

AEML Transmission  
MYT Petition

Executive Summary -  
English

Case No. 297 of 2019

# EXECUTIVE SUMMARY



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## 1 INTRODUCTION

### 1.1 Multi-Year Tariff (MYT) Regulations

The Hon'ble Maharashtra Electricity Regulatory Commission (hereinafter referred to as "Hon'ble Commission"/ "Hon'ble MERC") has issued the following Regulations in exercise of powers conferred under relevant sections of the Electricity Act, 2003 (hereinafter referred to as EA, 03):

- Maharashtra Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2015 (hereinafter referred to as MYT Regulations, 2015) on December 8, 2015 and the Maharashtra Electricity Regulatory Commission (Multi Year Tariff) (First Amendment) Regulations, 2017
- Maharashtra Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2019 (hereinafter referred to as MYT Regulations, 2019) on August 1, 2019

MYT Regulations, 2015 are applicable for the Control Period from FY 16-17 to FY 19-20, while MYT Regulations, 2019 are applicable for the Control Period from FY 20-21 to FY 24-25.

### 1.2 Background for submission of Multi-Year Tariff (MYT) Petition

Regulation 5.1 (a) of MYT Regulations, 2019 provides for filing of Multi-Year Tariff Petition comprising of:

- Truing up for FY 17-18 and FY 18-19 as governed under the MYT Regulations, 2015
- Provisional truing up for FY 19-20 as governed under the MYT Regulations, 2015
- Aggregate Revenue Requirement (ARR) for each year of the Control Period from FY 20-21 to FY 24-25 as governed under the MYT Regulations, 2019

Hon'ble Commission issued Multi Year Tariff (MYT) Mid Term Review (MTR) Order dated 12-09-2018 in Case No. 201 of 2017 (hereinafter referred to as MTR Order), wherein provisional truing up for FY 17-18 and revised ARR for FY 18-19 and FY 19-20 was approved. Aggrieved by certain issues, AEML-T filed a Review Petition before the Hon'ble Commission in Case No. 315 of 2018. The Hon'ble Commission issued the Order on 12-12-2018.

The present MYT Petition is being filed in accordance with the MYT Regulations, 2015, MYT Regulations, 2019, MTR Order and the Review Order.



### 1.3 Licence – Adani Electricity Mumbai Limited

The Hon'ble Commission vide letter dated September 29, 2018 has assigned Transmission Licence to Adani Electricity Mumbai Limited (AEML).

Thus, Transmission Licence No. 1 of 2011 dated August 11, 2011, amendment to the Transmission Licence dated March 14, 2016 and amendment to the Transmission Licence dated August 18, 2017 stands in the name of Adani Electricity Mumbai Limited. As on date, the transmission licence, rights and obligations thereunder and assets in transmission system are vested with AEML. Since the present petition pertains to the Transmission business of AEML, this petition has been filed by AEML-T (transmission business of AEML) as the petitioner.





## 2 TRUING UP FOR FY 17-18 & FY 18-19

AEML-T is submitting the actuals for FY 17-18 & FY 18-19 with respect to capital expenditure, revenue expenditure and revenue income for the purposes of truing-up.

### 2.1 Capital Expenditure and Capitalization

The capital expenditure and capitalization is as follows:

**Table 1: Capex & Capitalization FY 17-18**

Particulars (Rs. crore)	Capitalization	Capex	Capitalization (including IDC)
	MTR Order		Actual
DPR	73.45	81.22	73.45
Non-DPR	10.84	4.87	10.84
Total	84.29	86.09	84.29

**Table 2: Capex & Capitalization FY 18-19**

Particulars (Rs. crore)	Capitalization	Capex	Capitalization (including IDC)
	MTR Order		Actual
DPR	16.17	45.21	26.25
Non-DPR	3.00	4.57	4.44
Total	19.17	49.78	30.69

### 2.2 Parameters for ARR determination for FY 17-18 & FY 18-19

- Depreciation: Computed as per provisions of MYT Regulations, 2015.
- Interest on loan capital: Weighted average rate of interest on the basis of actual loan portfolio during the year considered and interest computed as per provisions of MYT Regulations, 2015.
- Return on Equity: Computed as per provisions of MYT Regulations, 2015.
- Operation & Maintenance (O&M) expenses: Actual expenses compared with normative expenses and net entitlement derived thereon as per provisions of MYT Regulations, 2015.
- Interest on Working Capital (IoWC): Actual interest (FY 17-18- Nil & FY 18-19- actual interest incurred) is compared with normative interest (computed considering normative working capital and interest rate as per provisions of MYT Regulations, 2015) and net entitlement derived thereon.

