



Executive Summary

Jagdish

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1. EXECUTIVE SUMMARY

1.1 Background and Scope of the Petition

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

- Truing up for FY 2017-18 and FY 2018-19 as governed under the MYT Regulations, 2015;
- Provisional truing up for FY 2019-20 as governed under the MYT Regulations, 2015;
- Aggregate Revenue Requirement (ARR) for each year of the Control Period from FY 2020-21 to FY 2024-25 as governed under the MYT Regulations, 2019.

Adani Electricity Mumbai Limited (AEML) is a 100% subsidiary of Adani Transmission Ltd. formed post acquisition of Reliance Infrastructure Limited's integrated Generation, Transmission and Distribution utilities powering Mumbai city. During FY 2018-19, vide a Scheme of Arrangement, which has been duly approved by the Hon'ble High Court of Bombay vide its Order dated November 20, 2017 read with earlier order dated January 19, 2017, the Mumbai Generation, Transmission and Distribution business ("GTD Business") of Reliance Infrastructure Limited was vested with M/s. Adani Electricity Mumbai Limited, (formerly known as Reliance Electric Generation and Supply Limited). Accordingly, AEML started conducting Mumbai GTD business in its own name from 29.08.2018.

2.1 Power Purchase Arrangement (PPA)

The Hon'ble Commission has approved the PPA with AEML-D for 5 years which is ending on 23rd February, 2023. This petition is filed considering that AEML-G shall continue to supply power to AEML-D through ADTPS under regulated tariff regime, as an ongoing business, through the duration of the Control Period (relevant for this petition) and beyond.

In view of various benefits of ADTPS, the PPA between AEML-G and AEML-D has been considered as continuing and this petition accordingly covers each year of the

Control Period. The Hon'ble Commission is requested to approve this approach and provide Fixed and Variable charges for each year of the Control Period. The issue of further approval of PPA shall anyway be dealt with in separate proceedings.

2. IMPACT OF REVIEW ORDER IN CASE NO. 316 OF 2018

The Hon'ble Commission issued the Order dated 12 September, 2018 in Case No. 202 of 2017 in the matter of the Mid Term Review (MTR) Petition for Truing Up of FY 2015-16 and FY 2016-17, Provisional Truing Up of FY 2017-18 and Revised Projections of ARR and Determination of Tariff for FY 2018-19 and FY 2019-20. Aggrieved by certain issues, AEML-G filed a Review Petition before the Hon'ble Commission numbered as Case No. 316 of 2018. The Hon'ble Commission issued the Order on 7 December, 2018 wherein it allowed the review on following issues:

- Disallowance of cost of imported coal for FY 2017-18
- Disallowance of cost of DPR schemes

The summary of the impact of review Order (with respect to additional capitalisation allowed) in Case No. 316 of 2018 is shown in the Table below:

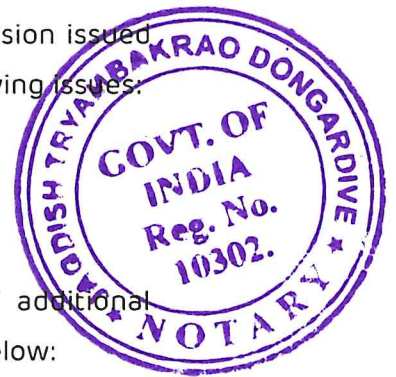


Table 1 Impact of Review Order

Rs. Crore

| Particulars | FY 2015-16 | | FY 2016-17 | |
|--------------|---------------|-----------------|---------------|-----------------|
| | MTR Order | Revised True up | MTR Order | Revised True up |
| Depreciation | 27.86 | 27.87 | 29.81 | 29.85 |
| Interest | 19.85 | 19.89 | 19.10 | 19.24 |
| RoE | 88.23 | 88.23 | 90.26 | 90.35 |
| Income Tax | 33.28 | 33.26 | 28.44 | 28.38 |
| Total | 169.22 | 169.26 | 167.62 | 167.82 |

Therefore, AEML-G requests the Hon'ble Commission to approve the impact of review Order as Rs. 0.04 Crore for FY 2015-16 and Rs. 0.20 Crore for FY 2016-17 and revise the fixed asset balances for FY 2015-16 and FY 2016-17 accordingly, as shown in the tables above. The impact of additional allowances in ARR along with carrying cost on the same is considered as part of the ARR for FY 2020-21.

