

EXECUTIVE SUMMARY

A. Background

The Hon'ble Commission has issued the MERC (Multi Year Tariff) Regulations, 2024 for the 5th Control Period from FY 2025-26 to FY 2029-30 on 19 August 2024. As per the provisions of Regulation 5.1(a) of the said Regulations, Transmission Licensee has to file Multi-Year Tariff Petition (MYT Petition) by 1 November, 2024. Accordingly, MSETCL is submitting this MYT Petition as per provisions of the MYT Regulations, 2024.

The MYT Petition under section 62 of the Electricity Act, 2003 and the MERC MYT Regulations, 2024 comprises of the following:

- Truing-up for FY 2022-23 based on Audited Annual Accounts under the MERC (MYT) Regulations, 2019;
- Truing-up for FY 2023-24 based on Audited Annual Accounts under the MERC (MYT) Regulations, 2019;
- Provisional Truing-up for FY 2024-25 based on provisional information available for FY 2024-25 under the MERC (MYT) Regulations, 2019;
- Aggregate Revenue Requirement for the period from FY 2025-26 to FY 2029-30 under the MERC (MYT) Regulations, 2024

B. Impact of Review Order

MSETCL had filed a Petition (Case No. 137 of 2023) seeking review of MTR Order dated 31 March 2023. The Hon'ble Commission vide its Order dated 4 December 2023 had allowed MSETCL following claims in the Review Order.

- **Utilization of Special Reserve Amount:** The Hon'ble Commission admitted that there is an error in the treatment provided by the Commission in MTR Order to reduce the revenue gap by utilizing the Special Reserve amount of Rs. 139.39 Crore. The Hon'ble Commission allowed the review and ruled that the impact of the same will be considered in the ensuing MYT Petition of MSETCL.
- **Deduction of Past revenue gap of Rs. 236.63 Crore:** The Hon'ble Commission had not allowed the review amount of Rs. 236.63 Crore which was sought by the MSETCL on account inadvertent deduction of revenue gap upto FY 2018-19 and which was allowed for recovery by the Hon'ble Commission in Case No. 302 of 2019 from the total revenue gaps for the computation of carrying cost. However, the Hon'ble Commission directed MSETCL to consider the impact of exclusion of the past revenue of Rs. 236.63 Crore from computation of effective gap for FY 2019-20 and consider its consequential impact on various elements of ARR, as applicable, along with the applicable carrying / holding cost in the MYT Petition.

Accordingly, MSETCL requests the Hon'ble Commission to consider amount of Rs.139.39 Cr of Special Reserve to be claimed again in revenue gap computations under this petition and also pass on the carrying / (holding) cost associated of the same as well as of revenue gap of Rs.236.63 Cr as indicated in the Petition.

- Rs.85.36 Cr is being passed on as Holding cost on revenue gap of Rs.236.63 Cr
 - Rs.139.39 Cr is being added back in revenue gap of FY 2023-24
 - Revised Carrying cost for Spread over of Revenue Gap for FY 2023-24 and FY 2024-25 of Rs.43.679 Cr and Rs.46.35 Cr respectively is being claimed under net entitlement against Rs.41.24 Cr each approved by Hon'ble Commission for FY 2023-24 & FY 2024-25.
- **Disallowance of the reactor scheme funded through PSDF grant:** The Hon'ble Commission has allowed the impact on account of disallowance of the reactor scheme funded through PSDF grant (8 Nos. Reactor schemes) with certain directives. MSETCL has provided compliance on above directive separately in the Para 9.6 of the 'Chapter 10: Compliance to the Directives in Case No. 232 of 2022 and Case No. 137 of 2023' of this Petition.
The impact of 10% capitalisation from FY 2020-21 to FY 2021-22 in terms of depreciation and return on equity of Rs. 0.75 Crore and carrying cost of Rs. 0.26 Crore has been sought. MSETCL further submits that the claim of past capitalisation has been added to the opening GFA of FY 2022-23 for further depreciation and Return on Equity computation purpose. Further, the claim from FY 2022-23 onwards is considered in the Capitalisation for in the respective year.