- f. Contribution to Contingency Reserves: Computed as per provisions of MYT Regulations, 2015.
- g. Income Tax: Computed income tax based on approved methodology of determining stand-alone Regulatory Profit before Tax (PBT) for Transmission business.
- h. Non-Tariff Income (NTI): As per actual. However, certain elements not considered, as elaborated in the petition.
- i. Income from Other Business: Computed as per provisions of MYT Regulations, 2015.
- j. Revenue from InSTS: As per actual after netting off rebate.
- k. Availability Incentive: Computed as per provisions of MYT Regulations, 2015.

### 2.3 Additional impact in FY 18-19

The Hon'ble Commission vide letter dated September 29, 2018 has assigned Transmission Licence to AEML.

Accordingly, in FY 18-19, AEML has refinanced outstanding loans by lower cost loans. For the same, AEML has incurred expenditure towards refiancning charges. Also, fresh loans have been taken by AEML for capital expenditure and AEML has also obtained working capital sanctions and, in the process, has incurred finance charges. Thus, financing charges and refinancing charges are being claimed separately.

Further, as per provisions of MYT Regulations, 2015, AEML has worked out the gains associated with net savings in interest cost on account of refinancing and has proposed to share the net savings in the ratio of 2:1 and the same is being included in the ARR.

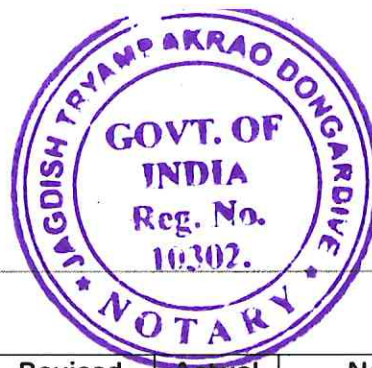
### 2.4 Revenue Gap/ Surplus for FY 17-18 & FY 18-19

The revenue gap/ surplus for FY 17-18 and FY 18-19 is arrived at on comparing the revenue received from InSTS and the Aggregate Revenue Requirement (net of Non-Tariff Income and Income from Other Business).

**Table 3:** Truing up Summary for FY 17-18

S N	Particulars (Rs. crore)	MTR Order	Revised Normative	Actual	Net entitlement	Difference
	<b>Expenditure</b>					
1.	Operation & Maintenance expenses	56.53	56.78	59.12	57.56	1.03





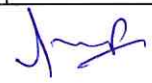
**adani**  
Electricity

S N	Particulars (Rs. crore)	MTR Order	Revised Normative	Actual	Net entitlement	Difference
2.	Depreciation	64.78		64.78	64.78	-
3.	Interest on long-term loan capital	56.94		54.89	54.89	(2.05)
4.	Interest on working capital	5.97	5.97	0.00	1.99	(3.98)
5.	Income Tax	22.85		27.48	27.48	4.63
6.	Contribution to contingency reserve	3.76		3.76	3.76	-
7.	<b>Total revenue expenditure</b>	<b>210.83</b>			<b>210.47</b>	<b>(0.36)</b>
8.	Return on equity	78.31		78.31	78.31	-
9.	<b>Aggregate Revenue Requirement</b>	<b>289.14</b>			<b>288.78</b>	<b>(0.36)</b>
10.	Less: Non-Tariff income	4.37		4.59	4.59	(0.22)
11.	Less: Income from other business	0.09		0.09	0.09	-
12.	<b>ARR from Transmission tariff</b>	<b>284.69</b>			<b>284.10</b>	<b>(0.59)</b>
13.	Revenue from InSTS	310.15		308.79	308.79	(1.36)
14.	Availability incentive			2.15	2.15	2.15
15.	<b>Revenue Gap/ (Surplus) = (12 - 13 + 14)</b>	<b>(25.46)</b>			<b>(22.54)</b>	<b>2.92</b>

In accordance with the above Regulation, the surplus for FY 17-18 along with half-year carrying cost is considered in the ARR for FY 20-21 and is detailed in the section pertaining to ARR for FY 20-21 to FY 24-25.

