

**MAHARASHTRA EASTERN GRID POWER
TRANSMISSION COMPANY LIMITED**

REVISED PETITION TOWARDS: -

**True-up of Annual Revenue Requirement
for FY 2017-18 & FY 2018-19; Provisional
True-up for FY 2019-20 and Forecast of
Annual Revenue Requirement for FY
2020-21 to FY 2024-25**

FILED WITH:-

**MAHARASHTRA ELECTRICITY
REGULATORY COMMISSION**

EXECUTIVE SUMMARY

1. EXECUTIVE SUMMARY

Introduction

- 1.1 The transmission system under the present Petition had been identified by STU based on load flow studies and was a part of STU Network Plan for FY 2010-11 to FY 2014-15. Maharashtra Eastern Grid Power Transmission Company Limited (MEGPTCL/ Petitioner) has been granted Transmission Licence No. 1 of 2010 vide the Commission's Order dated September 14, 2010 to establish and operate the licensed transmission system.
- 1.2 The transmission system under Licence is required for evacuation of power from Thermal Power Stations in the north-eastern part of Maharashtra to the load centres in central and western part of the State. The said objective has been fulfilled by successfully commissioning the MEGPTCL Transmission system in phases by March 31, 2015.
- 1.3 The entire transmission system was segregated in different Sets for the purpose of tariff determination based on Commercial Operation Date. The commissioning schedule was worked out in such a way that each set was independently capable of transmitting power from the date of its commissioning and become an integral part of the Intra-State Transmission System (InSTS).
- 1.4 The Petitioner would like to submit that Hon'ble Commission pursuant to its order dated 30.06.2016 in case No. 112 of 2015 has approved amendment to its license No. 1 of 2010 on 04.07.2017. By such amendment, the Petitioner is required to install one Additional ICT of 1500 MVA each at Tiroda and Akolla Sub-Station. The Petitioner received Communication on 27.02.2017 from Chief Engineer (STU), MSETCL that Office of CE (STU) is taking review of requirement of additional 765 /400 kV ICTs at 765 kV Tiroda and Akola-II Sub-Station of Petitioner in existing and future scenario and hence the Petitioner has been requested to hold the activities related to construction of additional 765/400 kV ICTs at 765 kV Tiroda and Akola-II S/s of MEGPTCL till further instructions.

In this regard, to discuss the issue a meeting was called by Hon'ble Chairman cum Managing Director (CMD) of MSETCL on 30.10.2017. During the meeting Hon'ble CMD has directed MSETCL field officials and MEGPTCL to confirm / explore the following

- 1) Whether RRS scheme is available at both the substation?
- 2) If available, whether it is manual (connections & disconnections are involved on primary side & control side) or semi manual (combination of isolator operations & Connections/disconnections)
- 3) What is the response of RRS scheme under contingency?
- 4) Whether it is possible to minimize the response time with implementation of any innovative scheme?

Subsequent to this the Petitioner has provided its response by its letter dated 25.11.2017 with a copy marked to Hon'ble Commission.

The Petitioner shall proceed in this regard, in accordance with requirement of STU.

Statutory Provisions

1.5 The Petitioner, being a Transmission Licensee endeavours to operate under the stipulated regulatory regime. The Transmission Business is governed and regulated under following Act, Policy and Regulations:

- Electricity Act 2003;
- National Electricity Policy;
- National Tariff Policy; and
- MERC (Multi Year Tariff) Regulations, 2015 and 2019

1.6 The Hon'ble Commission has notified MYT Regulations, 2019 for determination of tariff for Generation, Transmission and Distribution on 01.08.2019. Regulation 5 (1) (a) specifies Multi-Year Tariff Petition ("MYT") to be filed by 01.11.2019 by Transmission Licensees, comprising:

- a) 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;
- b) Provisional Truing-up for FY 2019-20 to be carried out under the Maharashtra Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2015;
- c) Aggregate Revenue Requirement for each year of the Control Period 2020-25 under MERC MYT Regulations, 2019;

1.7 In view of the above, MEGPTCL submits the following

- a) Petition for True-up of ARR for FY 2017-18 and 2018-19 as per provisions of MYT Regulations, 2015.
- b) Petition for Provisional True-Up of ARR for the year FY 2019-20 as per provisions of the MYT Regulations, 2015.
- c) Determination of of ARR for the year FY 2020-2021 to 2024-25 as per provisions of the MYT Regulations, 2019.
- d) The Hon'ble MERC by its order dated 18.12.2018 has decided Review Petition No. 303 of 2018 filed by the Petitioner against Hon'ble MERC Order dated 12.09.2018 in case No. 169 of 2017. The Hon'ble Commission had allowed partly out of three issues raised by the Petitioner. The Petitioner has submitted working of revision in tariff for implementing Hon'ble MERC Order dated 18.12.2018.

