

## **1. Executive Summary**

### **1.1 Background**

Maharashtra State Electricity Transmission Company Limited (MSETCL) is a State Transmission Utility with a dedicated responsibility of planning, developing, operating and maintaining the State Transmission System to facilitate transmission of electricity from its source to load centers. MSETCL is filing the current Petition for Truing up of Aggregate Revenue Requirement (ARR) for FY 2017-18 & FY 2018-19 and Provisional Truing up of ARR for FY 2019-20 as per Maharashtra Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2015 (hereinafter referred to as “MERC (MYT) Regulations, 2015”) and forecast of ARR for FY 2020-21 to FY 2024-25 of the Control Period in accordance with Maharashtra Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2019 (hereinafter referred to as “MERC (MYT) Regulations, 2019”) along with the impact of claim for disallowed Capitalization for FY 2011-12 to FY 2014-15 and FY 2015-16 to FY 2016-17.

MSETCL had filed Petition for Truing up of ARR for FY 2011-12, Annual Performance Review (APR) of FY 2012-13 & Multi Year Tariff (MYT) determination from FY 2013-14 to FY 2015-16 against which the Hon’ble Commission has issued Order in Case No. 39 of 2013 dated 13 February 2014. Aggrieved by the directives and certain error apparent in the impugned Order issued by the Hon’ble Commission, MSETCL subsequently had filed a Review Petition under Affidavit (listing specific grounds on which it sought review against specific aspects of the detailed Tariff Order) with the Hon’ble Commission. After validation of the plea made by MSETCL, the Hon’ble Commission has issued Review Tariff Order under Case No. 79 of 2014 dated 24 June 2014.

Subsequently, the Hon’ble Commission issued the *suo moto* amendment of Intra State Transmission Tariff Order on 14 August 2014 in Case No. 123 of 2014 revising the tariff for MSETCL for FY 2014-15 and FY 2015-16.

MSETCL submitted the Petition to MERC for Truing up of ARR for FY 2012-13, provisional True up for FY 2013-14 and approval of Revised Estimates of ARR for FY 2014-15 and FY 2015-16. The Hon’ble Commission issued the Order in Case No. 207 of 2014 in this respect on 26 June 2015. MSETCL submitted Review Petition (Case No. 105 of 2015) to the Hon’ble Commission in respect of the Order and an appeal with Hon’ble Appellate Tribunal for Electricity on 7<sup>th</sup> August 2015 (Case No. 242 of 2015) so that the resultant Revenue Gap after Final Truing up for FY 2012-13 and FY 2013-14, Provisional Truing up for FY 2014-15 and Revised Estimates of ARR for FY 2015-16 was appropriately

repeated. Hon'ble MERC passed an order in Case No. 105 dated 22<sup>nd</sup> December, 2015 related to the Review petition.

Hon'ble MERC issued the MERC (MYT) Regulations 2015, which was published in Gazette on 8<sup>th</sup> December, 2015. MSETCL submitted the Petition for True-up for FY 2014-15, Provisional True-up for FY 2015-16 based on MERC (MYT) Regulations, 2011 and ARR for FY 2016-17 to FY 2019-20 based on MERC (MYT) Regulations 2015, on February 10, 2016. After the Technical Validation Session (TVS) MSETCL submitted the revised Petition to the Hon'ble Commission on 13<sup>th</sup> April, 2016. The Hon'ble Commission issued the Order in Case No. 31 of 2016 dated 7<sup>th</sup> July, 2016 with respect to the revised MYT Petition filed by MSETCL on 13<sup>th</sup> April, 2016.

MSETCL submitted Review Petition (Case No. 281 of 2018) to the Hon'ble Commission in respect of the Order (in case No. 31 of 2016) and an appeal with Hon'ble Appellate Tribunal for Electricity on 11<sup>th</sup> August 2016 (Case No. 67 of 2017) over various issues in the said Order. MSETCL also submitted the MTR Petition for True-up for FY 2015-16 & FY 2016-17, Provisional True-up for FY 2017-18 and Revised forecast for ARR for FY 2018-19 and FY 2019-20 based on MERC (MYT) Regulations 2015, on 30<sup>th</sup> November 2017 and subsequently submitted revised Petition to the Hon'ble Commission on 11<sup>th</sup> June, 2018. The Hon'ble Commission issued the Order in Case No. 168 of 2017 dated 12<sup>th</sup> September, 2018 with respect to the revised MTR Petition filed by MSETCL.

