintain sufficient quantum of spares for smooth functioning of the system.

3.8.4 Further, it has submitted that as per the terms of the MERC MYT Regulations, 2015, the monthly invoices raised by ATIL is required to be paid by the beneficiaries of the transmission system within the period of 30 days from due date. However, as a matter of fact, normally beneficiaries of transmission system make the effective payment against the monthly invoices of monthly tariff, raised by ATIL within a period of 60 days, in place of 30 days. Therefore, ATIL can recover its monthly tariff effectively after a considerable delay.

3.8.5 Regulation 31.2(a) (iii) of the MERC MYT Regulations 2015 provides for inclusion of 45 days' receivables to be part of the quantum of Working Capital requirement. Such norms of 45 days receivable is derived, considering due date for payment of 15 day prescribed by MERC MYT Regulations, 2011.

3.8.6 ATIL further submitted that consequent to increase in due date from 15 days to 30 days, by MERC MYT Regulations, 2015, receivable component of working capital has not been revised to 45 days to 60 day. This required the transmission licensee/ ATIL to arrange funds for 60 days, in view of 30 days provided as due date for payment of invoice and ATIL met such requirement through its integrated pool of funds available, which comprised of long-term loan and owner's capital in the form of retained earnings.

3.8.7 ATIL has requested the Commission to approve the quantum of Working Capital based on Regulation 31.2 (b) of the MERC MYT Regulations 2015 on normative basis and to allow rate of interest on normative basis as provided by the above regulation, which has been claimed by ATIL.

3.8.8 ATIL has considered rate of interest on working capital as 10.19% p.a. for FY 2017-18 and 9.89% p.a. for FY 2018-19 which is applied on the working capital to arrive at the interest on working capital.

Table: Working Capital assumptions considered by ATIL

Working Capital Assumptions	In Months

O&M Expenses	1 Month
Assumptions for Stores: Annual Expenses	1% of GFA
Revenue	1.5 Months

3.8.9 ATIL's IoWC computation vis-à-vis the IoWC approved in the MTR Order for FY 2017-18 is given in the Table below. AITL has also submitted the actual value of working Capital incurred for the financial year.

Table 35: Interest on Working Capital for FY 2017-18 as submitted by ATIL (Rs. Crore)

Working Capital	MTR Order	Normative values submitted by ATIL	Actual Value submitted by ATIL
O&M Expenses for 1 Month	0.50	0.80	**4.24**
1/12th of the sum of book value of stores, materials and supplies at end of each month	6.85	7.08	
1.5 months the expected revenue from transmission charges at the prevailing tariffs	16.83	16.74	
Less: Amount of Security Deposit from Transmission System Users (TSUs)	-	-	
Total Working Capital Requirement	24.18	24.62	
Interest Rate (%) – State Bank Advance Rate	10.20	10.19	
Interest on Working Capital	**2.47**	**2.51**	

Table 36: Interest on Working Capital for FY 2018-19 as submitted by ATIL (Rs. Crore)

Working Capital	MTR Order	Normative values submitted by ATIL	Actual Value submitted by ATIL
O&M Expenses for 1 Month	0.53	0.99	**2.22**
1/12th of the sum of book value of stores, materials and supplies at end of each month	6.85	7.08	
1.5 months the expected revenue from transmission charges at the prevailing tariffs	14.60	16.18	
Less: Amount of Security Deposit from Transmission System Users (TSUs)	-	-	
Total Working Capital Requirement	21.98	24.25	
Interest Rate (%) – State Bank Advance Rate	9.45	9.89	
Interest on Working Capital	**2.07**	**2.40**	

Commission's Analysis and Ruling

3.8.10 The Commission has determined the total working capital requirement and IoWC as per the norms stipulated in the MYT Regulation, 2015 and amendment to the Regulation thereof. Compared to the provisions of the Principal Regulation, which specified SBI base rate as the basis for working out the interest rate for computing normative IoWC, the amended Regulation has specified SBI one-year MCLR rate as the basis. Since the above Amendment was made on 29th November 2017, MCLR has been used as the base rate for computing the Interest rate of working Capital starting from the last quarter of FY 2017-18. The relevant provisions of the Principal Regulations and the amended Regulations are reproduced for ease of reference.

> *2.1(10) "Base Rate" shall mean the Base Rate of the State Bank of India as declared from time to time;*
>
> …
>
> *31.2 (b)(f) Rate of interest on working capital shall be on normative basis and shall be equal to the Base Rate as on the date on which the Petition for determination of Tariff is filed, plus 150 basis points:*

3.8.11 The definition of Base Rate was amended to replace by extract of MYT (First Amendment) Regulations, 2015

> *"Regulation 2.1 (10) of the principal Regulations shall be substituted by the following :— " Base Rate " shall mean the* ***one-year Marginal Cost of Funds-based Lending Rate ('MCLR')*** *as declared by the State Bank of India from time to time ;"…****(Emphasis Added)***

3.8.12 Regulation 31.2 (b) of the MYT Regulations, 2015 specify that the rate of IoWC shall be considered on normative basis and in the case of True-Up shall be equal to the weighted average Base Rate prevailing during the concerned year plus 150 basis points. The weighted average Base Rate for FY 2017-18 is 8.68% and for FY 2018-19 is 8.39%.

3.8.13 As regards ATIL's submission that, treatment of the entire normative IoWC as efficiency gain while truing up of FY 2016-17 in MTR Order dated 12 September, 2018 is arbitrary, the Commission would like to highlight that such treatment was carried out in accordance with the provisions of the Regulation 9.2 of the MYT Regulations, 2015. It is also noted that, ATIL has preferred an appeal in the matter of such treatment in the MTR Order, and the matter is sub-judice before the APTEL. Further, the present plea made by ATIL amounts to seeking amendment of the MYT Regulations, 2015 for the purpose of treatment of final true up of IoWC expenses. In view of this, the Commission is not inclined to re-open the IoWC approved while truing up of FY 2016-17 in the MTR Order dated 18 September, 2018 in Case No. 169 of 2017.

3.8.14 **In view of the above, the Commission for the purpose of truing up of IoWC**

expenses for FY 2017-18 and FY 2018-19 has allowed IoWC on normative basis and has considered such expenses as controllable expense in accordance with the Regulation 9.2 (e) of the MYT Regulations, 2015.

3.8.15 Accordingly, the Commission approves the Interest on Working Capital on normative basis as detailed out in table below:

Table 37: Interest on Working Capital approved by the Commission for FY 2017-18 and FY 2018-19 (Rs. Crore)

Particulars	FY 2017-18			FY 2018-19		
	MTR Order	MYT Petition	Approved in this Order	MTR Order	MYT Petition	Approved in this Order
Operation and Maintenance expenses for one month	0.50	0.80	0.63	0.53	0.99	0.67
Maintenance spares at one percent of the opening Gross Fixed Assets for the Year	6.85	7.08	7.08	6.85	7.08	7.08
One-and-a-half-month equivalent of the expected revenue from transmission charges at the prevailing Tariffs	16.83	16.74	15.33	14.60	16.18	14.62
Total Working Capital Requirement	**24.18**	**24.62**	**23.04**	**21.98**	**24.25**	**22.37**
Rate of Interest (% p.a.)	10.20%	10.19%	10.18%	9.45%	9.89%	9.89%
Interest on Working Capital	**2.47**	**2.51**	**2.35**	**2.07**	**2.40**	**2.21**

3.8.16 Considering that IoWC is a controllable expense, the difference between normatively allowed IoWC and actual IoWC is worked out for respective years as efficiency gain/loss, as the case may be. Further, sharing of such gains/loss has been carried out in line with MYT Regulations, 2015, details of which is provided in the subsequent relevant section of Sharing of Gains and Losses in this truing up Chapter.

3.9 Income Tax

ATIL's Submission

3.9.1 ATIL has noted that the Commission had approved the Income Tax claimed by ATIL on standalone basis for 2017-18 and 2018-19 in the MTR order in Case No. 170 of 2017 dated 12 September 2018.

3.9.2 ATIL based on carved out audited Accounting Statements has submitted income tax liability of Rs. 7.56 Crore for FY 2017-18 and Rs. 6.01 Crore for FY 2018-19 as shown in the Table below:

Table 38: Income Tax for FY 2017-18 and FY 2018-19 as submitted by ATIL (Rs. Crore)

Particulars	FY 2017-18		FY 2018-19	
	MTR Order	ATIL Petition	MTR Order	ATIL Petition
Income Tax	8.64	7.56	8.72	6.01

Commission's Analysis and Ruling

3.9.3 The Regulation 33.3 of the MYT Regulations, 2015 specifies that, at the time of Truing-up, variation between the Income Tax actually paid and Income Tax approved by the Commission shall be allowed for recovery as part of ARR, subject to prudence check.

> *"33.3 Variation between the Income Tax actually paid or Income Tax on regulatory Profit Before Tax of the regulated Business of Generating Company or Licensee or MSLDC, as applicable, and the Income Tax approved by the Commission for the respective Year after truing up, shall be allowed for recovery as part of the Aggregate Revenue Requirement at the time of Mid-term Review or Truing-up, subject to prudence check."*

3.9.4 Based on the above provisions, the net Income Tax payable after deducting Availability Incentive and Efficiency Gains from the taxable income for FY 2017-18 and FY 2018-19 has been worked out.

3.9.5 **The Commission has considered the Income Tax based on the MAT Rate for FY 2017-18 and FY 2018-19 as equal to 21.34% and 21.55% respectively which is applicable rate of the relevant years as per the Income Tax Rules. The Income Tax approved by the Commission for FY 2017-18 and FY 2018-19 is as summarised in the Table below:**

Table 39: Income Tax approved by the Commission for FY 2017-18 and FY 2018-19 (Rs. Crore)

Particulars	FY 2017-18			FY 2018-19		
	MTR Order	MYT Petition	Approved in this Order	MTR Order	MYT Petition	Approved in this Order
Income Tax	8.64	7.56	7.20	8.72	6.01	5.43

3.10 Contribution to Contingency Reserves

ATIL's Submission

3.10.1 ATIL has submitted that in the MTR Order dated 12 September 2018, the Commission had directed ATIL to invest within 3 months from issuance of said Order, the amount of contingency reserve allowed prior to FY 2015-16 in the Securities authorised under the Indian Trusts Act, 1882 in line with the provisions of MYT Regulations, 2011.

3.10.2 It has further submitted that in compliance to the above direction has made investment to Contingency reserve in the Securities authorised under the Indian Trusts Act, 1882 as under:

Table 40 : Investment made towards Contribution to Contingency Reserves approved by the Commission for FY 2012-13 to FY 2014-15

Year	Contribution allowed (Rs. Crore)	Investment made in
2012-13	1.02	SBI MF
2013-14	1.71	SBI MF
2014-15	1.71	SBI MF
Total	**4.44**	

3.10.3 ATIL has submitted that the Commission vide Para no. 2.9.5 and 3.9.8 of its MTR order dated 12.09.2018 in Case No. 170 of 2017 has disallowed Contribution to Contingency reserve for the year 2015-16 & 2016-17. The relevant extracts of the order are provided below:

"2.9.5 Regulations mandate/provides investment of contingency reserve in the specified securities where it has been allowed as part of the ARR. In view of the fact that ATIL has not made any investments, no contingency reserve is allowed to ATIL for the year FY 2015-16.

3.9.8 The Commission disallows Contribution to Contingency reserves for FY 2016-17 since the same has not been invested by ATIL in specified securities."

3.10.4 Aggrieved by the said MTR order, ATIL has approached the APTEL by its Appeal No.402 of 2018, with request to direct the Commission to consider contribution to contingency reserve.

3.10.5 ATIL's Contribution to Contingency Reserves computation vis-à-vis approved in the MYT Order for FY 2017-18 and FY 2018-19 is given in the Table below:

Table 41: Contribution to Contingency Reserves for FY 2017-18 and 2018-19 as submitted

by ATIL (Rs. Crore)

Contingency Reserves	FY 2017-18		FY 2018-19	
	MTR Order	ATIL Petition	MTR Order	ATIL Petition
Opening Balance of Contingency Reserves	1.71	4.44	1.72	7.98
Opening GFA		707.84		707.84
Opening Balance of Contingency Reserves as % of Opening GFA (%)		0.63%		1.13%
Utilisation of Contingency Reserves during the year		-		-
Closing balance of contingency reserves		7.98		11.52
Closing Balance of Contingency Reserves as % of Opening GFA (%)		1.13%		1.63%
Contribution to Contingency Reserves during the year	**1.71**	**3.54**	**1.72**	**3.54**

Commission's Analysis and Ruling

3.10.6 Regulation 36.1 of the MYT Regulations, 2011 and Regulation 34.1 of the MYT Regulation, 2015 allows contribution to contingency reserve as 0.25% to 0.50% of the opening GFA of the respective years. However, it is also specified that where such appropriation is made, the Licensee has to invest the same in Securities authorised under the Indian Trusts Act, 1882 and should provide the proof of investment.