Basis for Computation of True-up, Provisional True-up & Revised Forecast of ARR

1.8 Based on the capital cost incurred and claimed by the Petitioner in case No. 50 of 2016 and Case No. 169 of 2017, the True-up of FY 2017-18 and FY 2018-19 and provisional

true-up of ARR of FY 2019-20 has been determined in line with the MERC (MYT) Regulations, 2015. The Audited Annual Accounts for FY 2017-18 and FY 2018-19 are submitted at **Annexure 1 & Annexure 2**. The components considered in True-up of ARR are:

- (a) Operation and Maintenance Expense
- (b) Depreciation
- (c) Interest on Loan Capital
- (d) Interest on working capital and deposits from Transmission System Users
- (e) Income Tax
- (f) Contribution to contingency reserves
- (g) Return on Equity Capital
- (h) Non-Tariff Income
- (i) Income from Other Business, to the extent specified in the Regulations
- (j) Sharing of gains and losses
- (k) Carrying cost and incentive

1.9 The Petitioner has carried out the True-up of ARR on the following basis:

- (l) True-up of ARR for FY 2017-18 and FY 2018-19 based on capital cost incurred and claimed by Petitioner for Assets under Set 1, Set 2a, Set 2b and Set 3 as on COD along with additional capital cost for respective sets after COD, if any, and provisions of MYT Regulations, 2011 & 2015 including powers of this Hon'ble Commission to remove difficulties under Regulations No. 100 of MYT 2011 and Regulation No. 102 of MYT 2015 and other Regulations.
- (m) The Hon'ble Commission has approved start of tariff date for all elements of Transmission System prior to 2017-18 and therefore, the Petitioner has worked out True-Up of ARR, Provisional True-Up of ARR and estimated ARR considering Composite Transmission System and not on Set-wise basis. The Petitioner request Hon'ble Commission to consider the same.
- (n) Provisional True up for ARR for FY 2019-20 based on Actual Capital Cost incurred and claimed as on COD and additional Capital cost for FY 2017-18 & 2018-19, and provisions of MYT Regulations, 2015 including Powers of this Hon'ble Commission to remove difficulties under Regulations 100 and other Regulations.
- (o) ARR for the Control Period from FY 2020-21 to FY 2024-25 projected as per the provisions of MYT Regulations, 2019 including Powers of this Hon'ble Commission to remove difficulties under Regulations 106 and other Regulations.
- (p) Carrying cost upto March 31, 2020 as follows:
 - Carrying cost for difference in approved ARR & actual Revenue Requirement after adjusting gain (Loss) for delay in approval of recovery in FY 2017-18.

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- Carrying cost for difference in approved ARR & actual Revenue Requirement after adjusting gain (Loss) for delay in approval of recovery in FY 2018-19.
 - Additional Carrying cost for non-recovery of InSTS approved tariff for Five months i.e. April-August, 2018 as the recovery according to InSTS started from September, 2018 and continued upto 31.03.2019.

(q) Revenue Gap/ (Surplus) has been determined as per provisions of the MYT Regulations, 2015 for the year 2017-18 and 2018-19 and 2019-20.

1.10 Aggrieved by the order of Hon'ble Commission dated 05.07.2016 in case No. 50 of 2016, the Petitioner has filed an Appeal with Hon'ble APTEL registered as Appeal No. 260 of 2016. The hearing of this appeal is under progress before Hon'ble APTEL. The Petitioner has claimed following reliefs from Hon'ble APTEL in the said appeal.