C. Impact of Past Disallowed Capitalisation

MSETCL in this Petition has sought the claim against disallowed capitalisation, which is now put to use, under the following three categories.

- a) Impact of past disallowed Capitalisation now being claimed, which is put to use.
- b) Impact of past disallowed capitalisation against 132 nos. of unutilised bays from approved schemes, which is put to use.
- c) Impact of past disallowed Capitalisation against balance Unutilised (33/22/11 kV) bays till 2014-15, which is put to use.

The summary of capitalisation claimed in respective financial years, impact of disallowed capitalisation along with carrying cost is shown in the Table below:

Table A: Summary of Impact of Disallowed Capitalisation

Capitalisation Claimed in FY	Disallowed Schemes	132 Un-utilized Bays	Unutilized Bays
FY 2011-12	-	-	3.34
FY 2012-13	-	-	3.90
FY 2013-14	-	-	1.11
FY 2014-15	-	-	0.37
FY 2019-20	10.66	0.35	-
FY 2020-21	27.52	0.7	-
FY 2021-22	26.17	1.4	-
FY 2022-23	-	26.07	-
FY 2023-24	-	6.98	-
FY 2024-25	-	7.81	-
Total	64.34	43.31	8.73
Impact of Disallowed Capitalization (A)	12.43	0.40	11.81
Carrying Cost (B)	4.69	0.15	9.99
Total Impact (A+B)	39.47		

D. Utilisation/ treatment of Special Reserve Amount

MSETCL has been maintaining the Special Reserve as per the Regulation 19 of the MERC (Terms and Conditions of Tariff) Regulations 2005 and had made contributions in Special Reserve upto FY 2014-15 to the tune of the amount as recommended by Hon'ble Commission from time to time in respective tariff orders and the same were invested in approved securities. Since, there were no efficiency loss while truing-up from FY 2014-15 to FY 2021-22, on account of controllable factors either on O&M or on Interest on working capital the said special reserve could not be set off as per provision of MERC Regulation 2005.

MSETCL during Mid-Term Review Petition in Case No. 232 of 2022 had sought directions from the Hon'ble Commission with regards to utilisation/ treatment of Special Reserve amount of Rs.139.39 Crore. The Hon'ble Commission had deducted this special reserve amount from the Aggregate Revenue Requirement for FY 2023-24 in MTR order in Case 232 of 2022 in order to reduce revenue gap. A review petition against the said order has been filed, wherein the Hon'ble Commission has accepted review and allowed impact of the same at the time MYT Petition.

The “Disaster Management Plan for Power Sector” published by Ministry of Power recommends for creation of a fund of 1.5% of annual revenue by each power utility for meeting the expenditure of disaster management requirement. MSETCL has prepared “MSETCL Disaster Management Framework” in line with above Plan, which is part of the ‘Crisis and Disaster Management Plan for MSETCL’. The Board of Directors vide its Resolution No. 166/39 dated 19 January 2024 approved the proposal for Implementation of Crisis & Disaster Management Plan for MSETCL.

Accordingly, MSETCL proposes that the entire Special Reserve along with carrying cost shall be utilised for creation of Disaster Management Fund. MSETCL requests the Hon’ble Commission to approve aforementioned proposal or alternatively guide / suggest for appropriate utilization / treatment.

E. True Up for FY 2022-23

The summary of Aggregate Revenue Requirement (ARR) (after sharing of efficiency gains & losses) for the MSETCL, as per Audited Account and as approved by the Hon’ble Commission, for FY 2022-23 is presented in the Table below. The variation in ARR approved by the Hon’ble Commission and that sought by the MSETCL is mainly on account of pass through of sharing of losses on account of O&M expenses and sharing of gains on account of IoWC, increase in non-tariff income, increase in revenue from transmission charges, reduction in income from wheeling charges and claim of additional RoE at the time of true-up as per Regulations.

