

**Maharashtra Electricity Regulatory Commission (Transaction of Business and Fees and Charges) (Second Amendment) Regulations, 2025**

**STATEMENT OF REASONS**

Dated: 27 March, 2025

1. The Maharashtra Electricity Regulatory Commission (Approval of Capital Investment Schemes) Regulations, 2022 (“**Capex Regulations**”) notified on 12 July 2022 lays down the framework to be followed by all State entities for obtaining the Commission’s in-principle approval for proposed Capital Investment as well as the approval to be granted to the final completed cost. As per Regulation 4.21 of Capex Regulations, Applicant has to make the payment towards fees as specified by the MERC (Fees and Charges) Regulations, 2017 as amended from time to time for every scheme for which the Applicant is seeking the in-principle approval and revised approval as applicable.
2. The Commission had already made enabling provisions in the Capex Regulations in respect of the levy of fees for approval of Capital Expenditure Schemes. Accordingly, the Commission has proposed an amendment to the MERC (Transaction of Business and Fees and Charges) Regulations, 2022 to include the fee for seeking approval of Capital Expenditure Schemes.
3. The rationale for the proposed amendment were elaborated in the Explanatory Memorandum (EM) of the Draft Amendment.
4. Accordingly, the comments/suggestions/objections were sought from the stakeholders on the Proposed Amendment on 31 January, 2025. The suggestions and/or objections were to be submitted to the Commission within 21 days i.e. on or before 21 February, 2025.
5. Three (3) stakeholders have submitted their comments/suggestions/objections on the proposed Amendment to the Regulations. The list of stakeholders who submitted their comments/suggestions/ objections on the Draft Amendment, which have been considered by the Commission while finalising the Regulations, is placed at **Annexure-I**.
6. The issues raised by the Stakeholders and the Commission’s analysis and decisions on them which underlie the Regulations as finally notified are set out below:

**Issue:1:- Clarification in Slabs for payment of fees**

***Comments Received:***

- a. Adani Electricity Mumbai Limited (**AEML**) has suggested to modify the slabs to give clarity and ensure completeness. It has proposed to modify first slab to state “Rs. 1 Crore and above, but less than Rs. 25 Crore”

***Analysis and Commission’s Decision***

- a. The Commission accepts the suggestion of AEML and has accordingly modified the first slab for clarity and avoid any confusion.

#### **Issue:2:- Inclusion in O&M expenses**

##### ***Comments Received:***

- a. Adani Energy Solutions Limited (AESL) and AEML has submitted that fees which is included in O&M expense in respect of DPR which are not approved/referred back by the Commission should be allowed outside the framework of efficiency gains/losses as the same was not factored in the past expenses using which MYT norms were made.
- b. AEML has raised issue in respect of timing of payment of fees in case of rejection of DPR and its treatment as capital expense or O&M in case the year is different.

##### ***Analysis and Commission's Decision***

- a. The Commission notes that O&M norms approved as part of MYT Regulations, 2024 are based on past expenses which did not factor the fees for approval of DPR and any additional payment towards DPR fees needs to be considered as additional O&M expense. Accordingly, the Commission accepts the suggestion of AEML and allowed DPR fees as an additional O&M expense.
- b. The issue raised by AEML in respect of treatment of fees is accounting issue based on the timing of approval of the DPR and appropriate adjustments need to be done by the Utility as per accounting principle.

#### **Issue:3: - Reasonability of Fees for seeking in-principle approval of DPR**

##### ***Comments Received:***

- a. BEST submitted that the proposed fees for DPR approval are higher side and requested to change nominal for DPR approval process, if necessary.

##### ***Analysis and Commission's Decision***

- b. The Commission notes the submission of BEST stating that proposed fees for DPR approval are higher side. In this regard it is worth noting that the Capex Scheme approvals as per the MERC Capex Approval Regulations 2022 mandates the Commission for technical as well as financial prudence and for this needs engagement of qualified resources including the consultancy resources. Accordingly, the Commission has proposed reasonable fees in the Published Draft. Hence the Commission is not inclined to accept the suggestion of BEST.

#### **Issue:4:- Capitalisation of fees**

##### ***Comments Received:***

- a. AEML has submitted that fees amount should be separate from the 7% contingency amount and that fee amount need not be shown as part of scheme cost while presenting the DPR and total approved scheme cost, for the purpose of assessment of cost over-run, if any should be considered as DPR approved cost as per in-principal approval and fees to be capitalised.

***Analysis and Commission's Decision***

- a. The Commission is of the view that since the fees is applicable prospectively for future DPR submissions as per timelines specified in Capex Regulations 2022, the said fees would anyway be included in the DPR cost and thus the question of any exclusion of fees for assessment of cost over-run will not arise.
7. The Commission after considering the above suggestions and objections along with minor changes have modified Sr. No. 18 to be added to the Schedule of Fees and Charges of the Principle Regulations as under:-

| S.No.<br>(1) | Description<br>(2)   | Fees (in Rupees)<br>(3) |   |           |
|--------------|--|-------------------------|---|-----------|
| 18           | <p>Proposal for in-principle or post facto approval of Capital Investment Schemes as specified under Regulation 4.21 of MERC (Approval of Capital Investment Schemes) Regulations, 2022</p> <p>Provided that fees paid for approval of Capital Expenditure Scheme shall be capitalised on completion of scheme/put to use as specified in the MYT Regulations</p> <p>Provided further that if Capital Expenditure Scheme is <u>rejected or referred back</u>, the fees paid by the Generating Company/ Licensee/SLDC/STU shall be included in the Operation and Maintenance (O&amp;M) Expense <u>as an additional O&amp;M expense</u>.</p> | Sr.<br>No               | Capital Investment Schemes of a value exceeding DPR Cost as specified under Regulation 4.1 of MERC (Approval of Capital Investment Schemes) Regulations, 2022, in following slabs | Fees (Rs) |
|              |  | a                       | Rs. 1 Crore and above, but less than Rs. 25 Crore   | 25,000    |
|              |  | b                       | Rs.25 Crore to Rs. 100 Crore  | 1,00,000  |
|              |  | c                       | Above Rs. 100 Crore to Rs. 300 Crore  | 3,00,000  |
|              |  | d                       | Above Rs. 300 Crore   | 5,00,000  |

Sd/-  
(Surendra J. Biyani)  
Member

Sd/-  
(Anand M. Limaye)  
Member

Sd/-  
(Sanjay Kumar)  
Chairperson

**Annexure – I**

| <b>Sr.No</b> | <b>Name of Stakeholders</b>                               |
|--------------|---|
| 1            | Adani Electricity Mumbai Limited                          |
| 2            | Adani Energy Solutions Limited                            |
| 3            | The Brihan Mumbai Electric Supply & Transport Undertaking |