- (r) Allowing CoD as proposed by the Petitioner, of the third set of Transmission Lines and Commencement of Revenue.
- (s) Allowing FERV on material import and Price Variation.
- (t) Allowing various capital cost components.
- (u) Not to consider outstanding Delayed Payment Charges (DPC) as Non-Tariff Income for reduction of allowable ARR.
- (v) To allow actual O&M Cost.
- (w) To approve actual Interest on long term loan.

The Petitioner has also filed an appeal before Hon'ble APTEL challenging order dated 12.09.2018 of Hon'ble Commission in case No. 169 of 2017 for following issues. This Appeal has been registered with Hon'ble APTEL as Appeal No. 18 of 2019.

1. Non-allowance of actual Operation and Maintenance claimed by the Appellant for FY 2015-16 and FY 2016-17;
2. Disallowance of Capital Cost and its consequential impact upon Return on Equity, Interest on long term loan & Depreciation for FY 15-16 and FY 16-17;
 - a) Disallowance of FERV on materials
 - b) Price escalation / price variation
 - c) Financing and IDC charge
 - d) Additional bays at Akola II sub-station
 - e) Additional tower of 400 kV
 - f) Idling and Demurrage Charges.

3. Reduction of the quantum of Working Capital and resultant non-allowance of Interest on Working Capital (IoWC) claimed by the Appellant for FY 2015-16, and consideration of IoWC for FY 2016-17 as efficiency gain;
4. Consideration of Delayed Payment Surcharge (DPC) as non-tariff income;
5. Non-allowance of contribution towards contingency reserve;
6. Non-allowance of actual long-term interest on loan;
7. Non-Consideration of claim of reimbursement of FERV cost beyond Commercial Operation Date (COD) for FY 2016-17;
8. Erroneous calculation for working out interest on Long Term loan (For Set- 3) for the FY 2015-16; and
9. Arithmetic error while working out amount of maintenance spares as part of working capital requirement for the FY 2015-16.

1.11 The Petitioner would like to submit that this Petition is filed by the Petitioner without Prejudice to its rights arising out orders of Hon'ble APTEL in above referred appeals.

Trued up ARR of the Petitioner for the Second Control Period from FY 2017-18 and FY 2018-19, considering above factors, is summarized in the table below. Without prejudice to our claim,

Table 1-1: True Up of ARR – FY 2017-18 & 2018-19

(Rs. Crore)

Sr. No.	Particulars	FY 2017-18			FY 2018-19		
		MTPR	(Actual)	True Up Requirement	MTPR	(Actual)	True Up Requirement
1	O&M Expenses	97.90	113.24	15.34	102.83	120.02	17.20
2	Depreciation	281.87	306.92	25.05	281.87	307.31	25.44
3	Interest on Long-term Loan	340.20	421.07	80.87	308.42	382.49	74.07
4	Interest on Working Capital	19.82	22.54	2.72	19.65	21.25	1.60
5	Income Tax Expense	31.68	63.62	31.94	31.68	40.03	8.35
6	Contribution to Contingency Reserves	13.38	29.17	15.79	13.41	29.22	15.81

Sr. No.	Particulars	FY 2017-18			FY 2018-19		
		MTPR	(Actual)	True Up Requirement	MTPR	(Actual)	True Up Requirement
7	Total Revenue Expenditure	784.85	956.57	171.72	757.85	900.31	142.46
8	Return on Equity Capital	249.45	271.52	22.07	249.45	271.87	22.43
9	Aggregate Revenue Requirement	1034.30	1228.09	193.79	1007.30	1172.18	164.89
10	Less: Non-Tariff Income	0.49	0.01	-0.48	0.96	0.66	-0.30
11	Less: Income from Other Business						
12	Less: Income from Open Access charges						
	Net Aggregate Revenue Requirement	1033.81	1228.08	194.27	1006.34	1171.52	165.19

- 1.12 The Petitioner has also claimed Financial Implication on account of allowing claim of MEGPTCL for FERV on loan beyond CoD during 2015-16 along with Carrying cost, in terms of Order dated 18.12.2018 of Hon'ble Commission in case No. 303 of 2018, directing the Petitioner to claim financial implication in next MYT Petition.
- 1.13 The Petitioner would like to draw kind attention to Regulation No. 57.2 of MYT Regulation, 2015, which provides that Availability Incentive is entitled on achieving Annual Availability beyond the Availability of 99%. In view of this, the Petitioner has claimed Availability Incentive for the year 2017-18 and 2018-19 for actual availability beyond target availability 99%. These regulations further provide that Availability incentive shall be granted for the availability upto 99.75%.
- 1.14 The Annual availability of the Petitioner for the Year 2017-18 and 2018-19 is 99.77% and 99.76% respectively. The Annual Availability Certificate issued to the Petitioner by MSLDC is attached to the Petition as **Annexure 3 & Annexure 4**.