3. TRUING UP OF FY 2017-18, FY 2018-19 and Provisional Truing up for FY 2019-20

3.1 Operational Performance

AEML-G has elaborated the comparison of actual and normative performance parameters for said years. The availability have been more than the target of 85% enabling full fixed cost recovery however, PLF have been in variance to the norms on largely on account of backing down instructions issued by MSLDC.

3.2 Energy Charges:

For the purpose of truing-up of energy charges for FY 2017-18 and FY 2018-19, AEML-G has computed energy charges for the actual generation based on actual price and calorific value of fuels and normative performance parameters. For FY 2019-20, actual and estimated the performance of with projected performance for the year.

3.3 Fixed Charges:

For the purpose of fixed charges, AEML-G has provided the details of actual capitalisation in FY 2017-18 and FY 2018-19. The other elements of ARR has been claimed based on following:

- a. Depreciation: Computed as per provisions of the MYT Regulations, 2015.
- b. Interest on loan capital: Weighted average rate of interest on basis of actual loan portfolio (for FY 2017-18: AEML-T and AEML-D for FY 2017-18 since there was no actual loan and for 2018-19: AEML-T and AEML-D for period till 28.08.2018 and actual for the period from 29.08.2018 to 31.03.2019) during the year considered and interest computed as per provisions of MYT Regulations, 2015.
- c. Return on Equity: Computed as per provisions of MYT Regulations, 2015.
- d. Operation & Maintenance (O&M) expenses: Actual expenses compared with normative expenses and net entitlement derived thereon as per provisions of MYT Regulations, 2015.
 - o For FY 2018-19, impact of GST has been claimed as un-controllable expenses

- e. Interest on Working Capital (IoWC): Actual interest 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. Income Tax: Computed income tax based on approved methodology of determining stand-alone Regulatory Profit before Tax (PBT) for Generation business.
- g. Non-Tariff Income (NTI): As per actual. However, certain elements not considered, as elaborated in the petition.
- h. Revenue from Sale of Power: As per actual



3.4 Additional impact in FY 18-19

In FY 18-19, AEML has refinanced outstanding loans by lower cost loans. For the same, AEML has incurred expenditure towards refinancing 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.

The overall true-up for FY 2017-18 and FY 2018-19 and provisional true-up for FY 2019-20 is shown in the Table below:

3.5 Truing Up for FY 2017-18

Based on the above discussion, AEML-G submits the summary of truing up for FY 2017-18 in table below:

Table 2: True Up summary for FY 2017-18

| Sr. No. | Particulars (in Rs. Crore) | MTR Order | Revised Allowable | Actual |
|---------|----------------------------|-----------|-------------------|----------|
| | Expenditure | | | |
| 1 | Fuel Expenses | 1,050.19 | 1,134.10 | 1,070.25 |