**Table 4:** Truing up Summary for FY 18-19

S N	Particulars (Rs. crore)	MTR Order	Normative	Actual	Net entitlement			Difference
					Pre- AEML	Post- AEML	Total	
	<b>Expenditure</b>							
1.	Operation & Maintenance expenses	59.99	60.50	60.51	22.74	37.76	60.50	0.51
2.	Depreciation	69.19		68.95	28.33	40.61	68.95	(0.24)
3.	Interest on long-term loan capital	49.15		46.32	21.78	24.53	46.32	(2.83)
4.	Financing charges	-		2.18	-	2.18	2.18	2.18
5.	Refinancing charges	-		32.78	-	32.78	32.78	32.78
6.	Refinancing NPV	-		4.67	-	4.67	4.67	4.67
7.	Interest on working capital	5.26	5.73	3.25	0.78	3.29	4.08	(1.19)
8.	Income Tax	22.85		22.44	9.16	13.28	22.44	(0.41)
9.	Contribution to contingency reserve	3.97		3.97	-	3.97	3.97	-
10.	<b>Total revenue expenditure</b>	<b>210.41</b>			<b>82.80</b>	<b>163.08</b>	<b>245.88</b>	<b>35.46</b>
11.	Return on equity	80.71		80.90	33.02	47.88	80.90	0.19



S N	Particulars (Rs. crore)	MTR Order	Normative	Actual	Net entitlement			Difference
					Pre- AEML	Post- AEML	Total	
12.	<b>Aggregate Revenue Requirement (ARR)</b>	<b>291.12</b>			<b>115.82</b>	<b>210.96</b>	<b>326.78</b>	<b>35.66</b>
13.	Less: Non-Tariff income	3.82		5.72	2.32	3.40	5.72	1.90
14.	Less: Income from other business	0.09		0.11	0.05	0.07	0.11	0.02
15.	<b>Net ARR</b>	<b>287.21</b>			<b>113.45</b>	<b>207.49</b>	<b>320.94</b>	<b>33.73</b>
16.	Incentive	-		2.43	0.86	1.57	2.43	2.43
17.	Gap till FY 18	(13.52)			-	(13.52)	(13.52)	-
18.	Carrying cost	4.57			-	4.57	4.57	-
19.	<b>ARR from Transmission</b>	<b>278.26</b>			<b>114.31</b>	<b>200.11</b>	<b>314.42</b>	<b>36.16</b>
20.	Revenue from InSTS	278.26			130.47	164.72	295.19	16.93
21.	<b>Revenue Gap/ (Surplus) = (19 - 20)</b>	<b>-</b>			<b>(16.16)</b>	<b>35.39</b>	<b>19.23</b>	<b>19.23</b>

AEML-T requests the Hon'ble Commission to kindly approve the above-mentioned revenue gap/ surplus for FY 17-18 & FY 18-19.

In accordance with the MYT Regulations, 2015, the gap/ surplus for FY 17-18 & FY 18-19 along with half-year carrying cost is considered in the ARR for FY 20-21.



### 3 PROVISIONAL TRUING UP FOR FY 19-20

AEML-T is submitting the provisional actuals for FY 19-20 with respect to capital expenditure, revenue expenditure and revenue income.

#### 3.1 Capital Investment Plan and Capitalization

AEML-T is herewith submitting the capital expenditure/ capitalization for FY 19-20 considering the proposed planning for the entire FY 19-20, including the provisional actuals for the first half. It is submitted that both Aarey-Borivali connectivity as well as new Bays at Versova EHV station are expected to be commissioned towards the end of FY 19-20, contributing to the capitalization in H2.

The capital expenditure and capitalization is as follows:

**Table 5:** Capitalization FY 19-20

Capitalization including IDC (Rs. crore)	MTR Order	H1 (provisional actual)	H2 (projected)	Total
DPR	353.17	0.51	315.83	316.33
Non-DPR	30.00	4.70	28.30	33.00
Total	383.17	5.21	344.12	349.33

#### 3.2 Parameters for ARR determination for FY 19-20

- Depreciation: Computed as per provisions of MYT Regulations, 2015.
- Interest on loan capital: Weighted average rate of interest on the basis of actual loan portfolio as at the beginning of the year considered and interest computed as per provisions of MYT Regulations, 2015.
- Return on Equity: Computed as per provisions of MYT Regulations, 2015.
- Operation & Maintenance (O&M) expenses: Since FY 19-20 being provisional truing-up, normative expenses derived as per provisions of MYT Regulations, 2015. Further, impact pertaining to Hon'ble SC judgment on PF contribution and GoM notification on minimum wages is proposed to be claimed additionally over and above the normative expense.
- Interest on Working Capital (IoWC): Since FY 19-20 being provisional truing-up, IoWC is claimed on normative basis as per provisions of MYT Regulations, 2015.
- Contribution to Contingency Reserves: Computed as per provisions of MYT Regulations, 2015.