<u>FY 2012-13 to FY 2014-15</u>

3.10.7 ATIL in the past period for FY 2012-13 to 2014-15 had not invested any amount towards contribution reserves despite that while True-up of ARR of the corresponding years the Commission had computed the contribution to contingency reserves on a normative basis and allowed the same while approving the ARR for respective years. This prior period amount is already allowed in FY 2015-16 under True-up. ATIL was directed to invest the same within three months of issue of the MTR order. The relevant extract of the MTR Order in Case no. 170 of 2017 is provided below for reference.

"2.9.6 As regards contingency reserves allowed in the past, i.e., prior to FY 2015-16, the Commission directs ATIL to invest within 3 months from issuance of this Order, the amount of contingency reserve allowed till date in the Securities authorized under the Indian Trusts Act, 1882 in line with the provisions of MYT Regulations, 2011."

3.10.8 As regards this directive, ATIL was asked to submit documentary evidence against investments made on contingency reserves upon which ATIL submitted the following details duly certified by chartered accountant along with the accounts statements of SBI

Liquid Mutual Fund in which it has made the investments. The Summary of the Investment provided in the reply to the data gaps is as below:

Date of Investment	Investment (Rs. Crore)	Remarks
12/11/2018	4.44	Amount pertaining to normative Contingency Reserve allowed for FY 2012-13 to FY 2014-15 in respective year true-up orders

3.10.9 The Commission notes that ATIL has made investment within the stipulated time as was directed by the Commission.

FY 2015-16 & FY 2016-17

3.10.10 In earlier Order (s) (Case No. 190 of 2013 and Case No. 7 of 2016), the Commission had allowed contribution to contingency reserves for FY 2015-16 and FY 2016-17 on projection basis, which were to be invested in appropriate instruments as per the MYT Regulations within the specified time of 6 months from issuance of such Order (s).

3.10.11 At the time of Truing-up of FY 2015-16 and FY 2016-17 in Case No. 170 of 2017, it was observed that ATIL has still not invested the allowed contingency reserves of past years FY 2015-16 and FY 2016-17. In view of continuous default in investing amount allowed as contingency reserve, the Commission as part of truing up of FY 2015-16 and FY 2016-17 disallowed the contribution to contingency reserves for the said years. The Commission would like to maintain the treatment as far as disallowance of contingency reserve for FY 2015-16 and FY 2016-17 in the present Order as well and no revision on this account is allowed. It is also noted that the ATIL has preferred an appeal in the matter (appeal no. 402 of 2018) of such disallowance, and the matter is pending in the APTEL.

FY 2017-18 & FY 2018-19

3.10.12 In the MTR Order dated 12 September 2018, Contingency reserve were allowed for FY 2017-18 and FY 2018-19 on projection basis. ATIL was asked to submit documentary evidence against investments made on contingency reserves for these years. ATIL submitted the following details duly certified by chartered accountant along with the accounts statements of SBI Liquid Mutual Fund in which it has made the investments. The Summary of the Investment provided in the reply to the data gaps is as below:

Date of Investment	Investment (Rs. Crore)	Remarks
29/10/2018	1.74	Amount pertaining to normative Contingency Reserve allowed for FY 2017-18 in MTR Order
13/09/2019	1.71	Amount pertaining to normative Contingency Reserve allowed for FY 2018-19 in MTR Order

3.10.13The Commission has examined the CA certificate submitted and has validated ATIL's claim that it has made investment equivalent to Rs. 1.74 Crore and Rs. 1.71 Crore for FY 2017-18 and FY 2018-19 respectively.

3.10.14The Commission has noted the dates on which investment have been made by ATIL. As per Regulation 34 of MYT Regulation, 2015, contingency reserve for the respective year is to be invested within a period of six months of the close of the Year. The relevant provisions of the MYT Regulations, 2015 is as below:

"34.1 Where the Licensee has made a contribution to the Contingency Reserve, a sum not less than 0.25 per cent and not more than 0.5 per cent of the original cost of fixed assets shall be allowed annually towards such contribution in the calculation of Aggregate Revenue Requirement:

Provided that where the amount of such Contingency Reserves exceeds five (5) per cent of the original cost of fixed assets, no further contribution shall be allowed:

Provided further that such contribution shall be invested in securities authorized under the Indian Trusts Act, 1882 ***within a period of six months of the close of the Year.****"* ***(Emphasis added)***

3.10.15Thus, as per above Regulations, the Amount pertaining to Contingency Reserve allowed for FY 2017-18 was supposed to be invested within 30 September, 2018 and the Amount pertaining to Contingency Reserve allowed for FY 2018-19 was supposed to be invested within 30 September, 2019. It is observed that while investment pertaining to FY 2018-19 was made within the specified timelines, investment pertaining to FY 2017-18 was delayed beyond the specified time limit. In view of the non-compliance of timelines specified as per Regulations, the Commission has not approved the contribution to contingency reserves for FY 2017-18 for the purpose of truing-up.

3.10.16**However, actual investment though delayed, towards the contingency reserves for FY 2017-18, the same is allowed to be carried forward to FY 2018-19 and accordingly, the Commission approves the total investment of Rs. 3.45 Crores (Rs. 1.74 Cr. + Rs. 1.71 Cr.) towards contribution to contingency reserves for FY 2018-**

19. While doing so, it is also verified that the contribution to contingency reserve approved by the Commission complies with the regulation 34.1 as stated above whereby the same is not exceeding 0.50 % of GFA of the year.

3.10.17 **Accordingly, for the purpose of truing up, the Commission approves Contribution to Contingency Reserves for FY 2017-18 and 2018-19 as shown in the Table below**:

Table 42: Contribution to Contingency Reserves approved by the Commission for FY 2017-18 and 2018-19 (Rs. Crore)

Particulars	FY 2017-18			FY 2018-19		
	MTR Order	MYT Petition	Approved in this Order	MTR Order	MYT Petition	Approved in this Order
Opening Gross Fixed Assets	684.60	707.84	707.84	684.60	707.84	707.84
Opening Balance of Contingency Reserve	4.44	4.44	4.59	6.15	7.98	4.59
Opening Balance of C.R as % of Opening GFA	0.65%	0.63%	0.65%	0.90%	1.13%	0.65%
Contribution to Contingency Reserves during the Year	**1.71**	**3.54**	**-**	**1.71**	**3.54**	**3.45**
Contribution to C.R during the Year as % of Opening GFA	0.25%	0.50%	0.00%	0.25%	0.50%	0.49%
Closing Balance of Contingency Reserve	6.15	7.98	4.59	7.86	11.52	8.04
Closing Balance of C.R as % of Opening GFA	0.90%	1.13%	0.65%	1.15%	1.63%	1.14%

3.10.18 **The Contribution to Contingency reserves as approved by the Commission is equivalent to Nil and Rs. 3.45 Crore for FY 2017-18 and FY 2018-19 respectively.**

3.10.19 The Commission further observes that ATIL has invested in Mutual Fund Growth Option wherein the investments are market linked and exposed to market changes. Though the Regulations do not disallow investments in these instruments, the intent of making investment towards Contingency Reserves is to create a Reserve Fund by the Utility to deal with unforeseen circumstances so as to protect the consumers from Tariff shock in such an eventuality.

3.10.20 The Commission had expected that the Utilities will invest only in Government securities which are fully safe, and the reserve created out of these investments would be available to them in contingency situations including Force Majeure situations. However, investing in Mutual Fund Growth Option, could defeat the intent of the Regulations. Hence, the Commission is of the view that the Licensee shall not invest the Contingency Reserves amount in market linked instruments such as Mutual Funds, etc., since the Commission would not like to pass on the risks in such investments to consumers. **Therefore, the Commission in exercise of its inherent powers and in the best interest of utility and consumers in just and equitable manner and also in exercise of "Power to remove difficulties" as per Regulation 102 of MYT Regulations, 2015 directs ATIL to transfer the existing Mutual Fund investment towards Contribution to Contingency Reserve allowed for the FY 2012-13, FY 2013-14, FY 2014-15, FY 2017-18 and FY 2018-19 at its present value to the specified investment instruments, i.e., Fixed Deposit or Government Securities (G-Sec – 10 year) within the 6 months of the issuance of this Order. Also, ATIL should ensure that the Contribution to Contingency Reserve for future period is also made in the above specified investment instrument only.**

3.11 Non-Tariff Income and Other Income

ATIL's Submission

3.11.1 ATIL has submitted that the interest Income shown in the audited book of accounts for 2017-18 and 2018-19 submitted by ATIL pertain to investment of Return on Equity and as per regulation 43.2 of MYT Regulations, 2015, interest on investment made out of permissible Return on Equity should not be considered as non-tariff income.

3.11.2 ATIL, based on the above-mentioned provisions has submitted that it has not considered the interest income from banks shown in the Audited Annual Accounts for FY 2017-18.

3.11.3 ATIL also submitted that the income such as income from sale of scrap, interest on staff loan and advances, interest on advances to suppliers, Royalty etc. including interest on Contingency Reserve investments, which are incidental to the Licensed Business of transmission, could be considered as Non-tariff Income and accordingly, ATIL has booked Rs. 0.64 Crore towards Non-Tariff Income for FY 2018-19.

3.11.4 In view of the above, the actual Non-tariff Income is given in the following table:

Table 43: Non-Tariff Income for FY 2017-18 and FY 2018-19 as submitted by ATIL (Rs. Crore)

Particulars	FY 2017-18		FY 2018-19	
	MYT Order	ATIL Petition	MYT Order	ATIL Petition
Non-Tariff Income	0.31	-	0.37	0.64

Commission's Analysis and Ruling

3.11.5 The Commission has verified the details pertaining to Non-Tariff Income from the audited accounts of ATIL for FY 2017-18 and FY 2018-19.

3.11.6 As per Regulation 34.1 of MYT Regulations, 2015, ATIL is required to make investments on contingency reserves within six months before the close of the year. However, ATIL has not made any investments on contingency reserves for FY 2017-18. In view of the same, the notional income from such reserves allowed in the past during FY 2012-13 to FY 2014-15 has been considered as non-tariff income computed on the basis of interest rate of 7.04% equivalent to the standard interest rate of G-Sec bonds for FY 2017-18. For FY 2018-19 as well, such notional income from past reserves has been considered till date investments of such reserves are actually made on 12 November 2018. Besides, for FY 2018-19, income Tax refund of 0.49 Crores and Liability written back of Rs. 0.01 Crores as appearing in the audited accounts for the year has been considered as non-tariff income. Further, even though details of income in FY 2018-19 from investment of contingency reserve in mutual funds is provided by ATIL for the period in the financial year after investment has been made after 12 November, 2018, the same has not been considered by the Commission for truing up considering the views expressed by the Commission in the earlier section regarding investments in Mutual Fund.

3.11.7 The Non-Tariff Income as approved by the Commission is as shown in the Table below:

Table 44: Non-Tariff Income approved by the Commission for FY 2017-18 and FY 2018-19 (Rs. Crore)

Particulars	FY 2017-18			FY 2018-19		
	MTR Order	MYT Petition	Approved in this Order	MTR Order	MYT Petition	Approved in this Order
Non-Tariff Income	0.31	-	0.32	0.37	0.64	0.79

3.12 Carrying Cost

ATIL's Submission

3.12.1 ATIL submitted that it has computed carrying cost on the differential ARR of FY 2017-18 and FY 2018-19 claimed in this Petition and the ARR approved in the earlier process by the Commission in line with the methodology being followed by the Commission in the past Orders. The carrying cost on the differential ARR for FY 2017-18 and FY 2018-19 has been computed till 31 March 2020 as Rs. 2.83 Crore and 1.78 Crore respectively.

3.12.2 Total carrying cost for FY 2017-18 and FY 2018-19 is as given in the table below:

Table 45: Carrying Cost for FY 2017-18 and FY 2018-19 as submitted by ATIL (Rs. Crore)

Particulars	FY 2017-18	FY 2018-19
	ATIL Petition	ATIL Petition
Carrying Cost burden owing to Revision/True-up of ARR	2.66	1.68
Carrying Cost on Incentive	0.18	0.10
Total Carrying Cost Burden on Consumers	**2.83**	**1.78**

Commission's Analysis and Ruling

3.12.3 Carrying cost has been computed on the difference between the ARR approved during True-up for FY 2017-18 and FY 2018-19 and ARR calculated in this Order based on Regulation 32 of the MYT Regulation, 2015.

3.12.4 The total trued up ARR for FY 2017-18 and FY 2018-19 considered for carrying cost computation excludes Availability incentive, since that is due for recovery only after the conclusion of the period which is being approved in the Truing-up exercise for those years in the present Order. The interest rate for carrying cost has been taken as same as that applicable for computation of interest on working capital during respective years.