Table B: Summary of Truing-up of ARR for FY 2022-23

Sr. No.	Particulars	MTR Order	Normative	FY 2022-23 (Actuals)	MSETCL Net Entitlement
1	Operation & Maintenance Expenses	1,972.37	2,336.91	2,326.82	2,330.19
2	Depreciation Expenses	1,183.27	-	1,133.10	1,133.10
3	Interest on Long- term Loan Capital	616.92	-	606.88	606.88
4	Other Interest and Financial Charges	1.00	-	0.18	0.18
5	Interest on Working Capital and on Security Deposit	98.72	100.81	2.77	35.45
6	Income Tax	-	-	-	-
7	Contribution to contingency reserves	72.10	-	73.15	73.15
8	Total Revenue Expenditure	3,944.39	-	4,142.91	4,178.95
9	Add: Return on Equity Capital	1,512.95	-	1,618.53	1,618.53
10	Aggregate Revenue Requirement	5,457.33	-	5,761.44	5,797.49
11	Less: Non Tariff Income	702.29	-	785.55	785.55
12	Less: Income from Wheeling Central sector power to Goa & Dadra Nagar And Other Generator	127.45	-	2.89	2.89
13	Less: Income from PoC charges for Inter-state Lines (ISTS)	5.99	-	-	-
14	Net Aggregate Revenue Requirement From Transmission Tariff	4,621.60	-	4,973.00	5,009.05
15	Add: Carrying Cost (Holding Cost) on account of spreading of gaps (Case No. 302/2019)	20.84	-	-	20.84
16	Add: Past Revenue Gaps / (Surplus) spread over control period (Case No. 302/2019)	87.29	-	-	87.29
17	Total Aggregate Revenue Requirement from Transmission Tariff	4,729.73	-	4,973.00	5,117.18
18	Revenue from transmission tariff and Additional Transmission & Regulatory Charges	4,697.54	-	4,806.51	4,806.51
19	Revenue Gap/(Surplus)	32.19	-	-	310.67
20	Revenue Gap/(Surplus) till previous year	828.53	-	-	828.53
21	Cumulative Revenue Gap/(Surplus) till the year	860.72	-	-	1,139.20

MSETCL requests the Hon'ble Commission to allow MSETCL the true up requirement of Rs. 1,139.20 Crore as submitted in the Table above.

F. True Up for FY 2023-24

The summary of ARR (after sharing of efficiency gains & losses) for the MSETCL, as per Audited Account and as approved by the Hon'ble Commission, for FY 2023-24 is presented in the Table below. The variation in ARR approved by the Hon'ble Commission and that sought by the MSETCL is mainly on account of pass through of sharing of losses on account of O&M expenses and sharing of gains on account of IoWC, increase in non-tariff income, reduction income from wheeling charges and claim of additional RoE at the time of true-up as per Regulations.

Table C: Summary of Truing-up of ARR for FY 2023-24

Sr. No.	Particular	MTR Order	Normative	FY 2023-24 (Actuals)	MSETCL Net Entitlement
1	Operation & Maintenance Expenses	2,070.99	2,479.58	2,874.12	2,766.34
2	Depreciation Expenses	1,260.13	-	1,175.38	1,175.38
3	Interest on Long-term Loan Capital	624.38	-	605.92	605.92
4	Other interest and financial charges	1.00	-	0.36	0.36
5	Interest on Working Capital and on security deposit	122.67	132.88	0.31	44.50
6	Income Tax	-	-	-	-
7	Contribution to Contingency reserves	77.07	-	76.78	76.78
8	Total Revenue Expenditure	4,156.24	-	4,732.87	4,669.28
9	Return on Equity Capital	1,599.28	-	1,701.34	1,701.34
10	Aggregate Revenue Requirement	5,755.52	-	6,434.21	6,370.61
11	Less: Non Tariff Income	343.37	-	603.13	603.13
12	Less: Income from Wheeling Central sector power to Goa & Dadra Nagar And Other Generator	133.82	-	1.41	1.41
13	Less: Income from PoC charges for Inter-state Lines (ISTS)	5.99	-	-	-
14	Net Aggregate Revenue Requirement from Transmission Tariff	5,272.34	-	5,829.68	5,766.08
15	Add: Carrying Cost (Holding Cost) on account of spreading of gaps (Case No. 302/2019)	12.50	-	-	12.50
16	Add: Past Revenue Gaps / (Surplus) spread over control period (Case No. 302/2019)	87.29	-	-	87.29
17	Add: Carrying Cost (Holding Cost) on account of spreading of recovery over two years (Case No 232 of 2022)	41.24	-	-	43.79
18	Total Aggregate Revenue Requirement from Transmission Tariff	5,413.37	-	5,829.68	5,909.66
19	Revenue from transmission tariff and Additional Transmission & Regulatory Charges	6,480.14	-	6,490.75	6,490.75
20	Revenue Gap/(Surplus)	(1,066.77)	-	-	(581.09)
21	Revenue Gap/(Surplus) till previous year	1,066.77	-	-	1,139.20
22	Cumulative Revenue Gap/(Surplus) till the year	0.00	-	-	558.11