| Sr. No. | Particulars (in Rs. Crore) | MTR Order | Revised Allowable | Actual |
|----------|-----------------------------------------------------------------------------------|-----------------|-------------------|-----------------|
| 2 | Operation & Maintenance Expenses | 158.20 | 159.36 | 156.59 |
| 3 | Depreciation | 30.90 | | 31.59 |
| 4 | Interest on Long-term Loan Capital | 19.87 | | 18.98 |
| 5 | Interest on Working Capital | 13.36 | 22.19 | 0.00 |
| 6 | Income Tax | 28.44 | | 20.10 |
| | | | | |
| A | Total Expenditure | 1,300.97 | | 1,297.51 |
| | | | | |
| 7 | Return on Equity | 92.34 | | 92.64 |
| 8 | Add: Incentive for Higher PLF | - | | - |
| 9 | Add: 1/3 rd of Efficiency gain/(losses) in Fuel Cost | - | | 21.28 |
| 10 | Add: 2/3 rd of Efficiency gain/(losses) in O&M Expenses | - | | 0.92 |
| 11 | Add: 1/3 rd of Efficiency gain/(losses) in Interest on working capital | - | | 7.40 |
| | | | | |
| B | Total of RoE+ Gains+ Incentive (A+7+8+9+10+11) | 1,393.31 | | 1,419.76 |
| | | | | |
| | Revenue | | | |
| 12 | Revenue from sale of electricity | 1,468.76 | | 1,468.76 |
| 13 | Non Tariff Income | 17.27 | | 17.06 |
| | | | | |
| C | Total Revenue (12+13) | 1,486.03 | | 1,485.82 |
| | | | | |
| D | Revenue Gap/ (Surplus) (B-C) | -92.72 | | -66.06 |

AEML-G requests the Hon'ble Commission to kindly approve the above mentioned revenue surplus for FY 2017-18.

3.6 Truing Up for FY 2018-19

Based on the above discussion, AEML-G submits the summary of truing up for FY 2018-19 in table below:

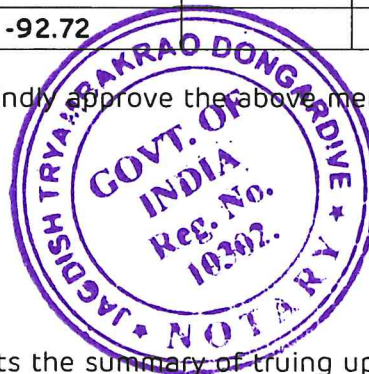


Table 3: True Up summary for FY 2018-19

| Sr. No. | Particulars (in Rs. Crore) | MTR Order | Revised Allowable | True-up Actual |
|----------|------------------------------------------------------------------------------------|----------------|-------------------|-----------------|
| | Expenditure | | | |
| 1 | Fuel Expenses | 1270.52 | 1,277.05 | 1,177.98 |
| 2 | Operation & Maintenance Expenses | 159.68 | 166.46 | 177.29 |
| 3 | Depreciation | 33.52 | | 34.32 |
| 4 | Interest on Long-term Loan Capital | 18.4 | | 18.29 |
| 5 | Interest on Working Capital | 11.97 | 23.98 | 8.23 |
| 6 | Income Tax | 28.44 | | 0.00 |
| 7 | Other Expenses | | | 3.53 |
| 8 | Refinancing Cost | | | 12.10 |
| 9 | NPV of Interest cost saving | | | 1.50 |
| A | Total Expenditure | 1522.53 | | 1,433.24 |
| 10 | Return on Equity | 94.33 | | 94.85 |
| 11 | Add: Incentive for Higher PLF | - | | - |
| 12 | Add: 1/3 rd of Efficiency gain/ (losses) in Fuel Cost | | | 33.02 |
| 13 | Less: 2/3 rd of Efficiency gain/ (losses) in O&M Expenses | | | -4.35 |
| 14 | Add: 1/3 rd of Efficiency gain/ (losses) in Interest on working capital | | | 5.26 |
| 15 | Previous year surplus | -153.91 | | -153.91 |
| B | Total of RoE+ Gains+ Incentive (A+10+11+12+13+14+15) | 1462.95 | | 1,408.12 |
| | Revenue | | | |
| 16 | Revenue from sale of electricity | 1453.46 | | 1,450.07 |
| 17 | Non Tariff Income | 9.49 | | 12.25 |
| C | Total Revenue | 1462.95 | | 1,462.31 |
| D | Revenue Gap/ (Surplus) (B-C) | 0 | | -54.20 |

AEML-G requests the Hon'ble Commission to kindly approve the above mentioned revenue surplus for FY 2018-19.