Table 1-2: True Up Summary

(Rs. Crore)

Sr. No.	Particulars	Formula	Actual for FY 2017-18	Actual for FY 2018-19
1	ARR approved in the MTPR Order	a	1033.81	1006.34
2	Gain (loss) on account of Uncontrollable factor to be passed on to the consumers	b	192.10	163.58
3	1/3 rd Gain (loss) on account of Controllable factor to be passed on to the consumers	c	0.72	1.17
4	Trued-up ARR	d = a+b+c	1226.63	1171.09
5	Availability Incentive	e	9.30	8.88
6	Carrying Cost for Delay in Recovery of ARR for FY 17-18	f	42.21	
8	Carrying Cost for Delay in Recovery of Incentive of FY 2017-18	g	1.84	
9	Carrying Cost for Delay in Recovery of ARR for FY 18-19	h		38.39
10	Carrying Cost for Delay in Recovery of Incentive of FY 2018-19	i		0.88
11	Total revenue recovered from TSUs during the year	j	1087.31	934.03
14	Revenue Gap/(Surplus)	k=d+e+f+g+h+i+j	192.68	285.21

1.15 For FY 2019-20, MEGPTCL has compared actual performance for the first half year based on un-audited half yearly accounts and estimates for the second half with the approved ARR in the MYT Order. A comparison of the approved and revised ARR for FY 2019-20 is provided in the table below.

Table 1-3: Comparison of Approved Vs. Estimated ARR for FY 2019-20

(Rs. Crore)

Particulars	FY 2019-20		
	Approved (MTPR)	Estimated	True Up Requirement
O&M Expenses	108.10	115.85	7.74
Depreciation Expenses	281.87	308.35	26.48
Interest on Long-term Loan Capital	275.52	342.29	66.77
Interest on Working Capital and on consumer security deposits	17.44	21.28	3.84
Income Tax	31.68	74.94	43.46
Contribution to contingency reserves	13.41	29.25	15.84
Total Revenue Expenditure	728.03	891.96	163.93
Return on Equity Capital	249.45	272.79	23.35
Aggregate Revenue Requirement	977.48	1164.75	187.27
Less: Non-Tariff Income	1.91		-1.91
Less: Income from Other Business			
Less: Income from Open Access charges			
Aggregate Revenue Requirement from Transmission Tariff	975.57	1164.75	189.18

1.16 The Petitioner has not claimed any carrying cost and incentive for FY 2019-20. Incentive and carrying cost for FY 2019-20 would be claimed at the time of final true-up for that year.

1.17 Forecast of ARR for the Forth Control Period from FY 2020-21 to FY 2024-25 is provided in the following table:

Table 1-4: Summary of Revised Forecast of ARR for FY 2020-21 & FY 2024-25

(Rs. Crore)

Particulars	FY 2020-21 (Estimated)	FY 2021-22 (Estimated)	FY 2022-23 (Estimated)	FY 2023- 24 (Estimated)	FY 2024-25 (Estimated)
O&M Expenses	110.98	115.33	119.93	124.70	129.64
Depreciation Expenses	309.23	309.23	309.23	309.23	309.23
Interest on Loan Capital	302.90	261.93	220.96	179.98	139.01
Interest on Working Capital and on Consumer Security Deposits	20.32	19.89	19.47	19.06	18.64
Income Tax					
Contribution to contingency reserves	29.42	29.42	29.42	29.42	29.42
Total Revenue Expenditure	772.84	735.79	699.00	662.38	625.94
Add: Return on Equity Capital	314.96	314.96	314.96	314.96	314.96
Aggregate Revenue Requirement	1087.80	1050.75	1013.96	977.34	940.90
Less: Non Tariff Income					
Less: Income from Other Business					
Less: Income from Open Access charges					
Aggregate Revenue Requirement from Transmission	1087.80	1050.75	1013.96	977.34	940.90