MSETCL requests the Hon'ble Commission to allow MSETCL the true up requirement of Rs. 558.11 Crore as submitted in the Table above.

G. Provisional True-up of FY 2024-25

The summary of provisional truing up of ARR for the MSETCL, as estimated as approved by the Hon'ble Commission, for FY 2024-25 is presented in the Table below. The variation in ARR approved by the Hon'ble Commission and that sought by the MSETCL is mainly on account of increase in projected O&M expenses, decrease in income from wheeling charges and impact of other elements.

Table D: Summary of Provisional Truing-up of ARR for FY 2024-25

Sr. No.	Particular	MTR Order	FY 2024-25 (Provisional)	Provisional True-Up requirement
1	Operation & Maintenance Expenses	2,174.54	2,756.37	581.83
2	Depreciation Expenses	1,325.77	1,257.46	-68.31
3	Interest on Long term Loan Capital	605.71	594.38	-11.33
4	Other Interest and Financial charges	1.00	1.00	-
5	Interest on Working Capital and on security deposit	124.98	141.56	16.58
6	Income Tax	-	-	-
7	Contribution to contingency reserves	80.63	78.47	-2.16
8	Total Revenue Expenditure	4,312.63	4,829.24	516.61
9	Add: Return on Equity Capital	1,672.32	1,663.36	-8.96
10	Aggregate Revenue Requirement	5,984.95	6,492.61	507.66
11	Less: Non Tariff Income	360.54	401.03	40.49
12	Less: Income from Wheeling Central sector power to Goa & Dadra Nagar And Other Generator	140.51	1.41	-139.10
13	Less: Income from PoC charges for Inter-state Lines (ISTS)	5.99	(219.45)	-225.44
14	Net Aggregate Revenue Requirement from Transmission Tariff	5,477.92	6,309.62	831.70
15	Add: Carrying Cost (Holding Cost) on account of spreading of gaps approved in Case No. 302 of	4.17	4.17	-
16	Add: Past Revenue Gaps / (Surplus) spread over control period (Case No. 302/2019)	87.29	87.29	-
17	Add: Carrying Cost (Holding Cost) on account of spreading of recovery over two years (Case No 232 of 2022)	41.24	46.35	5.11
18	Total Aggregate Revenue Requirement from Transmission Tariff	5,610.62	6,447.42	836.80
19	Revenue from transmission tariff and Additional Transmission Regulatory charges	6,483.43	6,483.43	-
20	Revenue Gap/(Surplus)	(872.81)	(36.01)	836.80
21	Revenue Gap/(Surplus) till previous year	872.81	558.11	(314.70)
22	Add: Special Reserve available with Utility utilized to reduce ARR gap in FY 2023-24 in Case No. 232 of 2022 along with Carrying Cost		139.39	
23	Add: Holding cost on account of re-computation of effective gap of FY 2019-20		(85.37)	
24	Cumulative Revenue Gap/(Surplus) till the year	0.00	576.13	576.13

MSETCL requests the Hon'ble Commission to approve the provisional true up requirement of Rs. 576.13 Crore for FY 2024-25 as submitted above.