Table 46: Carrying Cost for FY 2017-18 as approved by the Commission (Rs. Crore)

Particulars	Rate	Period	Approved in this Order
Truing up Gap FY 2017-18			**3.11**
Carrying cost for FY 2017-18	10.18%	Half Year	0.16
Carrying cost for FY 2018-19	9.89%	Full Year	0.31
Carrying cost for FY 2019-20	9.55%	Full Year	0.30
Carrying cost for FY 2020-21	9.55%	Half Year	0.15
Total Carrying Cost			**0.91**

Table 47: Carrying Cost for FY 2018-19 as approved by the Commission (Rs. Crore)

Particulars	Rate	Period	Approved in this Order
Truing up Gap FY 2018-19			**4.24**
Carrying cost for FY 2018-19	9.89%	Half Year	0.21
Carrying cost for FY 2019-20	9.55%	Full Year	0.41
Carrying cost for FY 2020-21	9.55%	Half Year	0.20
Under/ (Over) Recovery of Tariff			**(1.00)**
Carrying/ (Holding) Cost for FY 2018-19	9.89%	Half Year	(0.05)
Carrying/ (Holding) Cost for FY 2019-20	9.55%	Full Year	(0.10)
Carrying/ (Holding) Cost for FY 2020-21	9.55%	Half Year	(0.05)
Total Carrying Cost			**0.63**

3.12.5 **The Commission approves Carrying Cost of Rs. 0.91 Crore and Rs. 0.63 Crore for FY 2017-18 and 2018-19 respectively considering the revised ARR and Revenue Gap/ (Surplus) after Truing-up for the respective years.**

3.13 Availability Incentive

ATIL's Submission

3.13.1 Incentive on Availability of Network has been computed in accordance with Regulation 57.2 of MYT Regulations, 2015 for FY 2017-18 and 2018-19. ATIL submitted the Annual availability of ATIL for the Year FY 2017-18 and FY 2018-19 is 99.83% and 99.92% respectively.

3.13.2 ATIL has also submitted the annual availability Certificate issued to ATIL by MSLDC for FY 2017-18 and FY 2018-19.

3.13.3 ATIL computed incentive of Rs. 1.01 Crore for 2017-18 and Rs. 0.99 Crore for 2018-19 as given below.

Table 48: Availability incentive for FY 2017-18 and FY 2018-19 as submitted by ATIL (Rs. Crore)

Particulars	Formula	FY 2017-18	FY 2018-19
		ATIL Petition	ATIL Petition
Annual Revenue Requirement	a	133.94	129.42
Annual availability achieved (%)	b	99.83	99.92
Cap on Incentive (%)	c	99.75	99.75
Target Availability (%)	d	99	99
Availability Incentive	**d=a*((c-d)/c)**	**1.01**	**0.99**

Commission's Analysis and Ruling

3.13.4 The Commission has analysed the submissions of ATIL and verified its Transmission System Availability from the certification by MSLDC for FY 2017-18 and FY 2018-19. As per Regulation 57 of the MYT Regulation, 2015, the Target Availability for full recovery of Annual Fixed Cost is 98% and for incentive consideration is 99% and above.

3.13.5 As per Regulation 54.10 and proviso of Regulation 57.2, the Annual Transmission charges shall correspond to Aggregate Revenue Requirement inclusive of Income Tax.

3.13.6 Based on the above, the Commission has calculated the Incentive on Transmission Availability for FY 2017-18 and FY 2018-19 in accordance with the Regulations 57.1 and 57.2 of MYT Regulation 2015. The Incentive approved by the Commission is as shown in the following Table below:

Table 49 : Incentive on Transmission Availability for FY 2017-18 and FY 2018-19 approved by the Commission (Rs. Crore)

Particulars	FY 2017-18		FY 18-19	
	MYT Petition	Approved in this Order	MYT Petition	Approved in this Order
Annual Revenue Requirement	133.94	125.64	129.42	122.89
Target Availability	99.00%	99.00%	99.00%	99.00%
Actual Availability Achieved	99.83%	99.83%	99.92%	99.92%
Upper cap for Incentive Availability	99.75%	99.75%	99.75%	99.75%
Availability Incentive	**1.01**	**0.95**	**0.99**	**0.93**

3.13.7 **The Commission approves Incentive on Transmission System Availability of Rs. 0.95 Crore and Rs. 0.93 Crore for FY 2017-18 and 2018-19 respectively.**

3.14 Sharing of Gains / Losses

ATIL's Submission

3.14.1 Regulation 11 of the MYT Regulations, 2015 enumerates the mechanism for sharing of gains and losses on account of uncontrollable and controllable factors. In case of uncontrollable factors, the gain and losses are entirely pass through as an adjustment in tariff. In case of controllable factors, the gains and losses are shared between the licensee and the consumer in the form of tariff adjustment. The relevant clauses have been reproduced below for ready reference.

"14.1 The approved aggregate gain to the Generating Company or Licensee or MSLDC on account of controllable factors shall be dealt with in the following manner:

a) Two-third of the amount of such gain shall be passed on as a rebate in tariff over such period as may be stipulated in the Order of the Commission under Regulation 8.4;

b) The balance amount of such gain shall be retained by the Generating Company or Licensee or MSLDC.

14.2 The approved aggregate loss to the Generating Company or Licensee or MSLDC on account of controllable factors shall be dealt with in the following manner: —

a) One-third of the amount of such loss may be passed on as an additional charge in tariff over such period as may be stipulated in the Order of the Commission under Regulation 8.4;

b) The balance amount of such loss shall be absorbed by the Generating Company or Licensee or MSLDC.

3.14.2 ATIL has compared the actuals for FY 2017-18 and FY 2018-19 with the approved figures for respective years and has segregated the variation as controllable or uncontrollable based on the analysis.

Table 50 : Sharing of Gains and losses for FY 2017-18 as submitted by ATIL (Rs. Crore)

Sr. No.	Particulars	MTR Order	Actual	Deviation	Controll-able	Un-controllable	Entitlement of deviation after sharing of gains/(losses)
1	Operation & Maintenance Expenses	6.06	9.64	3.58	-	3.58	3.58
2	Depreciation Expenses	36.15	37.37	1.22	-	1.22	1.22
3	Interest on Long-term Loan Capital	35.99	40.41	4.42	-	4.42	4.42
4	Interest on Working Capital and on security deposits	2.47	4.24	1.77	1.73	0.04	0.62
5	Income Tax	8.64	7.56	-1.08	-	-1.08	-1.08
6	Contribution to Contingency reserves	1.71	3.54	1.83	-	1.83	1.83
7	**Total Revenue Expenditure**	**91**	**101.03**	**10.03**	**-**	**10.03**	**10.59**
8	Return on Equity Capital	31.83	32.91	1.08	-	1.08	1.08
9	**Aggregate Revenue Requirement**	**122.84**	**133.94**	**11.1**	**-**	**11.09**	**11.67**
10	Less: Non-Tariff Income	0.31	-	-0.31	-	-0.31	-0.31
11	Less: Income from Other Business	-	-	-	-	-	-
12	**Aggregate Revenue Requirement from Transmission Tariff**	**122.53**	**133.94**	**11.41**	**1.73**	**11.4**	**11.98**

Table 51 : Sharing of gains and losses for FY 2018-19 as submitted by ATIL (Rs. Crore)

Sr. No.	Particulars	MTR Order	Actual	Deviation	Controll-able	Un-controllable	Entitlement of deviation after sharing of gains/(losses)
1	Operation & Maintenance Expenses	6.35	11.92	5.57	-	5.57	5.57
2	Depreciation Expenses	36.27	37.5	1.23	-	1.23	1.23
3	Interest on Long-term Loan Capital	31.76	35.67	3.91	-	3.91	3.91
4	Interest on Working Capital and on security deposits	2.08	2.22	0.32	0.18	0.14	0.2

Sr. No.	Particulars	MTR Order	Actual	Deviation	Controll-able	Un-controllable	Entitlement of deviation after sharing of gains/(losses)
5	Income Tax	8.72	6.01	-2.71	-	-2.71	-2.71
6	Contribution to Contingency reserves	1.71	3.54	1.83	-	1.83	1.83
7	**Total Revenue Expenditure**	**86.88**	**97.04**	**10.15**	**-**	**9.97**	**10.03**
8	Return on Equity Capital	32.15	33.03	0.88	-	0.88	0.88
9	**Aggregate Revenue Requirement**	**119.03**	**130.06**	**11.02**	**-**	**10.85**	**10.91**
10	Less: Non-Tariff Income	0.37	0.64	0.27	-	0.27	0.27
11	Less: Income from Other Business	-	-	-	-	-	-
12	**Aggregate Revenue Requirement from Transmission Tariff**	**118.65**	**129.42**	**10.75**	**0.18**	**10.58**	**10.64**

3.14.3 ATIL has requested that variation in all the expenditure heads may be treated under uncontrollable category. However, in the submission as part of the Petition, ATIL has worked out sharing of deviation in Interest on working capital expenses for FY 2017-18 and FY 2018-19.

Commission's Analysis and Ruling

3.14.4 The Commission opines that the O&M expense as claimed by ATIL as 'uncontrollable' should be treated as 'controllable' in accordance with the provisions of MYT Regulations, 2015 for the purpose of computation of sharing of gains and losses. Relevant extract of Regulation 9.2 of the MYT Regulation, 2015 is as reproduced as below:

"12.2 Variations or expected variations in the performance of ATIL, which maybe attributed by the Commission to controllable factors include, but are not limited to the following: —

(a) Variations in capitalisation on account of time or cost overruns or inefficiencies in the implementation of a capital expenditure Scheme not attributable to an approved change in its scope, change in statutory levies or force majeure events;

(b) Variation in Interest and Finance Charges, Return on Equity, and Depreciation account of variation in capitalisation as specified in clause (a) above;

(c) Variation in technical and commercial losses;

(d) Variation in performance parameters;

(e) Variation in amount of interest on working capital;

(f) Variation in operation and maintenance expenses;

(g) Variation in operation & maintenance expenses;

(h) Variation in Coal transit losses.

3.14.5 The Commission examined the submission of ATIL and is of the view that variation in the O&M Expenses is controllable in nature as per the Regulation 9.2 of the MYT Regulation, 2015.

3.14.6 Accordingly, the Commission has worked out Sharing of Gains/Losses for FY 2017-18 and FY 2018-19 by taking the difference between the actual O&M Expenses and revised normative O&M Expenses approved by the Commission in the present Order. It should be noted that the actual O&M expense considered for sharing includes the O&M for the Bus reactor bays.

3.14.7 As ATIL has claimed actual interest on working capital, the Commission sought documentary proof for such claim. ATIL was asked to submit Loan Agreement of working capital loan, certification of the interest expenses and reference to such actual expenses in the audited books of accounts. ATIL submitted that it has taken working capital loan from HDFC Bank Limited to the tune of Rs. 100 Crore in FY 2017-18 at a rate equivalent to *HDFC Bank MCLR Plus Spread on 25 January, 2017*. ATIL submitted the copy of Loan agreement which was signed on 25 January, 2017. The actual IoWC for ATIL was verified from the carved out audited accounts for ATIL (Tirora Warora Asset) where the same was booked under the head 'Trade Credits & Others' within Finance cost. However, while the value of IoWC as claimed in the audited accounts was Rs. 4.40 Crore in FY 2017-18, the value claimed as actual interest for FY 2017-18 in the Petition was Rs. 4.24 Crore and as per Chartered Accountant Certificate, as can be seen in the submission presented in the above table. Accordingly, for the purpose of sharing the Commission considered Rs. 4.24 Crore as actual IoWC as claimed by the Petitioner and certified by Chartered Accountant. For FY 2018-19, the Commission verified the actual IoWC as per Audited Annual Accounts and certificate provided by Chartered Accountant. The actual IoWC as claimed matches with the audited accounts of FY 2018-19, which is claimed as Rs. 2.22 Crore.

3.14.8 **In view of above, the Commission has approved the sharing of gains/losses for the Interest on Working Capital as difference of the Actual interest on working Capital and the interest on Working Capital approved by the Commission on normative**

basis during the current Truing-up of FY 2017-18 and FY 2018-19.

