

Before the
MAHARASHTRA ELECTRICITY REGULATORY COMMISSION
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CASE No. 220 of 2024

In the matter of
**Petition of Vidarbha Industries Power Ltd. (Transmission Business) for True-up of
Aggregate Revenue Requirement (ARR) for FY 2022-23 & FY 2023-24, Provisional
True-up of ARR for FY 2024-25 and Determination of ARR for 5th MYT Control
Period FY 2025-26 to 2029-30**

Coram
Sanjay Kumar, Chairperson
Anand M. Limaye, Member
Surendra J. Biyani, Member

ORDER

Date: 28 March, 2025

Vidarbha Industries Power Ltd. (Transmission Business) (**VIPL-T**) having its office at Shop No.:16, Floor-1, Plot 8, Khatau Building, Alkesh Dinesh Modi Road, Bombay Stock Exchange, Fort, Mumbai -400001 has filed this Petition for Truing-up of Aggregate Revenue Requirement (**ARR**) for FY 2022-23 & FY 2023-24, Provisional Truing-up of ARR for FY 2024-25 and determination of ARR for 5th Multi Year Tariff (MYT) Control Period from FY 2025-26 to FY 2029-30. The original Petition was filed on 3 December 2024 and the revised Petition was filed on 11 December, 2024.

The Petition has been filed in accordance with MERC (Multi Year Tariff) Regulations, 2019 (“**MYT Regulations, 2019**”), for Truing-up of ARR for FY 2022-23 & FY 2023-24 and Provisional Truing-up of ARR for FY 2024-25 and in accordance with MERC (Multi Year Tariff) Regulations, 2024 (“**MYT Regulations, 2024**”), for determination of ARR for 5th MYT Control Period from FY 2025-26 to FY 2029-30.

The Commission, in exercise of the powers vested in it under Sections 61 and 62 of the Electricity Act (**EA**), 2003 and all other powers enabling it in this behalf, and after taking into consideration the submissions made by VIPL-T and in the public consultation process, and all other relevant material, has approved the Truing-up of ARR for FY 2022-23 & FY 2023-24, Provisional Truing-up of ARR for FY 2024-25 and ARR for 5th MYT Control Period from FY 2025-26 to FY 2029-30 in this Order.

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LIST OF ABBREVIATIONS

A&G	Administrative and General
AIS	Air Insulated Sub Station
AMC	Annual Maintenance Contract
ARR	Aggregate Revenue Requirement
CIRP	Corporate Insolvency Resolution Process
ckt. Km	Circuit Kilometer
ECB	External Commercial Borrowing
FY	Financial Year
GFA	Gross Fixed Assets
GIS	Gas Insulated Sub Station
G-Sec	Government Security
IBC 2016	Insolvency and Bankruptcy Code, 2016
InSTS	Intra-State Transmission System
IoWC	Interest on working capital
IRP	Interim Resolution Professional
kV	Kilo Volt
LLP	Limited Liability Partnership
MAT	Minimum Alternate Tax
MCLR	Marginal Cost of Funds Based Lending Rate
MERC	Maharashtra Electricity Regulatory Commission
MSETCL	Maharashtra State Electricity Transmission Company Limited
MTR	Mid-Term Review
MW	Mega Watt
MYT	Multi Year Tariff
NCLT	National Company Law Tribunal
O&M	Operation and Maintenance
PRA's	Prospective Applicants
R&M	Repair & Maintenance
RoE	Return on Equity
RTL	Rupee Term Loan
SLDC	Maharashtra State Load Despatch Centre
SPV	Special Purpose Vehicle
TVS	Technical Validation Session
VIPL-T	Vidarbha Industries Power Limited-Transmission

1 INTRODUCTION

1.1 Background

- 1.1.1 Vidarbha Industries Power Limited (VIPL), a Special Purpose Vehicle (SPV) fully owned by Reliance Power Limited, has established a 600 MW (i.e., 2 x 300 MW each) thermal power generating station in the FY 2013-14 (Unit 1- April 4, 2013, and Unit 2 –March 28, 2014) at Butibori near Nagpur in the State of Maharashtra. VIPL had approached Reliance Infrastructure Ltd.-D (now Adani Electricity Mumbai Ltd.) for procurement of 600 MW power to serve the energy requirement of its Consumers in Mumbai License area.
- 1.1.2 Thereafter, for evacuation of power for Butibori Thermal Generation Project, VIPL has been granted Transmission License No. 1 of 2015 by the Commission vide Order dated 5 January, 2015 in Case No. 60 of 2014. The details of Transmission system of VIPL are as shown in the Table below:

Table 1 : Transmission system of VIPL

Description
Transmission Lines: 220 kV Double circuit Transmission Line (1.2 km) from VIPL Power Plant switchyard outdoor gantry to Maharashtra State Electricity Transmission Co. Ltd. (MSETCL) Butibori Sub-station III (Scheme 1) 220 kV Double circuit Transmission Line (1.86 km) from VIPL Power Plant switchyard outdoor gantry to MSETCL Butibori Sub-station I. (Around 160 m portion of each circuit is through 220 kV underground cables near MSETCL Sub-station) (Scheme 2)
EHV Sub-Station bays: 2 (two) 220 kV AIS bays at 220 kV MSETCL Butibori Sub-station III under Scheme 1 2 (two) 220 kV GIS bays at 220 kV MSETCL Butibori Sub-station I under Scheme 2

- 1.1.3 Subsequently, VIPL filed a Petition vide Case No. 36 of 2015 for approval of Capital Cost and determination of ARR for FY 2014-15 and FY 2015-16. Vide Order dated 29 February, 2016 in the above Case, the Commission approved the provisional Capital Cost and determined the ARR for FY 2014-15 to FY 2015-16. The Commission had approved the ARR for the entire FY 2014-15, but its recovery from the Transmission Tariff was allowed proportionately from the date of grant of Transmission Licence to VIPL-T, i.e., 5 January, 2015, till the end of FY 2014-15. The Commission had also stated that it might take a view regarding the recovery of the remaining part of the ARR for FY 2014-15 prior to the Transmission Licence, through its MYT Order for the 3rd Control Period for VIPL's Generation business.

- 1.1.4 In the Order dated 10 June, 2016 in Case No. 21 of 2016, the Commission carried out Truing-up of ARR for FY 2014-15 and Provisional Truing-up of ARR for FY 2015- 16 in accordance with the MERC (Multi Year Tariff) Regulations, 2011 (“**MYT Regulations, 2011**”) and approval of ARR for the 3rd Control Period from FY 2016-17 to FY 2019-20 in accordance with the MYT Regulations, 2015. The Commission allowed recovery of Trued up ARR of FY 2014- 15 for 1 April, 2014 to 4 January, 2015 through the ARR of FY 2016-17 of VIPL’s Generation business and from 5 January, 2015 to 31 March, 2015 through the ARR of FY 2016-17 of its Transmission business. Subsequent to the issue of this Order, the Commission appointed a third-party expert/institution for verification of the Capital Cost of VIPL’s Transmission System.
- 1.1.5 In the Order dated 12 September, 2018 in Case No. 198 of 2017, the Commission had approved the final Capital Cost of VIPL’s Transmission system based on the report submitted by the third-party institution M/s Arcturus Business Solutions LLP, appointed by the Commission for verification of the Capital Cost of VIPL’s Transmission business. It also determined its consequential impact on the Trued up ARR for FY 2014-15 and carried out Truing-up of ARR for FY 2015-16 in accordance with the MYT Regulations, 2011. Further, the Commission had also undertaken Truing-up of ARR for FY 2016-17, Provisional Truing-up of ARR for FY 2017-18 and revised ARR approval for FY 2018-19 and FY 2019-20 in accordance with the MYT Regulations, 2015.
- 1.1.6 In the Order dated 30 March, 2020 in Case No. 301 of 2019, the Commission had carried out Truing-up of ARR for FY 2017-18 and FY 2018-19 and Provisional Truing-up of ARR for FY 2019-20 in accordance with the MYT Regulations, 2015. Further, the Commission had undertaken approval of ARR for MYT 4th Control Period from FY 2020-21 to FY 2024-25 in accordance with the MYT Regulations, 2019.
- 1.1.7 In the Order dated 31 March, 2023 in Case No. 224 of 2022, the Commission had carried out Truing-up of ARR for FY 2019-20 in accordance with the MYT Regulations 2015, Truing up of FY 2020-21 & FY 2021-22, Provisional Truing-up of ARR FY 2022-23 and revised ARR for FY 2023-24 and FY 2024-25 in accordance with the MYT Regulations, 2019.
- 1.1.8 In the present Order, the Commission has carried out Truing-up of ARR for FY 2022-23 & FY 2023-24 and Provisional Truing-up of ARR for FY 2024-25 in accordance with the MYT Regulations, 2019. Further, the Commission has undertaken approval of ARR for 5th MYT Control Period from FY 2025-26 to FY 2029-30 in accordance with the MYT Regulations, 2024.
- 1.1.9 Further, the Hon’ble National Company Law Tribunal (NCLT) has admitted Vidarbha Industries Power Limited (VIPL) (which includes generation and transmission business) under Corporate Insolvency Resolution Process in terms of the Insolvency

and Bankruptcy Code, 2016 (IBC, 2016) on 30 September, 2024 and a moratorium is imposed on the Corporate Debtor (VIPL) and Mr. Bimal Kumar Agarwal has been appointed as the Interim Resolution Professional (IRP) who was later confirmed as the Resolution Professional.