MSETCL submitted a Review Petition (Case No. 313 of 2018) to the Hon'ble Commission in respect of the Order (in case No. 168 of 2017) and an appeal with Hon'ble Appellate Tribunal for Electricity on 4<sup>th</sup> February 2019 (DFR No. 507 of 2019) over various issues in the said Order.

## **1.2 The Present Petition**

MSETCL has worked out Final Truing up for FY 2017-18 and FY 2018-19 in the present Petition. The Audited Accounts and principles stipulated in the MERC (MYT) Regulations, 2015 have formed the basis for carrying out the Truing up for FY 2017-18 and FY 2018-19. MSETCL has also claimed the disallowed capitalization of previous years in the current Petition.

MSETCL has further worked out provisional Truing up for FY 2019-20 in this Petition. The provisional Accounts and principles stipulated in the MERC (MYT) Regulations, 2015 are considered basis for carrying out the provisional Truing up.

MSETCL has also computed ARR for FY 2020-21 to FY 2024-25 in accordance with the provisions of the MERC (MYT) Regulations, 2019 and incorporating the implications of the Truing up carried out for FY 2017-18, FY 2018-19 and provisional truing up for FY 2019-20.

### 1.2.1 Impact of Disallowed Capitalization of Assets for Previous Years

MSETCL had worked out the impact of disallowed capitalisation from FY 2010-11 to FY 2016-17 for depreciation including AAD, interest on long-term loan, return on equity and incentive on transmission availability pertaining to such assets. The additional impact of such disallowed capitalisation has been computed as the difference between MSETCL's claim of depreciation, interest expense, ROE and incentive for transmission availability for FY 2010-11 to FY 2016-17 in this Petition and the amounts approved by the Hon'ble Commission in its Order in Case No. 168 of 2017.

**Table 1 Impact of claim of Disallowed Capitalisation from FY 2010-11 to FY 2016-17**

Particulars	Rs Crore							Total
	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	
Difference in Interest on long term loan	3.15	8.36	11.41	16.21	18.84	20.96	22.58	101.51
Difference in ROE	1.14	2.71	3.94	5.90	7.05	8.35	4.65	33.73
Incentive on Transmission system availability	0.08	0.24	0.29	0.60	0.73	0.60	0.32	2.85
Depreciation including AAD	0.00	2.53	0.00	7.37	11.20	12.95	16.94	50.99
<b>Total</b>	<b>4.36</b>	<b>13.84</b>	<b>15.64</b>	<b>30.07</b>	<b>37.81</b>	<b>42.86</b>	<b>44.49</b>	<b>189.08</b>

### 1.2.2 Truing-up of ARR for FY 2017-18

MSETCL is filing this Petition for True-up of ARR for FY 2017-18 as the Audited Annual Accounts for FY 2017-18 are available. Aggregate Revenue Requirement (ARR) as filed in this Petition is more than that approved by the Hon'ble Commission in Order in Case No. 168 of 2017 on account of pass through of gains/losses in O & M expenses, increase in audited O&M Expenses and income tax claimed in this petition.

**Table 2 Truing-up Summary for FY 2017-18**

Rs. Crores

Particulars	MTR Order	Normative	FY 2017-18 (Actuals)	Net Entitlement of MSETCL after sharing of gain/(Loss)	True-Up requirement
Operation & Maintenance Expenses	1,329.69	2,189.12	1,439.35	1,689.14	359.45
Uncontrollable O&M Expenses (included in audited number)				0.19	0.19
Depreciation Expenses	978.79	-	987.68	987.68	8.89
Interest on Loan Capital	826.34	-	866.03	866.03	39.69
Other Interest and Finance Charges	0.27	-	0.18	0.18	(0.09)
Interest on Working Capital and on Consumer Security Deposits	18.68	81.70	18.13	39.32	20.64
Income Tax	-	-	196.51	196.51	196.51
Contribution to contingency reserves	117.76	-	118.57	118.57	0.81
<b>Total Revenue Expenditure</b>	<b>3,271.53</b>	-	<b>3,626.44</b>	<b>3,897.62</b>	<b>626.09</b>
Add: Return on Equity Capital	439.66	-	447.12	447.12	7.47
<b>Aggregate Revenue Requirement</b>	<b>3,711.18</b>	-	<b>4,073.57</b>	<b>4,344.74</b>	<b>633.56</b>
Less: Non-Tariff Income	178.58	-	138.68	138.68	(39.90)
Less: Income from Wheeling Charges from Goa and Dadra and Nagar Haveli and other sources	164.96	-	185.48	185.48	20.52
Less: Income from PoC charges for Inter-State lines	97.68	-	77.16	77.16	(20.52)
<b>Aggregate Revenue Requirement from Transmission</b>	<b>3,269.96</b>	-	<b>3,672.24</b>	<b>3,943.41</b>	<b>673.45</b>
Add: Incentive on transmission Availability of HVAC system	-	-	-	19.76	-
Add: Incentive on transmission Availability of HVDC system	-	-	-	1.98	-
<b>Revenue from transmission tariff</b>	<b>3,499.03</b>	-	-	<b>3,499.08</b>	-
Revenue Gap/(Surplus) for current year	(229.07)	-	-	466.08	-
Revenue Gap/(Surplus) till previous year	(164.15)	-	-	690.84	-
Cumulative Revenue Gap/(Surplus) till the year	(393.22)	-	-	1,156.92	-