3.14.9 The sharing of gains and losses approved for FY 2017-18 and FY 2018-19 is as presented in the table below:

Table 52: Sharing of Gains/ (Losses) for FY 2017-18 approved by the Commission (Rs. Crore)

Particulars	MTR Order	MYT Petition	Approved in this Order	Deviation		Approved in this Order		
				Uncontrollable	Controllable	2/3rd efficiency gain passed on to consumers	1/3rd Efficiency loss passed on to consumers	Net entitlement after sharing of gains and losses
Operation & Maintenance Expenses	6.06	9.64	7.61		2.03	-	0.68	8.29
Depreciation Expenses	36.15	37.37	37.37	0.00	-	-	-	37.37
Interest on Long-term Loan Capital	35.99	40.41	37.21	3.20	-	-	-	37.21
Interest on Working Capital and on security deposits	2.47	4.24	2.35		1.89	-	0.63	2.98
Income Tax	8.64	7.56	7.20	0.36	-	-	-	7.20
Contribution to Contingency reserves	1.71	3.54	-	3.54	-	-	-	-
Total Revenue Expenditure	**91.00**	**101.03**	**91.74**		**-**	**-**	**-**	**93.05**
Return on Equity Capital	31.83	32.91	32.91	0.00	-	-	-	32.91
Aggregate Revenue Requirement	**122.84**	**133.94**	**124.65**		**-**	**-**	**-**	**125.96**
Less: Non-Tariff Income	0.31	-	0.32	0.32	-	-	-	0.32
Less: Income from Other Business	-	-	-		-	-	-	-
Aggregate Revenue Requirement from Transmission Tariff	**122.53**	**133.94**	**124.33**		**3.92**	**-**	**1.31**	**125.64**

Table 53: Sharing of Gains/ (Losses) for FY 2018-19 approved by the Commission (Rs. Crore)

Particulars	MTR Order	MYT Petition	Approved in this Order	Deviation		Approved in this Order		
				Uncontrollable	Controllable	2/3rd efficiency gain passed on to consumers	1/3rd Efficiency loss passed on to consumers	Net entitlement after sharing of gains and losses
Operation & Maintenance Expenses	6.35	11.92	7.98		3.93	-	1.31	9.30
Depreciation Expenses	36.27	37.50	37.49	0.01	-	-	-	37.49
Interest on Long-term Loan Capital	31.76	35.67	32.83	2.84	-	-	-	32.83
Interest on Working Capital and on security deposits	2.07	2.22	2.21		0.01	-	0.00	2.21
Income Tax	8.72	6.01	5.43	0.59	-	-	-	5.43
Contribution to Contingency reserves	1.71	3.54	3.45	0.09	-	-	-	3.45
Total Revenue Expenditure	**86.88**	**97.04**	**89.40**		**-**	**-**	**-**	**90.71**
Return on Equity Capital	32.15	33.03	33.02	0.01	-	-	-	33.02
Aggregate Revenue Requirement	**119.03**	**130.06**	**122.42**		**-**	**-**	**-**	**123.73**
Less: Non-Tariff Income	0.37	0.64	0.79	(0.15)	-	-	-	0.79
Less: Income from Other Business	-	-	-	-	-	-	-	-
Aggregate Revenue Requirement from Transmission Tariff (Excluding Past period adjustments)	**118.65**	**129.42**	**121.63**			**-**	**1.31**	**122.95**
Past Period Adjustments	(2.66)	-	(2.66)	-	-	-	-	(2.66)

Particulars	MTR Order	MYT Petition	Approved in this Order	Deviation		Approved in this Order		
				Uncontrollable	Controllable	2/3rd efficiency gain passed on to consumers	1/3rd Efficiency loss passed on to consumers	Net entitlement after sharing of gains and losses
Aggregate Revenue Requirement from Transmission Tariff	**115.99**	**129.42**	**118.97**			**-**	**1.31**	**120.29**

3.14.10 **The Commission approves the net entitlement of ARR for FY 2017-18 and FY 2018-19 as Rs. 125.64 Crore and Rs. 120.29 Crore respectively.**

3.15 Revenue Gap after Truing-Up for FY 2017-18 and FY 2018-19

3.15.1 After truing-up of ARR for FY 2017-18 and FY 2018-19, the Revenue Gap approved for recovery by ATIL in FY 2020-21 is as given in Table below.

Table 54 : Revenue Gap approved by the Commission for FY 2017-18 and FY 2018-19 (Rs. Crore)

Particulars	Formula	Approved in this Order	
		FY 2017-18	**FY 2018-19**
ARR approved in the MTR Order	a	122.53	118.65
Past Period adjustments	b	-	(2.66)
Sub total	**c=a+b**	**122.53**	**115.99**
ARR considered after truing up before sharing of Gains/Losses	d	124.33	121.63
(Gain)/ Loss on account of Uncontrollable factor to be passed on to the consumers	e	-	-
(Gain)/ Loss on account of Controllable factor to be passed on to the consumers	f	1.31	1.31
Past Period adjustments	g	-	(2.66)
ARR allowed after truing up and post sharing of Gains and Losses	**h=d+e+f+g**	**125.64**	**120.29**
Less : expected revenue from TSUs	i=c	122.53	115.99
Revenue Gap/ (Surplus) for computation of additional carrying cost	**j=h-i**	**3.11**	**4.30**
Carrying/(holding Cost) on account of revision in ARR	k	0.91	0.83
Availability Incentive	l	0.95	0.93
Trued up ARR including total carrying cost and availability incentive	**m=h+k+l**	**127.50**	**122.05**
Under/ (Over) Recovery of Tariff	n	-	(1.00)
Carrying/ (Holding) Cost on Under/ (Over) Recovery of Tariff	o	-	(0.19)
Net Revenue gap to be recovered including total carrying cost and availability incentive	**p=m+n+o-c**	**4.97**	**4.86**

4 PROVISIONAL TRUE-UP FOR FY 2019-20

4.1 Background

4.1.1 Regulation 5.1 (a) (ii) of the MYT Regulations, 2019, specifies that MYT Petition to be submitted by ATIL should comprise provisional true up of ARR for FY 2019-20 to be carried out under MYT Regulations, 2015. The extract of the relevant Regulation is reproduced as under.

> *"5.1 The Petitions to be filed in the Control Period under these Regulations are as under: —*
> *…*
> *(b) Multi-Year Tariff Petition shall be filed by November 30, 2019, comprising: —*
>
> *…*
>
> *(iii) Provisional Truing-up for FY 2019-20 to be carried out under the Maharashtra Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2015;"*

4.1.2 Accordingly, ATIL in the present MYT Petition for the MYT 4th Control Period has petitioned for provisional truing-up of ARR for FY 2019-20 against the projection approved under MTR Order in Case No. 170 of 2017. ATIL submitted that for the purpose of Provisional Truing-up of ARR for FY 2019-20, it has considered the actual performance of ATIL for the first half (H1) and estimations for the second half (H2) of the FY 2019-20. Further, while estimating the ARR for H2 of FY 2019-20, ATIL stated that it has considered actual performance of FY 2017-18, FY 2018-19 and first half of FY 2019-20.

4.2 Operation and Maintenance Expenses

ATIL's Submission

4.2.1 ATIL has submitted that it has computed the O&M expenses based on actual expenses of the first half and estimated O&M expense for second half of the control period for FY 2019-20.

4.2.2 ATIL stated that O&M expense identified for first half of FY 2019-20 does not capture specific one-time expenses and expenses to be booked in second half of the FY 2019-20 for the entire financial year. Accordingly, A&G expense items of License fees of Rs. 0.13 Crore and Petition filing fees of Rs. 0.15 Crore has been accounted by ATIL in H2 of FY 2019-.20.

4.2.3 ATIL has also requested the Commission to consider the O&M expenses as uncontrollable. It has also submitted that the Commission allow pass through of one-time expenses of License fee and Petition filing fees as pass through as per Regulation 4 of MERC (Fees and Charges) Regulations, 2004 and Regulation 4 of MERC (Fees & Charges) Regulations 2017.

4.2.4 ATIL estimated O&M expenses of FY 2019-20 as against approved O&M expense for FY 2019-20 as under:

Table 55: O&M Expenses for FY 2019-20 as submitted by ATIL (Rs. Crore)

Particulars	FY 2019-20			
	Approved (MTR)	Actual - H1	Estimated - H2	Total
R&M Expenses	6.65	4.64	4.64	9.27
Employee Expenses		0.81	0.81	1.62
A&G Expenses		0.71	0.71	1.42
Total	**6.65**	**6.15**	**6.15**	**12.30**

Commission's Analysis and Ruling

4.2.5 Regulation 58 of the MYT Regulations, 2015 specifies the norms for O&M Expenses for new Transmission Licensees for each year of the Control Period for bays at Tiroda and MSETCL Norms for bays at Warora and the same is applicable for ATIL. For the purpose of provisional true up, O&M expense is allowed as per the norms specified under the aforesaid Regulations. While working out the O&M expense on normative basis, two number of bays pertaining to the reactor bays approved vide this Order pursuant to APTEL judgement has also been taken into account.

4.2.6 Item-wise scrutiny shall be carried out during the Truing-up process based on audited accounts made available at that time. Hence, no scrutiny for individual items under O&M expense has been carried out as part of the provisional truing up exercise.

4.2.7 **As regards claim of ATIL to consider Petition Filing Fee and License Fee during FY 2019-20 for separate pass through, the Commission is of the view that there is no specific provision in the MYT Regulations, 2015 to allow pass through of such expenses. Further, such O&M expenses of recurring nature are factored in the O&M expense norms stipulated under the Regulations for transmission Licensees and thus is taken care within the stipulated norms. In view of the above, no separate pass through of such expense is allowed.**

4.2.8 The provisionally approved value of O&M expense for FY 2019-20 is as given in the table below:

Table 56: O&M Expenses provisionally approved by the Commission for FY 2019-20 (Rs. Crore)

Particulars	Unit	FY 2019-20		
		MTR Order	MYT Petition	Approved in this Order
Transmission Lines				
Distance of Line	Ckt. Km.	438.00		438.00
MERC Norm	Rs. Lakh/Ckt. Km.	0.48		0.48
O&M Expenses	**Rs. Crore**	**2.10**		**2.10**
Bays				
No. of Bays at Tiroda	No.	2.00		4.00*
MERC Norm (for New Licensee) - applicable for Bays at Tiroda	Rs. Lakh/Bay	85.82		85.82
No. of Bays at Warora	No.	2.00		2.00
MERC Norm (for MSETCL) - applicable for Bays at Warora	Rs. Lakh/Bay	141.80		141.80
O&M Expenses	**Rs. Crore**	**4.55**		**6.27**
Total O&M Expenses	**Rs. Crore**	**6.65**	**12.30**	**8.37**

**(Two bays pertaining to reactor bays approved in this Order as per APTEL judgement)*

4.2.9 **The Commission provisionally approves O&M Expenses of Rs. 8.37 Crore as per the norms for FY 2019-20.**

4.3 Capital Expenditure and Capitalisation

ATIL's Submission

4.3.1 ATIL submitted that that it has capitalised Rs. 0.60 Crore against software update required in controlling system for FY 2019-20.

Table 57: Capitalisation for FY 2019-20 as submitted by ATIL (Rs. Crore)

Particulars	MTR Order	ATIL Petition
Capitalisation	-	0.60

Commission's Analysis and Ruling

4.3.2 Based on details obtained for the proposed capitalisation, it is understood that the same is for upgradation of the SCADA system installed in the ATIL (Tiroda - Warora) transmission system for the purpose of control and protection of the substation and associated transmission lines. In response to query as regards support for its claim, ATIL has submitted OEM recommendation as per which the existing system is obsolete version and time to time support to cater the various communication related problem is not possible in future to maintain the reliable grid operation.

4.3.3 The Commission notes the submission of ATIL in the matter and need to have the upgraded systems to be in place particularly which has a bearing on the reliable grid operation. However, it is noted that no data has been provided in support of the cost claimed as capitalisation towards such expenses. Also, the preparation of procurement of such system, vendor selection, audited certificate, cost audit report etc., has not been submitted. Further considering that specification for such SCADA system would be specific to transmission asset of ATIL, it is also not possible to verify and validate the estimated capitalisation proposed by ATIL at this stage. **In view of the same, the Commission is not considering any capitalisation proposed by ATIL as part of the provisional true-up. However, the scrutiny shall be carried out during the Truing-up process based on the proofs made available at that time and the Commission may take its appropriate view.**

4.4 Depreciation

ATIL's Submission

4.4.1 ATIL submitted that it has computed the depreciation on revised capital cost in accordance with the rates specified in the MYT Regulations, 2015 on the fixed asset based on the straight-line method. As the project assets has not been depreciated by 70%, the asset-class wise depreciation rates, as specified in the Regulations, have been considered for computation of depreciation.

4.4.2 ATIL has also submitted the detailed computation and schedule of depreciation in the regulatory formats.

Table 58: Depreciation as submitted by ATIL for FY 2019-20 (Rs. Crore)

Particulars	MTR Order	ATIL Petition
Opening GFA	689.10	712.60
Additions during the year		0.60
Closing GFA	689.10	713.20
Depreciation	**36.38**	**37.64**

Commission's Analysis and Ruling

4.4.3 The Commission approves the depreciation amount as per the capitalisation and GFA approved in this Order as shown below. Further rate of depreciation has been considered as per the MYT Regulations, 2015:

Table 59: Depreciation provisionally approved by the Commission for FY 2019-20 (Rs. Crore)

Particulars	FY 2019-20		
	MTR Order	MYT Petition	Approved in this Order
Opening Gross Fixed Assets	689.10	712.60	712.39
Addition during the Year	-	0.60	-
Asset Retirement	-	-	-
Closing Gross Fixed Assets	689.10	713.20	712.39
Average Depreciation rate	5.28%	5.28%	5.28%
Depreciation	**36.38**	**37.64**	**37.61**

4.4.4 **The Commission provisionally approves Depreciation as Rs. 37.61 Crore on Provisional Truing-up of FY 2019-20.**

4.5 Return on Equity

ATIL's Submission

4.5.1 In accordance with the Regulations 28 of the MYT Regulations 2015, ATIL has considered a regulated return of 15.5% on the equity base for computation of ROE. ATIL has considered the closing equity value of the past year i.e., FY 2018-19 as the opening equity value for FY 2019-20. The calculations provided by ATIL for RoE is as below:

Table 60: Return on Equity for FY 2019-20 as submitted by ATIL (Rs. Crore)

Return on Equity	MTR Order	ATIL Petition
Regulatory Equity at the beginning of the year	206.73	213.78
Capitalisation during the year	-	0.60
Equity portion of capitalisation during the year	-	0.18
Reduction in Equity Capital on account of retirement / replacement of assets	-	-
Regulatory Equity at the end of the year	206.73	213.96
Return on Regulatory Equity at the beginning of the year @ 15.5%	32.04	33.14
Return on Equity portion of capitalisation during the year @ 15.5%	-	0.01
Total Return on Regulatory Equity	**32.04**	**33.15**

Commission's Analysis and Ruling

4.5.2 The Commission has considered RoE at the rate of 15.5% of the equity, as per Regulation 28 of MYT Regulations 2015, on the approved opening equity for the year and on 50% of the projected levels of approved asset capitalisation during the year. The normative debt: equity ratio is considered as 70:30.