H. Aggregate Revenue Requirement for the Control Period from FY 2025-26 to FY 2029-30

- **Total Revenue Gap/ (Surplus)**

MSETCL has arrived at revenue gap in each of the financial year i.e. FY 2022-23, FY

2023-24 and FY 2024-25. MSETCL submits the total revenue gap upto FY 2024-25, along with the impact of disallowed capitalisation and the carrying cost in the Table below:

Table E: Cumulative Revenue Gap/(Surplus) till FY 2024-25 (Rs. Crore)

Rs. Cr	
Particulars	Total Gap for FY 2025-26
Revenue Gap/ (Surplus) till previous year	576.13
Add: Carrying Cost on Revenue Gap/ (Surplus) of True-ups (FY 2022-23 to FY 2024-25)	-16.84
Add: Impact of Past Disallowed capitalisation + Impact of PSDF Capitalisation	25.39
Add: Impact of Past Disallowed capitalisation + Impact of PSDF Capitalisation:: Carrying cost till FY 24-25	15.09
Total Revenue Gap/ (Surplus)	599.77

MSETCL submits that the total revenue gap is proposed to be recovered through FY 2025-26. This shall also result in consistent revenue recovery over the Control Period and reduce the burden of carrying cost.

- **Aggregate Revenue Requirement for the period from FY 2025-26 to FY 2029-30**

The aggregate revenue requirement for the period i.e., FY 2025-26 to FY 2029-30 has been determined based on the provisions of the MYT Regulations, 2024, MSETCL proposed approach for O&M expenses and certain assumptions.

- **MSETCL proposed approach for O&M expenses for FY 2025-26 to FY 2029-30**

The methodology/ procedure notified in the MYT Regulations, 2024 will lead to projection of O&M expenses which is much lower than actual requirement for the Control Period. Considering past trends, an increase in normative O&M as stipulated in the Regulations will lead to under-estimation which may not be realistic and will become impossible for MSETCL to sustain.

MSETCL requests the Hon'ble Commission to recognise various difficulties resulting from normative provisions of the MYT Regulations, 2024 and approve the O&M expenses for FY 2025-26 to FY 2029-30 considering realistic trend as proposed by MSETCL in this Petition by invoking power to remove difficulties under Regulations 151 of the MYT Regulations, 2024, for deviating from norms in this case.

- **Capex and Capitalisation for FY 2025-26 to FY 2029-30**

MSETCL submits that the scheme-wise projections for the Control Period are as per the transmission system plan prepared by the State Transmission Utility (STU) in line with Regulation 78.3 of the MYT Regulations, 2024 and to be implemented during the Control Period.

MSETCL has projected the ARR for FY 2025-26 to FY 2029-30 including the past revenue gap and carrying cost as submitted in the Table below:

Table F: Projected ARR for FY 2025-26 to FY 2029-30

Sr. No.	Particular	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
1	Operation & Maintenance Expenses	2,987.50	3,254.90	3,550.51	3,877.73	4,240.44
2	Depreciation Expenses	1,423.22	1,670.14	1,954.68	2,203.74	2,346.03
3	Interest on Loan Capital	711.35	955.11	1,230.98	1,421.07	1,429.56
4	Other Interest and Finances charges	-	-	-	-	-
5	Interest on Working Capital	160.99	175.55	202.24	228.35	246.57
6	Income Tax	-	-	-	-	-
7	Contribution to contingency reserves	84.41	97.03	112.98	130.68	142.50
8	Total Revenue Expenditure	5,367.47	6,152.72	7,051.39	7,861.58	8,405.10
9	Add: Return on Equity Capital	2,061.28	2,412.29	2,857.63	3,268.44	3,507.82
10	Aggregate Revenue Requirement	7,428.75	8,565.01	9,909.03	11,130.01	11,912.91
11	Less: Non Tariff Income	403.08	411.14	419.37	427.75	436.31
12	Less: Income from Other Business	1.41	1.41	1.41	1.41	1.41
13	Less: Income from PoC charges for InSTS	5.58	5.69	5.80	5.92	6.06
14	Net Aggregate Revenue Requirement from Transmission Tariff	7,018.69	8,146.77	9,482.45	10,694.93	11,469.14
15	Revenue Gap/(Surplus) till FY 2024-25	599.77	-			
16	Total Aggregate Revenue Requirement from Transmission Tariff	7,618.46	8,146.77	9,482.45	10,694.93	11,469.14