### 1.2.3 Truing-up of ARR for FY 2018-19

MSETCL is filing this Petition for True-up of ARR for FY 2018-19 as the Audited Annual Accounts for FY 2018-19 are available. Aggregate Revenue Requirement (ARR) as filed in this Petition is more than that approved by the Hon'ble Commission in Order in Case No. 168 of 2017 on account of pass through of gains/losses in O & M expenses, income tax and return on equity being claimed as per the provisions of the MERC (MYT) Regulations, 2015 in this petition. Components of ARR like interest on long term loan, interest and finance charges claimed in this Petition are more as compared to figures approved by Hon'ble Commission.

**Table 3 Truing-up Summary for FY 2018-19**

Rs. Crores

Particulars	MTR Order	Normative	FY 2018-19 Audited (Actuals)	Net Entitlement of MSETCL after sharing of gain/(Loss)	True-Up requirement
Operation & Maintenance Expenses	1,439.00	2,427.18	1,435.72	1,760.66	321.66
Uncontrollable O&M Expenses (included in audited number)				8.31	8.31
Depreciation Expenses	1,036.10	-	1,033.11	1,033.11	(2.99)
Interest on Loan Capital	811.80	-	850.95	850.95	39.15
Other Interest and Finance Charges	2.59	-	0.26	0.26	(2.32)
Interest on Working Capital and on Consumer Security Deposits	10.00	79.79	0.78	27.12	17.12
Income Tax	-	-	159.63	159.63	159.63
Contribution to contingency reserves	63.32	-	64.97	64.97	1.65
<b>Total Revenue Expenditure</b>	<b>3,362.80</b>	<b>-</b>	<b>3,545.43</b>	<b>3,905.02</b>	<b>542.21</b>
Add: Return on Equity Capital	457.00	-	968.18	968.18	511.18
<b>Aggregate Revenue Requirement</b>	<b>3,819.80</b>	<b>-</b>	<b>4,513.61</b>	<b>4,873.20</b>	<b>1,053.40</b>
Less: Non-Tariff Income	214.08	-	183.73	183.73	(30.35)
Less: Income from Wheeling Charges from Goa and Dadra and Nagar Haveli and other sources	181.46	-	138.20	138.20	(43.26)
Less: Income from PoC charges for Inter-State lines	55.62	-	5.99	5.99	(49.63)
<b>Aggregate Revenue Requirement from Transmission</b>	<b>3,368.64</b>	<b>-</b>	<b>4,185.69</b>	<b>4,545.28</b>	<b>1,176.64</b>
Add: Incentive on transmission Availability of HVAC system	-	-	-	21.48	-
Add: Incentive on transmission Availability of HVDC system	-	-	-	-	-
<b>Revenue from transmission tariff</b>	<b>3,368.64</b>	<b>-</b>	<b>-</b>	<b>3,417.74</b>	<b>-</b>
Revenue Gap/(Surplus) for current year	(109.02)	-	-	1,149.02	-
Revenue Gap/(Surplus) till previous year	(393.22)	-	-	1,156.92	-
Carrying Cost / (Holding Cost)	(109.02)	-	-	-	-
Cumulative Revenue Gap/(Surplus) till the year	(502.24)	-	-	2,305.94	-

#### 1.2.4 Provisional Truing-up of ARR for FY 2019-20

MSETCL is filing this Petition for Provisional True-up of ARR for FY 2019-20 based on actual financial figures for April to August, 2019 and estimated financial figures for September 2019 to March 2020 for FY 2019-20. From the summary, it can be seen that Aggregate Revenue Requirement (ARR) as filed in this Petition is higher than that approved by the Hon'ble Commission in Order in Case No. 168 of 2017 on account of Wage Revision, claim of Income Tax for the year and return on equity being claimed as per the provisions of the MERC (MYT) Regulations, 2015.