Table 61: Return on Equity provisionally approved by the Commission for FY 2019-20 (Rs. Crore)

Particulars	FY 2019-20		
	MTR Order	MYT Petition	Approved in this Order
Opening Equity	206.73	213.78	213.72
Additions to equity towards capital investments	-	0.18	-
Retirement	-	-	-
Closing balance of Equity	206.73	213.96	213.72
ROE Rate	15.50%	15.50%	15.50%
ROE on Opening Equity	32.04	33.14	33.13
ROE on additions during the Year	-	0.01	-
Total Return on Equity	**32.04**	**33.15**	**33.13**

4.5.3 **The Commission provisionally approves Return on Equity for FY 2019-20 as Rs. 33.13 Crore.**

4.6 Interest on Long Term Loans

ATIL's Submission

4.6.1 ATIL submitted that the closing normative loan for FY 2018-19 has been considered as the opening normative loan for FY 2019-20.

4.6.2 Further, ATIL has considered an interest rate of 13.25% based on the applicable interest rate as per the ICD agreement with the group entity lender for refinancing of its original loans.

4.6.3 ATIL has submitted in request that the Commission approve estimated interest rate owing to the nature of uncontrollable nature of variation in Capital cost.

4.6.4 The details of estimated interest on loans by ATIL as against the approved in the MYT Order is as shown in the following Table:

Table 62: Interest on Long Term Loans for FY 2019-20 as submitted by ATIL (Rs. Crore)

Particulars	FY 2019-20	
	MTR Order	ATIL Petition
Opening Balance of Loan	243.77	248.80
Addition in Loan during the Year	-	0.42
Repayment of Loan during the Year	36.38	37.64
Closing Balance of Loan	207.39	211.58
Average Loan Balance during the Year	225.58	230.19
Interest Rate (%)	12.20	13.25
Interest Expense	**27.52**	**30.49**

Commission's Analysis and Ruling

4.6.5 The Commission has noted the submission of ATIL. However, as elaborated under chapter on Truing-Up of FY 2016-17 of MTR Order and as reiterated in the Turing-Up chapters for FY 2017-18 and FY 2018-19 in this Order, the Commission does not approve the rate of Interest for the borrowings against ICD Loan from ATL. Accordingly, the Commission is provisionally approving the rate of interest for FY 2019-20 as 12.20% as was approved in the MTR Order in Case No. 170 of 2017.

4.6.6 Thus, for provisional Truing-up of FY 2019-20, the Commission has considered the approved closing balance of loan for FY 2018-19 for truing-up as opening loan for FY 2019-20.

Table 63: Interest on Long Term Loans provisionally approved by the Commission for FY 2019-20 (Rs. Crore)

Particulars	FY 2019-20		
	MTR Order	MYT Petition	Approved in this Order
Opening Balance	243.77	248.80	251.98
Additions	-	0.42	-
Repayments	36.38	37.64	37.61
Closing Balance	207.39	211.58	214.37
Average Loan during the Year	225.58	230.19	233.18
Interest rate approved	12.20%	13.25%	12.20%
Interest expenses	**27.52**	**30.49**	**28.45**

4.6.7 **The Commission approves Interest on Loan of Rs. 28.45 Crore, as per the norms, on Provisional Truing-up of ARR for FY 2019-20.**

4.7 Interest on Working Capital

ATIL's Submission

4.7.1 ATIL has considered interest rate for working out IoWC as stipulated in Regulation 31.2 (b) of MYT Regulations, 2015 and has taken into cognisance, the amendment to the MYT Regulations, 2015.

4.7.2 The revised workings of the interest on working capital as against the MTR approved interest on working capital as submitted by ATIL is provided below:

Table 64: Interest on Working Capital as submitted by ATIL for FY 2019-20 (Rs. Crore)

Working Capital	FY 2019-20	
	MTR Order	ATIL Petition
Operations and Maintenance Expenses for one month	0.55	1.02
One-twelfth of the sum of book value of stores, materials and supplies at end of each month – 1% of GFA	6.89	7.13
One and a half months of the expected revenue from transmission charges at the prevailing tariffs	14.31	16.06
Less: Amount of Security Deposit from Transmission System Users	-	-
Total Working Capital Requirement	21.77	24.22
Interest Rate (%) - SBI Base Rate plus 150 basis points	9.45	9.96
Interest on Working Capital	**2.06**	**2.41**

Commission's Analysis and Ruling

4.7.3 As per the Amendment in MYT Regulations, 2015 as on 29th November 2017, the interest rate of working capital has been computed as 9.55% equivalent to the weighted average MCLR rate for the year plus 150 basis points.

4.7.4 The normative value of O&M expenses has been used in the computation of working Capital requirement. The maintenance spares have been computed as equivalent to 1% of the opening balance of GFA for FY 2019-20, which is equal to Rs. 712.38 Crore.

4.7.5 The detailed scrutiny of the Interest on working capital will be carried out during the True-up of FY 2019-20 based on the details of working loan procured if any, made available at that time.

4.7.6 Accordingly, the Commission approves the IoWC as detailed out in table below:

Table 65: Interest on Working Capital provisionally approved by the Commission for FY

2019-20 (Rs. Crore)

Particulars	FY 2019-20		
	MTR Order	MYT Petition	Approved in this Order
Operation and Maintenance expenses for one month	0.55	1.02	0.70
Maintenance spares at one percent of the opening Gross Fixed Assets for the Year	6.89	7.13	7.12
One-and-a-half-month equivalent of the expected revenue from transmission charges at the prevailing Tariffs	14.32	16.06	14.32
Total Working Capital Requirement	**21.77**	**24.22**	**22.14**
Rate of Interest (% p.a.)	9.45%	9.96%	9.55%
Interest on Working Capital	**2.06**	**2.41**	**2.11**

4.7.7 **The Commission approves the Interest on Working Capital for FY 2019-20 as Rs. 2.11 Crore.**

4.8 Contribution to Contingency Reserves

ATIL's Submission

4.8.1 In MTR Order, the Commission approved the projection of Contingency Reserves of Rs. 1.72 Crore for FY 2019-20.

4.8.2 ATIL stated that owing to variation in capital cost, the contribution to contingency reserve would be changed accordingly for FY 2019-20. Since the change in capital cost is uncontrollable, ATIL requested the Commission to treat variation in contribution to contingency reserve as uncontrollable and allow as pass through. ATIL's claim of contribution to contingency reserve is shown in the table below:

Table 66: Contribution to Contingency Reserves as submitted by ATIL (Rs. Crore)

Contingency Reserves	FY 2019-20	
	MTR Order	ATIL Petition
Opening Balance of Contingency Reserves	1.72	11.52
Opening Gross Fixed Assets		712.60
Opening Balance of Contingency Reserves as % of Opening GFA		1.62%
Utilisation of Contingency Reserves during the year		
Closing Balance of Contingency Reserves as % of Opening GFA		2.12%
Closing Balance of Contingency Reserve		15.08
Contribution to Contingency Reserves during the year	**1.72**	**3.56**

Commission's Analysis and Ruling

4.8.3 The approved value of contribution to contingency reserves has been computed at 0.25% of the opening balance of GFA of Rs. 712.38 Crore for FY 2019-20.

4.8.4 Accordingly, the Contribution to Contingency Reserves for FY 2019-20 provisionally approved by the Commission is as shown in the Table below:

Table 67: Contribution to Contingency Reserves provisionally approved by the Commission for FY 2019-20 (Rs. Crore)

Particulars	FY 2019-20		
	MTR Order	MYT Petition	Approved in this Order
Opening Gross Fixed Assets	684.60	712.60	712.39
Opening Balance of Contingency Reserve	7.86	11.52	8.04
Opening Balance of C.R as % of Opening GFA	1.15%	1.62%	1.13%
Contribution to Contingency Reserves during the Year	**1.72**	**3.56**	**1.78**
Contribution to C.R during the Year as % of Opening GFA	0.25%	0.50%	0.25%
Closing Balance of Contingency Reserve	9.58	15.08	9.82
Closing Balance of C.R as % of Opening GFA	1.40%	2.12%	1.38%

4.8.5 **The Commission provisionally approves Contribution to Contingency reserves at Rs. 1.78 Crore for FY 2019-20 according to norms specified in MYT Regulations 2015.**

4.9 Non – Tariff Income

ATIL's Submission

4.9.1 ATIL has submitted that it has not considered the interest income from retained earnings as a part of Non-Tariff income in line with the principle adopted earlier in this Petition. In view of above, ATIL has not submitted any Non-Tariff income for 2019-20.

4.9.2 ATIL has further submitted that it does not anticipate any income from other businesses during the financial year at present. However, ATIL would explore the possible avenues to use the transmission assets for other business without affecting performance of the transmission business and would implement the same after prior approval of the Hon'ble Commission.

4.9.3 Non-tariff Income estimated by ATIL as against approved in the MTPR Order is as follows:

Table 68: Non-Tariff Income as submitted by ATIL (Rs. Crore)

Particulars	FY 2019-20	
	MTR Approved	ATIL Petition
Non-Tariff Income	0.49	-

Commission's Analysis and Ruling

4.9.4 As per the direction given by the Commission in the previous section, to transfer all the existing investments made into Mutual Funds out of approved contribution to contingency reserve into the approved Government Securities (G-Sec) bonds by 30th September, 2020, the Income from these investment would accrue to ATIL from 1st October, 2020 only. Therefore, the Commission has not considered any Non- Tariff Income for FY 2019-20 as part of provisional true-up. However, the same shall be considered at the time of true-up subject to prudence check.

4.9.5 The Non-Tariff Income is not approved by the Commission for FY 2019-20 is as shown in the Table below:

Table 69: Non-Tariff Income provisionally approved by the Commission for FY 2019-20 (Rs. Crore)

Particulars	FY 2019-20		
	MTR Order	MYT Petition	Approved in this Order
Non-Tariff Income	0.49	-	-

4.9.6 **The Commission provisionally approves nil Non-Tariff Income for FY 2019-20.**

4.10 Income Tax

ATIL's Submission

1.3.1 ATIL has considered Income Tax for FY 2019-20 considering MAT Rate Payable on Return on Equity in absence of actual details / information available for the year 2019-20.

Table 70: Income Tax for FY 2019-20 submitted by ATIL (Rs. Crore)

Particulars	FY 2019-20	
	MTR Approved	ATIL Petition

Income Tax	8.69	8.99

Commission's Analysis and Ruling

4.10.1 Regulation 33 of the MYT Regulations, 2015 specifies as follows:

"33.1 The Commission, in its MYT Order, shall provisionally approve Income Tax payable for each year of the Control Period based on the actual Income Tax paid by the Generating Company or Licensee or MSLDC, in case the Generating Company or Licensee or MSLDC has not engaged in any other regulated or unregulated Business or Other Business, as allowed by the Commission relating to the electricity Business regulated by the Commission, as per latest available Audited Accounts, subject to prudence check:

4.10.2 The Commission has noted the submission of ATIL. As regards the approval of Income Tax for FY 2019-20, the Commission has also referred to the Hon'ble ATE judgment in Appeal No. 174 of 2009 filed by TPC-T, where Hon'ble ATE has explained the methodology to be followed for computation of Income Tax. The relevant extract of the judgement is as shown under:

"11. The issue of Income Tax relates to the fact that the State Commission deals with regulatory accounts of each licensed business. ***The State Commission is required to adjust the regulatory account's income to the taxation accounts. This could be done in 2 alternative methods. One by Profit Before Tax method and second by the method of Return on Equity. Profit Before Tax method is followed while truing up as details of all the elements are available by them. The second method is followed while submitting the details of APR or tariff determination, as all adjustment details are not available at the point of submission."***

4.10.3 In accordance with the proviso of the Regulation 33.1 above and Hon'ble ATE Judgement on related matter, the Commission has considered RoE method for computation of Income Tax for provisional truing up of FY 2019-20, which is as per the methodology employed in the MTR Order. Any difference between the estimated and actual Income Tax liability shall be dealt with at the time of Truing up.

4.10.4 **The Income Tax approved by the Commission for FY 2019-20 is as summarised in the Table below:**

Table 71: Income Tax provisionally approved by the Commission for FY 2019-20 (Rs.

Crore)

Particulars	FY 2019-20		
	MTR Order	MYT Petition	Approved in this Order
Income Tax	8.69	8.99	9.10

4.10.5 **The Commission provisionally approves the Income Tax of Rs. 9.10 Crore for FY 2019-20**.