- g. Income Tax: As per provisions of MYT Regulations, 2015, income tax has been provisionally considered for FY 19-20 at the same level as actually payable income tax for FY 18-19 worked out on the basis of Regulated PBT.
- h. Non-Tariff Income (NTI): Estimated considering past trends and provisional actual for H1 of FY 19-20.
- i. Revenue from InSTS: FY 19-20 being provisional truing-up, revenue considered is billed revenue.

### 3.3 Provisional Revenue Gap/ Surplus for FY 19-20

The summary of provisional actual for FY 19-20 is provided below:

**Table 6:** Provisional Gap/ (Surplus) for FY 19-20

S N	Particulars (Rs. crore)	MTR Order	Provisional Actual	Difference
	<b>Expenditure</b>			
1.	Operation & Maintenance expenses	64.69	64.76	0.07
2.	Depreciation	79.54	74.57	(4.97)
3.	Interest on long-term loan capital	55.78	50.50	(5.28)
4.	Interest on working capital	5.79	5.83	0.04
5.	Income Tax	22.85	22.44	(0.41)
6.	Contribution to contingency reserve	4.02	4.04	0.02
7.	<b>Total revenue expenditure</b>	<b>232.67</b>	<b>222.14</b>	<b>(10.53)</b>
8.	Return on equity	90.06	89.66	(0.40)
9.	<b>Aggregate Revenue Requirement</b>	<b>322.73</b>	<b>311.79</b>	<b>(10.94)</b>
10.	Less: Non-Tariff income	4.21	3.77	(0.44)
11.	Less: Income from other business	0.09	-	(0.09)
12.	<b>ARR from Transmission</b>	<b>318.44</b>	<b>308.03</b>	<b>(10.41)</b>
13.	Revenue from InSTS	318.44	318.44	-
14.	<b>Revenue Gap/ (Surplus) = (12 - 13)</b>	<b>-</b>	<b>(10.41)</b>	<b>(10.41)</b>

AEML-T requests the Hon'ble Commission to kindly approve the above-mentioned provisional revenue surplus for FY 19-20. The said surplus is considered in the ARR for FY 20-21.



#### 4 ARR FOR FY 20-21 TO FY 24-25

AEML-T is presenting the ARR projections for the next 5 years of the Control Period i.e., FY 20-21 to FY 24-25, as per the provisions of the MYT Regulations, 2019.

##### 4.1 Capital Investment Plan and Capitalization

The schemes considered for the Control Period include the schemes that are in-principally approved by the Hon'ble Commission and schemes pending for submission before the Hon'ble Commission, that are at various stages of discussion before the State Transmission Utility (STU) and which will be submitted to the Hon'ble Commission once the STU accords its approval.

The capital expenditure and capitalization (inclusive of IDC) is as follows:

**Table 7:** Capitalization FY 20-21 to FY 24-25

Particulars (Rs. crore)	FY	FY	FY	FY	FY
	20-21	21-22	22-23	23-24	24-25
DPR	665.80	1,155.30	819.82	5,872.13	979.43
Non-DPR	32.78	20.00	20.00	20.00	20.00
Total	698.57	1,175.30	839.82	5,892.13	999.43

##### 4.2 Parameters for ARR determination for the Control Period

- Depreciation: Computed as per provisions of MYT Regulations, 2019.
- Interest on loan capital: Weighted average rate of interest at the start of each year of the Control Period is considered the same as that at the beginning of FY 19-20. Interest is computed as per provisions of MYT Regulations, 2019.
- Return on Equity: As per provisions of MYT Regulations, 2019, Base RoE of 14% and additional RoE linked to actual performance shall be allowed. Actual performance is in terms of availability parameter. Considering the historical performance of AEML-T with regard to availability parameter, AEML-T has in this petition, computed return considering RoE at 15.5% and grossing up with MAT rate.
- Operation & Maintenance (O&M) expenses: AEML-T has estimated the addition of circuit kms and bays for each year of the Control Period based on the proposed completion of various capital works. Norms have been applied as provided for in Regulation 61.4 of MYT Regulations, 2019 for voltages that already exist in AEML-T system and as provided for in Regulation 61.6 of MYT Regulations, 2019 for voltages



that are proposed by AEML-T for the first time. Further, impact pertaining to Hon'ble SC judgment on PF contribution, GoM notification on minimum wages and ground rental charges for Aarey-Borivali cable connectivity is proposed to be claimed additionally over and above the normative expense.