**Table 4 Provisional Trueing-up Summary for FY 2019-20**

Rs. Crore

Particulars	MTR Order	Normative	FY 2019-20 (Provisional)	Provisional True-up
Operation & Maintenance Expenses	1,510.95	2,692.75	1,492.33	(18.62)
Uncontrollable O&M Expenses (included in audited number)			152.94	152.94
Depreciation Expenses	1,101.46		1,112.79	11.33
Interest on Loan Capital	797.90		838.53	40.63
Other Interest and Finance Charges	2.59		1.00	(1.59)
Interest on Working Capital and on Consumer Security Deposits	10.00	82.61	10.00	-
Income Tax	0.00		176.06	176.06
Contribution to contingency reserves	65.97		68.01	2.04
<b>Total Revenue Expenditure</b>	<b>3,488.87</b>		<b>3,851.65</b>	<b>362.78</b>
Add: Return on Equity Capital	477.68		1,007.76	530.08
<b>Aggregate Revenue Requirement</b>	<b>3,966.55</b>		<b>4,859.41</b>	<b>892.86</b>
Less: Non-Tariff Income	235.49		190.76	(44.73)
Less: Income from Wheeling Charges from Goa and Dadra and Nagar Haveli and other sources	199.60		110.09	(89.51)
Less: Income from PoC charges for Inter-State lines	5.99		5.99	0.00
<b>Aggregate Revenue Requirement from Transmission</b>	<b>3,525.47</b>		<b>4,552.57</b>	<b>1,027.10</b>
Revenue from transmission tariff			3,525.47	3,525.47
Revenue Gap/(Surplus) for current year			1,027.10	1,027.10
Revenue Gap/(Surplus) till previous year			2,305.94	2,305.94
Cumulative Revenue Gap/(Surplus) till the year			3,333.03	3,333.03

### 1.2.5 Aggregate Revenue Requirement for the Control Period from FY 2020-21 to FY 2024-25, Revenue Gap and Impact on Transmission Tariff

MSETCL is filing this MTR Petition for determination of ARR for the period FY 2020-21 to 2024-25 in accordance with the provisions of the MERC (MYT) Regulations, 2019.

**Table 5 Summary of Projected ARR for the period FY 2020-21 to FY 2024-25**

					Rs. Crore
<b>Particulars</b>	<b>FY2020-21</b>	<b>FY2021-22</b>	<b>FY2022-23</b>	<b>FY2023-24</b>	<b>FY2024-25</b>
Operation & Maintenance Expenses	1,567.82	1,646.61	1,729.33	1,816.19	1,907.39
Uncontrollable O&M Expenses	79.60	7.85	7.85	7.85	7.85
Depreciation Expenses	1,207.71	1,312.68	1,412.58	1,480.47	1,572.03
Interest on Loan Capital	817.08	800.14	769.30	701.49	629.78
Other Interest and Finance Charges	1.00	1.00	1.00	1.00	1.00
Interest on Working Capital and on Consumer Security Deposits	95.37	98.51	102.97	106.39	109.60
Income Tax	166.12	174.27	182.14	188.22	194.75
Contribution to contingency reserves	70.69	74.20	77.82	81.10	82.94
Total Revenue Expenditure	4,005.39	4,115.25	4,282.99	4,382.71	4,505.36
Add: Return on Equity Capital	950.89	997.54	1,042.60	1,077.41	1,114.79
<b>Aggregate Revenue Requirement</b>	<b>4,956.28</b>	<b>5,112.79</b>	<b>5,325.59</b>	<b>5,460.13</b>	<b>5,620.15</b>
Less: Non Tariff Income	206.28	210.41	214.62	218.91	223.29
Less: Income from Wheeling Charges from Goa and Dadra and Nagar Haveli and other sources	115.60	121.38	127.45	133.82	140.51
Less: Income from PoC charges for Inter-State lines	5.99	5.99	5.99	5.99	5.99
<b>Aggregate Revenue Requirement from Transmission</b>	<b>4,628.41</b>	<b>4,775.02</b>	<b>4,977.54</b>	<b>5,101.41</b>	<b>5,250.37</b>
Add: Impact of Disallowed Capitalisation	189.08	-	-	-	-
Add: Carrying Cost (Holding Cost)	441.32	-	-	-	-
Incentive	-	-	-	-	-
Revenue from transmission tariff	-	-	-	-	-
Revenue Gap/(Surplus) for current year	5,258.81	-	-	-	-
Revenue Gap/(Surplus) till previous year	3,333.03	-	-	-	-
Cumulative Revenue Gap/(Surplus) till the year	8,591.84	-	-	-	-