4.11 Summary of ARR of Provisional Truing-Up of FY 2019-20

ATIL's Submission

4.11.1 ATIL submitted the comparison of revised projection of ARR for FY 2019-20 as against approved ARR as under.

Table 72: Summary of ARR for FY 2019-20 submitted by ATIL (Rs. Crore)

Particulars	FY 2019-20	
	MTR Order	ATIL Petition
Operation & Maintenance Expenses	6.65	12.30
Depreciation Expenses	36.38	37.64
Interest on Long-term Loan Capital	27.52	30.49
Interest on Working Capital and on consumer security deposits	2.06	2.41
Income Tax	8.69	8.99
Contribution to contingency reserves	1.71	3.56
Total Revenue Expenditure	**83.03**	**95.39**
Return on Equity Capital	32.04	33.15
Aggregate Revenue Requirement	**115.08**	**128.54**
Less: Non-Tariff Income	0.49	-
Less: Income from Other Business	-	-
Less: Income from Open Access charges	-	-
Aggregate Revenue Requirement from Transmission Tariff	**114.58**	**128.54**

Commission's Analysis and Ruling

4.11.2 **Following table summarises the ARR approved in this Order along with values claimed by ATIL and as approved in provisional true up of FY 2019-20 in MTR Order.**

Table 73: Summary of ARR provisionally approved by the Commission for FY 2019-20

(Rs. Crore)

Particulars	FY 2019-20		
	MTR Order	**MYT Petition**	**Approved in this Order**
Operation & Maintenance Expenses	6.65	12.30	8.37
Depreciation Expenses	36.38	37.64	37.61
Interest on Long-term Loan Capital	27.52	30.49	28.45
Interest on Working Capital and on security deposits	2.06	2.41	2.11
Income Tax	8.69	8.99	9.10
Contribution to Contingency reserves	1.72	3.56	1.78
Total Revenue Expenditure	**83.03**	**95.39**	**87.43**
Return on Equity Capital	32.04	33.15	33.13
Aggregate Revenue Requirement	**115.08**	**128.54**	**120.55**
Less: Non-Tariff Income	0.49	-	-
Less: Income from Other Business	-	-	-
Less: Income from Open Access charges	-	-	-
Aggregate Revenue Requirement from Transmission Tariff	**114.58**	**128.54**	**120.55**

5 ARR PROJECTION FOR 4th CONTROL PERIOD

5.1 Background

5.1.1 The projections of ARR for the 4th Control Period from FY 2020-21 to 2024-25 has been presented in accordance with the provisions of the MYT Regulations, 2019. ATIL has quoted relevant regulatory provisions in support of its claims made towards various ARR components. The relevant clause of Regulation 5.1 as provided in MYT Regulation 2019 is provided for reference:

5.1 The Petitions to be filed in the Control Period under these Regulations are as under:

a) Multi-Year Tariff Petition, which is complete in all aspects as per these Regulations, shall be filed by November 1, 2019 by Generating Companies and Transmission Licensees and SLDC, and by November 30, 2019, by Distribution Licensees, comprising:

…

iii) Aggregate Revenue Requirement for each year of the Control Period under these Regulations;

5.2 Operation and Maintenance Expenses

ATIL's Submission

5.2.1 ATIL has submitted computation of normative O&M expense applicable for the Fourth Control Period, in accordance with Regulation 61.6 of the MYT Regulations, 2019. Even though ATIL has submitted the normative O&M computation, it has expressed its difference in view regarding O&M expense and has highlighted that O&M expense based on norms is highly inadequate to meet the actual O&M expenses of ATIL.

5.2.2 ATIL has considered O&M expenses associated with two additional bus reactors at Tiroda based on the order of the APTEL dated 29 May 2019.

5.2.3 ATIL has also submitted that it has projected the O&M expenses for the Fourth Control period from FY 2020-21 to FY 2024-25 considering estimated expenditure for FY 2019-20 as the base and revised normative O&M expenses under MYT Regulation, 2019.

5.2.4 The projected O&M Expenses for the Fourth Control Period as per the above methodology as submitted by ATIL is shown in the Table below:

Table 74: Projected O&M Expenses for Fourth Control Period as submitted by ATIL (Rs. Crore)

Sr. No.	Particulars	FY 2020-21 (Projected)	FY 2021-22 (Projected)	FY 2022-23 (Projected)	FY 2023-24 (Projected)	FY 2024-25 (Projected)
1	O & M Expenses	12.27	12.78	13.26	13.74	14.29
2	R&M Expenses					
3	Employee Expenses					
4	A&G Expenses					
Total		**12.27**	**12.78**	**13.26**	**13.74**	**14.29**

Commission's Analysis and Ruling

5.2.5 Regulation 61.6 of the MYT Regulations, 2019 specifies O&M Expense norms for new Transmission Licensees and other existing Transmission licensees except the ones for whom specific norms are provided, and thus is used to compute the normative O&M Expenses for ATIL.

5.2.6 ATIL is entitled to claim O&M Expenses as per the above referred O&M norms specified in the Regulations, and the Commission approves the expenses accordingly.

5.2.7 Considering the foregoing, the approved O&M Expenses for the Fourth Control Period from 2020-21 to 2024-25 is summarized in the following Table.

Table 75: O&M Expenses approved by the Commission for Fourth Control Period

Particulars	Unit	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
		Approved in this Order	Approved in this Order	Approved in this Order	Approved in this Order	Approved in this Order
Transmission Lines						
Distance of Line	Ckt. Km.	438.00	438.00	438.00	438.00	438.00
MERC Norm	Rs. Lakh/Ckt. Km.	0.84	0.88	0.91	0.94	0.98
O&M Expenses	**Rs. Crore**	**3.68**	**3.85**	**3.99**	**4.12**	**4.29**
Bays						
No. of Bays at Tiroda	No.	4.00	4.00	4.00	4.00	4.00
No. of Bays at Warora	No.	2.00	2.00	2.00	2.00	2.00
MERC Norm (for New Licensee) - applicable for Bays at Tiroda and Warora	Rs. Lakh/Bay	143.25	148.77	154.49	160.44	166.62

Particulars	Unit	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
		Approved in this Order	Approved in this Order	Approved in this Order	Approved in this Order	Approved in this Order
O&M Expenses	**Rs. Crore**	**8.60**	**8.93**	**9.27**	**9.63**	**10.00**
Total O&M Expenses	**Rs. Crore**	**12.27**	**12.78**	**13.26**	**13.74**	**14.29**

5.3 Depreciation

ATIL's Submission

5.3.1 ATIL has submitted that it has computed depreciation for according to Regulation 27 of the MYT regulation of 2015 on the fixed assets, based on Straight Line Method. As the project assets have not been depreciated by 70%, the asset-class wise depreciation rates, as prescribed in the MYT Regulations, 2015 have been considered for computation of depreciation. The depreciation computation is provided in the table below:

Table 76: Projection for depreciation for Fourth Control Period as submitted by ATIL (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Opening GFA	713.20	713.20	713.20	713.20	713.20
Additions during the year	-	-	-	-	-
Closing GFA	713.20	713.20	713.20	713.20	713.20
Depreciation	**37.66**	**37.66**	**37.66**	**37.66**	**37.66**

Commission's Analysis and Ruling

5.3.2 The approved value of Depreciation has been computed as per Regulation 28 of MYT Regulation, 2019 at rate of depreciation of 5.28% for each year of the control period.

5.3.3 As ATIL has not projected any additional Capitalization for the Fourth Control Period, the projection approved for depreciation has been computed on the closing balance of FY 2019-20 as approved under the provisional true-up carried out for the year.

5.3.4 The depreciation approved is as summarized in the Table below:

Table 77: Depreciation approved by the Commission for Fourth Control Period (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
	Approved in this Order	Approved in this Order	Approved in this Order	Approved in this Order	Approved in this Order

Opening Gross Fixed Assets	712.39	712.39	712.39	712.39	712.39
Addition during the Year	-	-	-	-	-
Asset Retirement	-	-	-	-	-
Closing Gross Fixed Assets	712.39	712.39	712.39	712.39	712.39
Average Depreciation rate	5.28%	5.28%	5.28%	5.28%	5.28%
Depreciation	**37.61**	**37.61**	**37.61**	**37.61**	**37.61**

5.4 Interest on Long Term Loans

ATIL's Submission

5.4.1 ATIL has computed interest on loan based on Regulation 30 of the MYT Regulations, 2019. Closing loan as projected for FY 2019-20 is considered as opening loan for the First year of the current control period i.e. FY 2020-21 to FY 2024-25.

5.4.2 Further, ATIL has considered interest rate of 13.25% considering ATL ICD loan during the period.

5.4.3 ATIL's submission on computation of interest on loan for Fourth Control Period from 2020-21 to 2024-25 is provided in the table below:

Table 78: Projection for Interest on Term Loan for Fourth Control Period submitted by ATIL (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Opening Balance of Loan	211.58	173.93	136.27	98.61	60.96
Addition in Loan during the Year	-	-	-	-	-
Repayment of Loan during the Year	37.66	37.66	37.66	37.66	37.66
Closing Balance of Loan	173.93	136.27	98.61	60.96	23.30
Average Loan Balance during the Year	192.75	155.10	117.44	79.78	42.13
Interest Rate (%)	13.25	13.25	13.25	13.25	13.25
Interest Expense	**25.54**	**20.55**	**15.56**	**10.57**	**5.58**

Commission's Analysis and Ruling

5.4.4 The opening balance of Loan for the Fourth Control Period and the interest expenses for each consecutive year has been approved as per Regulations 30.2 and 30.3 of MYT Regulation 2019 based on the estimated value of closing balance of Loan for FY 2019-20. The relevant extracts of the regulation are as provided below:

> *"30.2 The normative loan outstanding as on April 1, 2020, shall be worked out by deducting the cumulative repayment as admitted by the Commission up to March 31, 2020, from the gross normative loan.*
>
> *30.3 The loan repayment during each year of the Control Period from FY 2020-21 to FY 2024-25 shall be deemed to be equal to the depreciation allowed for that year."*

5.4.5 The Interest rate has been approved at 12.20% which is equivalent to the interest rate operational before refinancing as opposed to ATIL's claim of 13.25% interest rate that has resulted from refinancing of Loan through ICD.

5.4.6 The detailed rationale for the Commission not approving the refinancing by ATIL and the corresponding interest rate has already been dealt in detail in the Truing up section of FY 2016-17 in the MTR Order (dated 12 September, 2018). The reason in brief being the refinancing being resulting in benefit to the consumers in terms of reduction in interest expense. The same is reiterated in the above Chapters for Truing up and Provisional Trueing up of respective years. The Commission also notes that ATIL has preferred an Appeal in matter of such disapproval in the MTR Order, and the matter is still pending before the APTEL.

5.4.7 The Commission also would like to highlight the provisions of refinancing as specified in the MYT Regulations, 2019, which is reproduced as below.

> *"30.10 The Generating Company or the Licensee or the MSLDC, as the case may be, shall make every effort to re-finance the loan as long as it results in net savings on interest and in that event, the costs associated with such re-financing shall be borne by the Beneficiaries and the net savings shall be shared between the Beneficiaries and them in the ratio of 2:1, subject to prudence check by the Commission:*
>
> ***Provided that refinancing shall not be done if it results in net increase on interest:***

Provided further that if refinancing is done and it results in net increase on interest, then the rate of interest shall be considered equal to the Base Rate as on the date on which the Petition for determination of Tariff is filed:

Provided also that the re-financing shall not be subject to any adverse terms and conditions and additional cost:

Provided also that the Generating Company or the Licensee or the MSLDC, as the case may be, shall submit documentary evidence of the costs associated with such re-financing:

Provided also that the net savings in interest shall be computed after factoring all the terms and conditions, and based on the weighted average rate of interest of actual portfolio of loans taken from Banks and Financial Institutions recognised by the Reserve Bank of India for Indian institutions, before and after re-financing of loans:

Provided also that the net savings in interest shall be calculated as an annuity for the term of the loan, and the annual net savings shall be shared between the entity and Beneficiaries in the specified ratio."

5.4.8 In view of the above, it is highlighted that the present Regulatory provisions for the MYT 4th Control Period clearly specify that if refinancing done during the control period, which is not beneficial to consumer, then only Base Rate shall be allowed as per new MYT Regulations 2019. As intended and stated in the Regulatory provisions, re-financing shall not be done if it results in net increase and refinancing shall not be subject to any adverse terms and conditions and additional cost. ATIL shall note the above while undertaking any future refinancing.

5.4.9 For the purpose of approval of projection of the interest expenses for fourth control Period from FY 2020-21 to FY 2024-25, the Commission approves the following are as summarised in the following Table:

Table 79: Interest on Term Loan approved by the Commission for Fourth Control Period (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
	Approved in this Order	Approved in this Order	Approved in this Order	Approved in this Order	Approved in this Order
Opening Balance	214.37	176.76	139.14	101.53	63.91
Additions	-	-	-	-	-

Repayments	37.61	37.61	37.61	37.61	37.61
Closing Balance	176.76	139.14	101.53	63.91	26.30
Average Loan during the Year	195.56	157.95	120.34	82.72	45.11
Interest rate	12.20%	12.20%	12.20%	12.20%	12.20%
Interest expenses	**23.86**	**19.27**	**14.68**	**10.09**	**5.50**

5.5 Interest on Working Capital

ATIL's Submission

5.5.1 ATIL has submitted that it has computed Interest on Working Capital as per Regulation 31.2 of the MYT Regulations, 2015 read in conjunction with the first amendment of MYT Regulations 2015 published vide Gazette Notification No. MERC/Legal/2017/4792 dated 29 November 2017. As the MCLR of State Bank of India as on the date of filing of this Petition is 7.45%, ATIL has considered interest at the rate of 9.45% (7.45% + 1.50%) for computation of interest on working capital.