1.18 The Petitioner would like to submit that the Cumulative ARR for FY 2020-21 (incl of Revenue Gap/ (Surplus)) is as below

Table 1-5: Cumulative ARR for FY 2020-21 & 2021-22

(Rs Crore)

Particulars		FY 2020-21	FY 2021-22
Stand alone ARR for the year	a	1087.80	1050.75
Revenue Gap/ (Surplus) - FY 2017-18	b=c+d+e+f	192.68	-
Availability Incentive	c	9.30	-
Revenue Gap/ (Surplus) of ARR	d	139.32	-
Carrying Cost for Delay in Recovery of ARR for FY 17-18	e	42.21	-
Carrying Cost for Delay in Recovery of Incentive of FY 2017-18	f	1.84	-
Revenue Gap/ (Surplus) - FY 2018-19	g=h+i+j+k+l	285.20	-
Availability Incentive	h	8.88	-
Revenue Gap/ (Surplus) of ARR	i	237.06	-
Carrying Cost for Delay in Recovery of True up ARR for FY 18-19	k	38.39	-
Carrying Cost for Delay in Recovery of Incentive of FY 2018-19	l	0.88	-
Revenue Gap/ (Surplus) - Insts Under Recovery	m = n+o	64.14	-
Under Recovery of Tariff to be recovered for FY 2018-19	n	54.73	
Carrying Cost of Under Recovery	o	9.41	
Revenue Gap/ (Surplus) - FY 2019-20	p	189.18	
Revenue Gap/ (surplus) - FERV recovery in Tariff - Review Petition Impact	q = r+s+t+u	37.99	
FERV Recovery in Tariff - FY 2015-16	r	20.40	
Carrying Cost on Unrecovered FERV of FY 2015-16	s	9.73	
FERV Recovery in Tariff - FY 2016-17	t	5.82	
Carrying Cost on Unrecovered FERV of FY 2016-17	u	2.04	
Revenue Gap/(Surplus)	v=b+g+m+p	769.20	-
Cumulative ARR Recovery	w=a+v	1857.00	1050.75

1.19 The Petitioner has claimed Operation and Maintenance Expense for the New Control Period by projecting the actual / estimated O&M Expense for FY 2018-19 by considering appropriate inflation index as highlighted in relevant section of Chapter 5 of this Petition. The Hon'ble Commission is requested to approve such deviation by using its

powers under the Regulation No. 106 "Power to Remove Difficulties" of the MYT Regulations, 2019.

Prayers to the Hon'ble Commission

In view of the above facts and circumstances, the Petitioner prays to the Hon'ble Commission that it may be pleased to:

- (a) Admit the present Petition.
- (b) Allow Capital Cost claimed in this Petition.
- (c) Approve the Operation and Maintenance expense as claimed in this Petition.
- (d) Allow under recovery of ARR for the year 2018-19, along with Carrying cost, as revenue recovery for the year 2018-19 allowed by InSTS Order dated 12.09.2018 in case No. 265 of 2018, commenced w.e.f 01.09.2018.
- (e) Allow financial implication (relief) along with Carrying cost, in terms order of Hon'ble Commission in case No. 303 of 2018 dated 18.12.2018
- (f) Approve the true-up of ARR along with carrying cost and incentive for FY 2017-18 and FY 2018-19
- (g) Approve the provisional true-up of ARR for FY 2019-20 as indicated in this Petition
- (h) Approve the ARR for the Period from FY 2020-21 to FY 2024-25 as indicated in this Petition
- (i) Condone the delay in filing the Petition, if any, for reasons stated in the Petition
- (j) Condone any inadvertent omissions/errors/shortcomings and permit MEGPTCL to add/change/modify/alter this filing and make further submissions as may be required at a future date.
- (k) Allow any other relief, order or direction, which the Hon'ble Commission deems fit to be issued
- (l) Pass such further orders, as the Hon'ble Commission may deem fit and appropriate, keeping in view the facts and circumstances of the case.