3.7 Provisional Truing Up for FY 2019-20

Based on the above discussion, AEML-G submits the summary of provisional truing up for FY 2019-20 in table below:

Table 4: True Up summary for FY 2019-20

| Sr. No. | Particulars (in Rs. Crore) | MTR Order | Revised Allowable | Provisional |
|----------|-----------------------------------------------|----------------|-------------------|-----------------|
| | Expenditure | | | |
| 1 | Fuel Expenses | 1274.18 | 1,226.83 | 1,226.83 |
| 2 | Operation & Maintenance Expenses | 166.31 | 180.52 | 180.52 |
| 3 | Depreciation | 36.01 | | 34.56 |
| 4 | Interest on Long-term Loan Capital | 17.4 | | 15.78 |
| 5 | Interest on Working Capital | 12.08 | 22.52 | 22.52 |
| 6 | Income Tax | 28.44 | | 37.73 |
| 7 | Other Expenses | 0 | | 0.00 |
| A | Total Expenditure | 1534.42 | | 1,517.93 |
| 8 | Return on Equity | 95.88 | | 96.62 |
| 9 | Add: Incentive for Higher PLF | | | |
| B | Total of RoE+ Gains+ Incentive (A+8+9) | 1630.3 | | 1,614.55 |
| | Revenue | | | |
| 10 | Revenue from sale of electricity | 1620.81 | | 1,573.45 |
| 11 | Non Tariff Income | 9.49 | | 18.93 |
| C | Total Revenue | 1630.3 | | 1,592.38 |
| D | Revenue Gap/ (Surplus) (B-C) | 0 | | 22.17 |

AEML-G requests the Hon'ble Commission to kindly approve the above mentioned revenue gap for FY 2019-20.

4. Carrying Cost on Revenue Gap/ (Surplus) of FY 2017-18 and FY 2018-19

The carrying cost on the revenue gaps / (surplus) of FY 2017-18 and FY 2018-19 has been worked out as per the terms of the MYT Regulations, 2019. Accordingly, AEML-G has computed the carrying cost and cumulative revenue gap / surplus as provided in the table below:

Table 5: Computation of carrying cost and cumulative revenue gap/ (surplus)

| Particulars | Rs. Crore |
|------------------------------------------------------|----------------|
| Incremental revenue gap for FY 15-16 & FY 16-17 | 0.24 |
| Incremental revenue gap for FY 17-18 | 26.66 |
| Revenue surplus for FY 18-19 | (54.20) |
| Carrying cost on revenue gap for FY 15-16 & FY 16-17 | 0.10 |
| Holding cost on revenue gap for FY 17-18 | (1.36) |
| Holding cost for revenue surplus of FY 18-19 | (10.72) |
| Revenue gap for FY 19-20 | 22.17 |
| Total | (17.10) |

Carrying cost has not been computed on the provisional revenue gap of FY 2019-20 in accordance with principle adopted this Hon'ble Commission in its earlier Order. Carrying cost for FY 2019-20 revenue gap shall be claimed in the Petition for final true-up of the said year.

AEML-G proposes to recover the said revenue gap / surplus in FY 2020-21 alone and not spread it over to remaining years of the Control Period.



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5. FORECAST OF AGGREGATE REVENUE REQUIREMENT FOR CONTROL PERIOD

5.1 Operational Performance for the Control Period

AEML-G has considered the operational norms specified in MYT Regulations, 2019 for Station Heat Rate, Auxiliary Consumption, Secondary Fuel Oil consumption except the Availability and PLF, for projecting generation and fuel cost thereon for the Control Period. ADTPS has projected a PLF equal to Availability considering outages during each year.