- e. Interest on Working Capital (IoWC): IoWC is claimed on normative basis as per provisions of MYT Regulations, 2019.
- f. Contribution to Contingency Reserves: Computed as per provisions of MYT Regulations, 2019.
- g. Non-Tariff Income (NTI): Proposed NTI consists of rental income from land usage and interest on contingency reserve investments.

#### 4.3 Carrying cost on Revenue Gap/ Surplus for FY 17-18 and FY 18-19 till FY 20-21

As per the provisions of the MYT Regulations, 2015 and MYT Regulations, 2019, carrying cost on the revenue gap/ (surplus) for FY 17-18 and FY 18-19 has been worked out. The carrying cost has been computed as per Regulation 32 of the MYT Regulations, 2015 till FY 19-20 and as per Regulation 33 of the MYT Regulations, 2019 for FY 20-21.

#### 4.4 Impact of Order in MTR Review Petition Case No. 315 of 2018

AEML-T had against the MTR Petition in Case No. 201 of 2017 filed a review petition being Case No. 315 of 2018. The Hon'ble Commission vide its Order dated 12-12-2018 dismissed the review petition. Accordingly, the total impact of the review amounts to Rs. 1.75 crore inclusive of carrying cost of Rs. 0.50 crore.

#### 4.5 ARR for FY 20-21 to FY 24-25

The total projected ARR for each year of the Control Period FY 20-21 to FY 24-25 is as shown in the table below:

**Table 8:** ARR for FY 20-21 to FY 24-25

S N	Particulars (Rs. crore)	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
	<b>Expenditure</b>					
1.	Operation & Maintenance expenses	62.40	73.76	91.15	113.08	133.53

S N	Particulars (Rs. crore)	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
2.	Depreciation	105.28	148.92	193.47	357.83	522.44
3.	Interest on long-term loan capital	75.55	123.41	171.74	360.03	538.49
4.	Interest on working capital	7.07	9.59	12.90	20.69	33.40
5.	Contribution to contingency reserve	4.91	6.66	9.60	11.70	26.43
6.	<b>Total revenue expenditure</b>	<b>255.21</b>	<b>362.34</b>	<b>478.86</b>	<b>863.33</b>	<b>1,254.28</b>
7.	Return on equity	138.15	190.94	247.71	437.37	631.52
8.	<b>Aggregate Revenue Requirement</b>	<b>393.36</b>	<b>553.28</b>	<b>726.57</b>	<b>1,300.69</b>	<b>1,885.79</b>
9.	Less: Non-Tariff income	2.63	2.63	2.63	2.63	2.63
10.	<b>ARR from Transmission</b>	<b>390.74</b>	<b>550.65</b>	<b>723.94</b>	<b>1,298.06</b>	<b>1,883.17</b>
11.	FY 17-18 revenue gap/ (surplus)- incremental	2.92				
12.	Carrying cost on above	(2.33)				
13.	FY 18-19 revenue gap/ (surplus)	19.23				
14.	Carrying cost on above	3.22				
15.	FY 16-17 impact of review petition with carrying cost	(1.75)				
16.	FY 19-20 revenue gap/ (surplus)	(10.41)				
17.	<b>Revenue Gap/ (Surplus)</b>	<b>401.63</b>	<b>550.65</b>	<b>723.94</b>	<b>1,298.06</b>	<b>1,883.17</b>

AEML-T requests the Hon'ble Commission to approve the aforesaid ARR to be recovered from Transmission tariff for each year of the Control Period.





## 5 PRAYERS

AEML-T prays that this Hon'ble Commission may be pleased to:

1. Admit the petition as submitted herewith;
2. Approve the actual revenue gap/ surplus arising on account of truing-up for FY 2017-18 and FY 2018-19 along with the carrying cost as worked out in this petition;
3. Approve the provisional ARR and revenue gap/ surplus for FY 2019-20 as worked out in this petition;
4. Approve the ARR for each year of the Control Period FY 2020-21 to FY 2024-25, as projected in this Petition;
5. Allow additions/ alterations/ modifications/ changes in the Petition at a future date;
6. Allow any other relief, order or direction, which the Hon'ble Commission deems fit to be passed;
7. Condone any inadvertent errors/ inconsistencies/ omissions/ rounding off differences, etc. as may be there in the said Petition.

Kishor Patil

Authorized Representative

Adani Electricity Mumbai Limited

Mumbai

December 5, 2019