5.5.2 The Computation of Interest on Working Capital as submitted by ATL for the Fourth Control Period from 2020-21 to 2024-25 is as given below:

Table 80: Projection for Interest on Working Capital for Fourth Control Period submitted by ATIL (Rs. Crore)

Working Capital	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Operations and Maintenance Expenses for one month	1.02	1.07	1.10	1.15	1.19
One-twelfth of the sum of book value of stores, materials and supplies at end of each month	7.13	7.13	7.13	7.13	7.13
One and a half months of the expected revenue from transmission charges at the prevailing tariffs	14.94	14.37	13.80	13.23	12.67
Total Working Capital Requirement	23.09	22.57	22.04	21.51	20.99
Interest Rate (%)	9.96%	9.96%	9.96%	9.96%	9.96%
Interest on Working Capital	**2.30**	**2.25**	**2.19**	**2.14**	**2.09**

Commission's Analysis and Ruling

5.5.3 ATIL in its submission as can be noted above, has wrongly provided the reference for the MYT Regulations, 2015 as the projection for ARR components for the Fourth Control Period from FY 2020-21 to FY 2024-25 is governed by MYT Regulations 2019. The Commission has worked out the total working capital requirement and IoWC on it in accordance with Regulation 32.2 of the MYT Regulation, 2019.

5.5.4 The Interest rate for computing the projection approved for each year of the control period is the weighted average of MCLR plus 150 basis points computed for FY 2019-20.

5.5.5 Accordingly, the IoWC approved by the Commission for the Fourth Control Period from 2020-21 to 2024-25 is summarised in the Table as under:

Table 81: Interest on Working Capital approved by the Commission for Fourth Control Period (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
	Approved in this Order	**Approved in this Order**	**Approved in this Order**	**Approved in this Order**	**Approved in this Order**
Operation and Maintenance expenses for one month	1.02	1.07	1.10	1.15	1.19
Maintenance spares at one percent of the opening Gross Fixed Assets for the Year	7.12	7.12	7.12	7.12	7.12
One-and-a-half-month equivalent of the expected revenue from transmission charges at the prevailing Tariffs	17.35	17.17	16.38	15.59	14.81
Total Working Capital Requirement	**25.50**	**25.36**	**24.61**	**23.86**	**23.13**
Rate of Interest (% p.a.)	9.55%	9.55%	9.55%	9.55%	9.55%
Interest on Working Capital	**2.44**	**2.42**	**2.35**	**2.28**	**2.21**

5.6 Contribution to Contingency Reserves

ATIL's Submission

5.6.1 ATIL has submitted that Regulation 34 of the MYT Regulations, 2015 provides for allowing 0.25% to 0.50% of the original cost of fixed assets in the annual revenue requirement of every year restricted to a cumulative aggregation of 5% of the value of fixed assets.

5.6.2 It has further submitted that the Commission in its MYT order dated 28 June 2016 had approved contribution to contingency reserves at 0.25 % of the GFA, the total contribution approved has not reached 5% of the fixed assets, ATIL has computed such contribution to contingency reserves at 0.5% of the Opening GFA for each year of the Control Period from FY 2020-21 to FY 2024-25.

5.6.3 The claimed amount of contribution to contingency reserve is provided in the table below:

Table 82: Projection for Contribution to Contingency Reserves for Fourth control Period submitted by ATIL (Rs. Crore)

Contingency Reserves	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Opening Balance of Contingency Reserves	15.08	18.65	22.21	25.68	29.35
Opening Gross Fixed Assets	713.20	713.20	713.20	713.20	713.20
Opening Balance of Contingency Reserves as % of Opening GFA	2.11%	2.61%	3.11%	3.61%	4.11%
Utilisation of Contingency Reserves during the year	-	-	-	-	-
Closing Balance of Contingency Reserves as % of Opening GFA	2.61%	3.11%	3.61%	4.11%	4.61%
Contribution to Contingency Reserves during the year	**3.57**	**3.57**	**3.57**	**3.57**	**3.57**

Commission's Analysis and Ruling

5.6.4 ATIL has incorrectly referred to the provisions of MYT Regulation 2015 in its Petition for computation of contingency reserves as the projection for contingency reserves for the fourth control period is based on Regulation 35 of MYT Regulation, 2019. The relevant extract of Regulation is provided as below:

"35.1 Where the Licensee has made a contribution to the Contingency Reserve, a sum not less than 0.25 per cent and not more than 0.5 per cent of the original cost of fixed assets shall be allowed annually towards such contribution in the calculation of Aggregate Revenue Requirement:

Provided that where the amount of such Contingency Reserves exceeds five (5) per cent *of the original cost of fixed assets, no further contribution shall be allowed:*

Provided further that such contribution shall be invested in securities authorised under the Indian Trusts Act, 1882 within a period of six months of the close of the Year:"

5.6.5 The Commission approves the contribution to Contingency Reserves at 0.25% of the approved opening GFA for respective years and in accordance with the provisions of the MYT Regulation, 2019 and based on Commission' approach in the past orders. Accordingly, the approved Contribution to Contingency Reserves is as follows:

Table 83: Projections for Contribution to Contingency Reserves for Fourth Control Period approved by the Commission (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
	Approved in this Order	Approved in this Order	Approved in this Order	Approved in this Order	Approved in this Order
Opening Gross Fixed Assets	712.38	712.38	712.38	712.38	712.38
Opening Balance of Contingency Reserve	9.82	11.60	13.38	15.16	16.95
Opening Balance of C.R as % of Opening GFA	1.38%	1.63%	1.88%	2.13%	2.38%
Contribution to Contingency Reserves during the Year	**1.78**	**1.78**	**1.78**	**1.78**	**1.78**
Contribution to C.R during the Year as % of Opening GFA	0.25%	0.25%	0.25%	0.25%	0.25%
Closing Balance of Contingency Reserve	11.60	13.38	15.16	16.95	18.73
Closing Balance of C.R as % of Opening GFA	1.63%	1.88%	2.13%	2.38%	2.63%

5.6.6 **As per the directive provided in the earlier chapters, investment of amount allowed contingency reserve shall be made into specified investment instruments, i.e., Fixed Deposit or Government Securities (G-Sec – 10 year).**

5.7 Return on Equity

ATIL's Submission

5.7.1 ATIL has submitted that for Computing the Regulatory Return on Equity it has considered a rate of 14.00 % as per the regulation in accordance with MYT Regulation 2015.

5.7.2 It has further submitted that the opening balance of Regulatory Equity for the beginning of the control period is considered the same as the closing balance of equity estimated for FY 2019-20. Since no additional capitalization is projected by ATIL for the years of the control period the equity amount is constant for all the years of the control period.

5.7.3 ATIL has submitted that as per Regulation 34.2 of MYT regulation 2019, the rate of return on equity as allowed by the Commission under regulation 29 of MYT Regulation 2019 shall be grossed up with the effective Tax rate of Respective financial year. Accordingly, Income Tax rate is grossed up to calculate RoE.

5.7.4 The Computation of RoE as submitted by ATIL is shown in Table below:

Table 84: Projections for Return on Equity for Fourth Control Period submitted by ATIL (Rs. Crore)

Return on Equity	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Regulatory Equity at the beginning of the year	213.96	213.96	213.96	213.96	213.96
Capitalisation during the year	-	-	-	-	-
Equity portion of capitalisation during the year	-	-	-	-	-
Reduction in Equity Capital on account of retirement / replacement of assets	-	-	-	-	-
Regulatory Equity at the end of the year	213.96	213.96	213.96	213.96	213.96
Base Rate of Return on Equity	14.00%	14.00%	14.00%	14.00%	14.00%
Pre-tax Return on Equity after considering effective Tax rate$$	17.85%	17.85%	17.85%	17.85%	17.85%
Return on Regulatory Equity at the beginning of the year	38.18	38.18	38.18	38.18	38.18
Return on Regulatory Equity addition during the year	-	-	-	-	-
Total Return on Regulatory Equity	**38.18**	**38.18**	**38.18**	**38.18**	**38.18**

Commission's Analysis and Ruling

5.7.5 The Commission has approved the projection on Return on Regulatory based on Regulation 29 of the MYT regulation. The relevant extracts of the regulation used for computing the rate of return and the amount of return on regulatory equity is given below:

> *29.2 Base Return on Equity for the Generating Company, Transmission Licensee, Distribution Wires Business and MSLDC shall be allowed on the equity capital determined in accordance with Regulation 27 for the assets put to use, at the rate of 14 per cent per annum in Indian Rupee terms…*
>
> *29.3 The Base Return on Equity shall be computed in the following manner:*
>
> *(a) Return at the allowable rate as per this Regulation, applied on the amount of equity capital at the commencement of the Year; plus*
>
> *(b) Return at the allowable rate as per this Regulation, applied on 50 per cent of the equity capital portion of the allowable capital cost, for the investments put to use in Generation Business or Transmission Business or Distribution Business or MSLDC, for such Year:*

5.7.6 As above, the MYT Regulations specify that the effective tax rate as per latest truing up year shall be considered for grossing up the RoE for MYT Control Period. The MAT rate for FY 2017-18 and FY 2018-19 was 21.34% and 21.55%, respectively. The Corporate Tax Rate for FY 2017-18 and FY 2018-19 was 34.608% and 34.95%, respectively. However, the GoI has reduced the effective Income Tax rates recently. The effective MAT rate is reduced to 17.47% and effective Corporate Tax rate is reduced to 25.17%. Thus the Utilities are envisaged to derive the benefit of this revised tax rate in the coming years. The Commission is of the view that the Licensee benefit of the reduced tax rate shall be available to the consumers and the same should be factored in the ARR projection itself. Therefore, the Commission in exercise of inherent powers to deal in the best interest of utility and consumers in just and equitable manner and also in exercise of "Power to remove difficulties" as per Regulation 102 of MYT Regulations, 2015 and considers effective tax rate as 17.47% for arriving at the rate of grossed up ROE for the 4th Control Period.

5.7.7 Accordingly, considering applicability of MAT rate for ATIL, the RoE of 14 % grossed up for MAT rate of 17.47% works out to 16.96%.

5.7.8 ROE for Fourth Control Period from 2020-21 to 2024-25 is approved based on norms as per MYT Regulation 2019. The rate for computation of RoE is considered as 16.96 %, as per the Regulations grossed up with the effective Tax rate. Accordingly, the approved

RoE for Fourth Control Period has been summarised in the following Table below:

Table 85: Projection for Return on Equity for Fourth Control Period approved by the Commission (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
	Approved in this Order	Approved in this Order	Approved in this Order	Approved in this Order	Approved in this Order
Opening Equity	213.71	213.71	213.71	213.71	213.71
Additions to equity towards capital investments	-	-	-	-	-
Retirement	-	-	-	-	-
Closing balance of Equity	213.71	213.71	213.71	213.71	213.71
Pre-Tax ROE Rate	16.96%	16.96%	16.96%	16.96%	16.96%
ROE on Opening Equity	36.25	36.25	36.25	36.25	36.25
ROE on additions during the Year	-	-	-	-	-
Total Return on Equity	**36.25**	**36.25**	**36.25**	**36.25**	**36.25**

5.8 Non-Tariff Income

ATIL's Submission

5.8.1 ATIL submitted that it has not considered any projections for non-tariff income in view of no investments anticipated towards contingency reserves in the future year.

Table 86: Non-Tariff Income for Fourth Control Period as submitted by ATIL (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Non-Tariff Income	-	-	-	-	-

Commission's Analysis and Ruling

5.8.2 The Non-Tariff income for transmission licensees for the Fourth control period is projected according to the provisions in Regulation 62 of MYT Regulation, 2019. The income categories as provided in the below for reference:

"62.2 The Non-Tariff Income shall include:

a) Income from rent of land or buildings;

b) Income from sale of scrap;

c) Income from investments;

d) Interest income on advances to suppliers/contractors;

e) Income from rental from staff quarters;

f) Income from rental from contractors;

g) Income from hire charges from contactors and others;

h) Supervision charges for capital works;

i) Income from advertisements;

j) Income from sale of tender documents;

k) Any other Non-Tariff Income:"

5.8.3 The Commission has projected the Non-Tariff Income for 4th Control Period to be equivalent to Income from Contingency reserves approved on notional basis considering 10-Year G-Sec rate as on 31st January 2020, equivalent to 6.86 % p.a. for all the years of 4th Control Period.

5.8.4 As per the direction given by the Commission in the previous section, to transfer all the existing investments made towards Mutual Funds out of approved contribution to contingency reserve into the approved Government securities (G-Sec) bonds by 30th September, 2020, the Income from these investment would accrue to ATIL from 1st October, 2020 onwards. Therefore, the Commission has approved the Income from Contingency Reserve as a Non- Tariff Income for half-year for FY 2020-21.