Following aspects have been considered while estimating the ARR for each year of the Control Period:

- O & M expenses – actual expenses for the last three years considered and escalated at 3.12%. Impact of GST and the Hon'ble Supreme Court Order on Provident Fund has been considered separately since the same is not included in the base expenses. Rationale for consideration of actual O & M expenses are provided in the petition.
- Depreciation- calculated based on projected closing balance for 2019-20 and proposed capitalization based on the Rates specified in the Regulations.
- Interest on loans- Claimed on normative basis.
- Interest on working capital – based on norms in the regulations and interest rate as based on method prescribed in the Regulations
- ROE – as per tariff regulations (14% as base ROE grossed up with MAT rate) and additional RoE (1.5% grossed up with MAT rate) considering that AEML-G will achieve the performance parameters specified in the Tariff Regulations.
- NTI – as per proposed income for FY 2019-20
- The Summary of ARR for the 4th Control Period for ADTPS is provided in the tables below:

5.2 Annual Revenue Requirement for the Control Period

Based on the cost components discussed above, the ARR for the period from FY 2020-21 to FY 2024-25 is being submitted in the table below:

Table 6: ARR for the Control Period

| Particulars | Units | FY 21 | FY 22 | FY 23 | FY 24 | FY 25 |
|-------------------------------------------|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Fuel Related Expenses | Rs. Cr | 1,374.18 | 1,374.18 | 1,374.18 | 1,378.10 | 1,374.18 |
| Operation & Maintenance Expenses | Rs. Cr | 177.93 | 183.42 | 183.42 | 189.08 | 189.08 |
| Depreciation | Rs. Cr | 36.35 | 39.58 | 41.34 | 35.03 | 36.11 |
| Interest on Loan Capital | Rs. Cr | 17.22 | 20.14 | 21.60 | 22.59 | 24.90 |
| Interest on Working Capital | Rs. Cr | 22.58 | 22.72 | 22.86 | 23.01 | 23.09 |
| Total Revenue Expenditure | Rs. Cr | 1,628.26 | 1,640.04 | 1,643.40 | 1,647.81 | 1,647.36 |
| Add: Return on Equity Capital | Rs. Cr | 121.21 | 126.87 | 131.42 | 135.38 | 140.29 |
| Less: Non-Tariff Income | Rs. Cr | -18.93 | -18.93 | -18.93 | -18.93 | -18.93 |
| Aggregate Revenue Requirement | Rs. Cr | 1,730.53 | 1,747.98 | 1,755.88 | 1,764.26 | 1,768.72 |
| Revenue Gap / (Surplus) of previous years | Rs. Cr | -17.10 | | | | |
| Net ARR | Rs. Cr | 1,713.44 | | | | |

Based on the above, the proposed AFC and variable charge for the next Control Period is shown in the table below:

Table 7: Tariff for the Control Period

| Particulars | Units | FY 21 | FY 22 | FY 23 | FY 24 | FY 25 |
|-------------------|---------|----------|----------|----------|----------|----------|
| Annual Fixed Cost | Rs. Cr | 339.26 | 373.80 | 381.70 | 386.16 | 394.54 |
| Variable Cost | Rs. Cr | 1,374.18 | 1,374.18 | 1,374.18 | 1,378.10 | 1,374.18 |
| Energy Charge | Rs./kWh | 3.714 | 3.714 | 3.714 | 3.714 | 3.714 |



In view of the above facts and circumstances, AEML-G prays the Hon'ble Commission may be pleased to:

1. Admit the petition as submitted herewith;
2. Approve the additional revenue gap on account of Review Order issued in Case No. 316 of 2018;
3. 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;
4. Approve the provisional ARR and revenue gap/ surplus for FY 2019-20 as worked out in this petition;
5. Approve the ARR & tariff for each year of the Control Period FY 2020-21 to FY 2024-25, as projected in this Petition;
6. Allow additions/ alterations/ modifications/ changes in the Petition at a future date;
7. Allow any other relief, order or direction, which the Hon'ble Commission deems fit to be passed;
8. Condone any inadvertent errors/ inconsistencies/ omissions/ rounding off differences, etc. as may be there in the said Petition.

Mumbai
10 December, 2019

Authorised Representative
Adani Electricity Mumbai Limited