5.8.5 Hence, approved projections for the Non-Tariff income for the Fourth control period are as given below:

Table 87: Non-Tariff Income for Fourth Control Period as approved by the Commission (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
	Approved in this Order	Approved in this Order	Approved in this Order	Approved in this Order	Approved in this Order
Non-Tariff Income	0.34	0.73	0.86	0.98	1.10

5.9 Revised Aggregate Revenue Requirement for Fourth Control Period

ATIL's Submission

5.9.1 ATIL has proposed to recover the Revenue Gaps of FY 2017-18, FY 2018-19 and FY 2019-20 through monthly Tariff in FY 2020-21. Accordingly, ATIL has proposed the ARR along with the Revenue Gap to be recovered for FY 2020-21 as below:

Table 88 : Cumulative ARR recoverable in FY 2020-21 as submitted by ATIL (Rs. Crore)

Particulars		FY 2020-21
Stand alone ARR for the year FY 2020-21	a	119.52
Revenue Gap/ (Surplus) - FY 2017-18	b=c+d+e+f	14.91
Availability Incentive	c	1.01
Revenue Gap/ (Surplus)	d	11.07
Carrying Cost for Delay in Recovery of ARR for FY 17-18	e	2.66
Carrying Cost for Delay in Recovery of Incentive of FY 2017-18	f	0.18
Revenue Gap/ (Surplus) - FY 2018-19	g=h+i+j+k+l	18.55
Availability Incentive	h	0.99
Revenue Gap/ (Surplus)	i	10.64
Under Recovery of Tariff to be recovered for FY 2018-19	j	5.15
Carrying Cost for Delay in Recovery of True up ARR for FY 18-19	k	1.68
Carrying Cost for Delay in Recovery of Incentive of FY 2018-19	l	0.10
Revenue Gap/ (Surplus) - FY 2019-20	m	13.98
Revenue Gap - APTEL Judgement	n=o+p+q	100.01
Revenue Gap - Bus Reactor - APTEL Judgement	o	34.54
Carrying Cost - Bus Reactor - APTEL Judgement	p	17.10
Revenue Gap - DPC - APTEL Judgement	q	21.85
Carrying Cost - DPC - APTEL Judgement	r	8.79
Additional Income Tax Liability - APTEL Judgement	s=(o+p+q+r)*21.54%	17.72
Revenue Gap/(Surplus)	**t=b+g+m+n**	147.45
Cumulative ARR Recovery	**u=a+t**	266.97

5.9.2 The revised ARR proposed by ATIL for Fourth Control Period is as summarized below:

Table 89: ARR for Fourth Control Period as submitted by ATIL (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Operation & Maintenance Expenses	12.27	12.78	13.26	13.74	14.29

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Depreciation	37.66	37.66	37.66	37.66	37.66
Interest on Long-term Loan	25.54	20.55	15.56	10.57	5.58
Interest on Working Capital	2.30	2.25	2.19	2.14	2.09
Income Tax Expense					
Contribution to Contingency Reserves	3.57	3.57	3.57	3.57	3.57
Total Revenue Expenditure	**81.34**	**76.80**	**72.23**	**67.68**	**63.18**
Return on Equity Capital	38.18	38.18	38.18	38.18	38.18
Aggregate Revenue Requirement	**119.52**	**114.98**	**110.42**	**105.86**	**101.37**
Less: Non-Tariff Income	-	-	-	-	-
Less: Income from Other Business	-	-	-	-	-
Less: Income from Open Access charges	-	-	-	-	-
Net Aggregate Revenue Requirement	**119.52**	**114.98**	**110.42**	**105.86**	**101.37**
Impact of Gap/(Surplus) for FY 2017-18 including Carrying Cost and Availability Incentive	14.91	-	-	-	-
Impact of Gap/(Surplus) for FY 2018-19 including Carrying Cost and Availability Incentive	18.55	-	-	-	-
Impact of Gap/(Surplus) for FY 2019-20	13.98	-	-	-	-
Impact of Gap/(Surplus) from FY 2012-13 to FY 2016-17 against the APTEL's Judgement	100.01	-	-	-	-
Cumulative Aggregate Revenue Requirement Recovery	**266.97**	**114.98**	**110.42**	**105.86**	**101.37**

Commission's Analysis and Ruling

5.9.3 The approved stand-alone Revenue Requirement for each Year of the MYT Control Period from FY 2020-21 to FY 2024-25 is shown in the Table below:

Table 90: Stand-alone ARR for Fourth Control Period as approved by the Commission (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Operation & Maintenance Expenses	12.27	12.78	13.26	13.74	14.29
Depreciation Expenses	37.61	37.61	37.61	37.61	37.61
Interest on Long-term Loan Capital	23.86	19.27	14.68	10.09	5.50
Interest on Working Capital and on security deposits	2.44	2.42	2.35	2.28	2.21
Income Tax	-	-	-	-	-
Contribution to Contingency reserves	1.78	1.78	1.78	1.78	1.78
Total Revenue Expenditure	**77.96**	**73.87**	**69.68**	**65.51**	**61.40**
Return on Equity Capital	36.25	36.25	36.25	36.25	36.25
Aggregate Revenue Requirement	**114.22**	**110.12**	**105.93**	**101.76**	**97.65**
Less: Non-Tariff Income	0.34	0.73	0.86	0.98	1.10

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Less: Income from Other Business	-	-	-	-	-
Less: Income from Open Access charges	-	-	-	-	-
Standalone ARR	**113.88**	**109.39**	**105.08**	**100.78**	**96.55**

5.9.4 In addition to the above, the Commission has also approved the Revenue Gap after truing up of FY 2017-18 and FY 2018-19 along with associated Carrying cost, and the Revenue Gap after Provisional Truing up for FY 2019-20 which amounts to Rs. 104.76 Crore. This revenue gap is normally added to the standalone Revenue Requirement of FY 2020-21 for recovery through Transmission Tariff when the recovery is envisaged in a single year. However, this approved consolidated revenue requirement (including stand alone and past revenue gap) in FY 2020-21 will be significantly higher than the ARR of Rs. 114.58 Crore for FY 2019-20 as approved in the MTR Order in Case No. 170 of 2017. Further, in FY 2021-22 and the future years, the Revenue Requirement substantially reduces. A similar situation prevails in the MYT Orders for other Transmission Licensees in the State of Maharashtra.

5.9.5 The intra-State Transmission Charges in Maharashtra are based on the pooled ARR of all Transmission Licensees in the State. As a result, the intra-State Transmission Charges in the State will spike in FY 2020-21 and reduce in subsequent years. This will have a consequential adverse effect on the ARR of the Distribution Licensees in Maharashtra, who share the pooled intra-State Transmission Charges in the ratio of their share of Coincident Peak Demand (CPD) and Non-Coincident Peak Demand (NCPD).

5.9.6 In view of the above, the Commission has decided to smoothen the recovery of the intra-State Transmission Charges, by spreading the Revenue Requirement of ATIL over the 5 years of the MYT Control Period in such a manner that the intra-State Transmission Charges are around the same level for the entire Control Period, in terms of Rs/kWh. The associated Carrying Cost on account of spread of recovery over the Control Period has also been included in the overall recovery. The rate of interest considered for computing the Carrying Cost is the same rate considered for computing IoWC for the respective years. The following table provides the details of Carrying Cost over the 4th Control Period, i.e., from FY 2020-21 to FY 2024-25.

Table 91: Carrying Cost on account of Phasing of Gap from FY 2020-21 to FY 2024-25, as approved by the Commission (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Opening Balance		83.81	62.86	41.91	20.95
Addition during the year	104.76				

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Recovery during the year	20.95	20.95	20.95	20.95	20.95
Closing Balance	83.81	62.86	41.91	20.95	-
Average Balance	41.91	73.33	52.38	31.43	10.48
Wtg. Average rate of Interest	9.55%	9.55%	9.55%	9.55%	9.55%
Carrying / (Holding) Cost	4.00	7.00	5.00	3.00	1.00
Past Gaps including Carrying Cost	**24.95**	**27.96**	**25.96**	**23.95**	**21.95**

5.9.7 Accordingly, considering the above, the approved cumulative Revenue Requirement of ATIL for each Year of the MYT Control Period from FY 2020-21 to FY 2024-25 after spreading the revenue gap over the Control Period is shown in the Table below:

Table 92: Projection of cumulative ARR for Fourth Control Period as approved by the Commission (Rs. Crore)

Particulars	Petitioned					Approved in this Order				
	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Operation & Maintenance Expenses	12.27	12.78	13.26	13.74	14.29	12.27	12.78	13.26	13.74	14.29
Depreciation Expenses	37.66	37.66	37.66	37.66	37.66	37.61	37.61	37.61	37.61	37.61
Interest on Long-term Loan Capital	25.54	20.55	15.56	10.57	5.58	23.86	19.27	14.68	10.09	5.50
Interest on Working Capital and on security deposits	2.30	2.25	2.19	2.14	2.09	2.44	2.42	2.35	2.28	2.21
Income Tax						-	-	-	-	-
Contribution to Contingency reserves	3.57	3.57	3.57	3.57	3.57	1.78	1.78	1.78	1.78	1.78
Total Revenue Expenditure	**81.34**	**76.80**	**72.23**	**67.68**	**63.18**	**77.96**	**73.87**	**69.68**	**65.51**	**61.40**
Return on Equity Capital	38.18	38.18	38.18	38.18	38.18	36.25	36.25	36.25	36.25	36.25
Aggregate Revenue Requirement	**119.52**	**114.98**	**110.42**	**105.86**	**101.37**	**114.22**	**110.12**	**105.93**	**101.76**	**97.65**
Less: Non-Tariff Income	-	-	-	-	-	0.34	0.73	0.86	0.98	1.10
Aggregate Revenue Requirement from Transmission Tariff	**119.52**	**114.98**	**110.42**	**105.86**	**101.37**	**113.88**	**109.39**	**105.08**	**100.78**	**96.55**
Recovery of Past year Gap/(Surplus) including Carrying Cost	147.45	-	-	-	-	24.95	27.96	25.96	23.95	21.95
Cumulative Aggregate Revenue Requirement Recovery	**266.97**	**114.98**	**110.42**	**105.86**	**101.37**	**138.83**	**137.34**	**131.03**	**124.74**	**118.50**

6 Recovery of ARR and Transmission Charges

6.1.1 In accordance with the Transmission Pricing Framework and the MYT Regulation, 2019, the approved revised ARR for the Fourth Control Period is to be recovered through the Total Transmission System Cost (TTSC) of the respective years.

6.1.2 The Commission also notes that the 400kV transmission infrastructure comprising two transmission lines set up by ATIL as a Transmission Licensee was envisaged for evacuation of power from thermal power 1980 MW (3X660 MW) thermal power project at Tiroda (Gondia). The said transmission infrastructure comprising of 400 kV Double Circuit Transmission Line with Quad Conductor from Tiroda (Gondia) to 400 kV Warora Switching Station and associated bays, have evacuation capacity of 4,422 MW. However, based on recent line loading statistics, it is observed that each of these line/ckt is being utilised only upto 27 % of its actual capacity (around 1,212 MW). This is the situation even after several years of commissioning of such transmission asset. Without getting into merits of design consideration at the time of installation, such underutilization or overcapacity design of transmission assets is a matter of concern as the investment is already made and common consumers have been paying for this. Facilitating setting up of excess capacity, was never the intend of the Regulatory Framework of the Commission. In this context, the Commission would like to take a comprehensive review of all such cases in the State and evolve a transmission pricing framework whereby transmission charges are levied on all the beneficiaries giving due consideration to actual beneficiaries for whom infrastructure was set up, level of utilisation by each beneficiaries etc., such that there is no undue benefit or burden on any beneficiaries. Regulation 67 of MYT Regulations, 2019 enables the Commission, after conducting a detailed study and due Regulatory process, to change the existing transmission pricing framework to one considering the factors such as voltage, distance, direction and quantum of flow based on the methodology specified by CERC, as may deem appropriate.

7 Applicability of Order

7.1.1 This Order shall come into effect from 1 April 2020.

The Petition of M/s Adani Transmission (India) Limited in Case No. 289 of 2019 stands disposed of accordingly.

Sd/-	**Sd/-**	**Sd/-**
(Mukesh Khullar)	**(I.M. Bohari)**	**(Anand B. Kulkarni)**
Member	**Member**	**Chairperson**

(Abhijit Deshpande)
Secretary

MAHARASHTRA ELECTRICITY REGULATORY COMMISSION
॥ आदित्य हृदयम ॥

APPENDIX 1

List of Persons attended the TVS held on 21 November, 2019

Sr. No.	Name	Organisation
1	Shri Bhavesh Kundalia	ATIL
2	Shri Pinkesh Kumar	ATIL
3	Shri Nitin Patel	ATIL
4	Shri Akshay Mathur	ATIL

APPENDIX II

List of Persons who attended the Public Hearing on 7 January, 2020

Sr. No.	Name	Organisation
1	Shri Kiran Karande	ATIL
2	Shri Pinkesh Kumar	ATIL
3	Shri. Akshay Mathur	ATIL
4	Shri P.S. Sale	STU