1.2 MYT Regulations

- 1.2.1 The Commission has notified the MYT Regulations, 2019 on 1 August, 2019. These Regulations are applicable for the 4th MYT Control Period starting from FY 2020-21 to FY 2024-25. The Regulations were first amended vide notification dated 10 February, 2024 and second amendment vide notification dated 8 June, 2023.
- 1.2.2 The Commission notified the MYT Regulations, 2024 on 19 August, 2024. These Regulations are applicable for the 5th MYT Control Period starting from FY 2025-26 to FY 2029-30.

1.3 Petition and Prayers of VIPL-T

- 1.3.1 The Regulation 5.1(c) of the MYT Regulations, 2019 specifies that Truing-up for FY 2022-23 & FY 2023-24 and Provisional Truing up for FY 2024-25 is to be carried out under the MYT Regulations, 2019 and Petition was to be filed by 1 November, 2024.
- 1.3.2 Similar provision has been specified in Regulation 5.1 (a) of the MYT Regulations, 2024 which specifies that Truing-up for FY 2022-23 and FY 2023-24 and Provisional Truing-up for FY 2024-25 is to be carried out under the MYT Regulations, 2019 and determination of ARR for each year of the 5th MYT Control Period for FY 2025-26 to FY 2029-30 is required to be carried out under the MYT Regulations, 2024. In line with the provisions of the MYT Regulations, 2024, the MYT Petition by Transmission Licensee was to be filed by 1 November, 2024.
- 1.3.3 VIPL-T vide its letter dated 4 November, 2024 has requested to grant one month extension for filing the MYT Petition. VIPL-T submitted that since the Hon'ble NCLT has admitted Vidarbha Industries Power Limited (VIPL) under Corporate Insolvency Resolution Process in terms of the Insolvency and Bankruptcy Code, 2016 (IBC, 2016) on 30 September, 2024 and IRP having only recently taken over the affairs of the Corporate Debtor (VIPL), is in the process of getting acquainted with various issues related to VIPL as well as regulatory filings before various forums. Further, various data including audited accounts, availability certificates etc. was required to be collected from different sources and compiled for the purpose of filing along with the MYT Petition which would require additional time. Accordingly, VIPL-T requested to the Commission to grant an extension of one month for the filing of MYT Petition.

However, the Commission vide its letter dated 14 November 2024 has not accepted the request for one-month extension for the filing of the MYT Petition.

- 1.3.4 VIPL-T has submitted the present Petition numbered as Case No. 220 of 2024 on 3 December, 2024, after delay of 32 days. The Commission communicated data gaps to VIPL-T on 4 December, 2024. The reply to data gaps were submitted on 9 December, 2024 by VIPL-T. The Technical Validation Session (TVS) was held on 9 December, 2024. The list of persons who attended the TVS is provided at **Appendix-1**.
- 1.3.5 Thereafter, VIPL-T submitted its revised Petition on 11 December, 2024 along with the replies to balance data gaps. VIPL-T submitted that since the Hon'ble NCLT has admitted Vidarbha Industries Power Limited (VIPL) under Corporate Insolvency Resolution Process in terms of the Insolvency and Bankruptcy Code, 2016 (IBC, 2016) on 30 September, 2024, there has been delay in filing the MYT petition. Also, considering the present MYT Petition is dealing with the True-up of FY 2022-23 and FY 2023-24, in terms of the directive issued by the Commission in the Order dated 21 September, 2023, VIPL prepared and finalized the segregated audited books of accounts for FY 2023-24 for the transmission business. Therefore, VIPL-T has requested to condone the delay in filing the present MYT Petition. It also submitted that imposition of penalty will have a grave impact on the resolution of the company and hence requested for not to take strong actions at present juncture and condone the delay as requested in the present Petition. The Commission notes the submissions of VIPL-T and has provided the ruling of the same in the subsequent Chapter of this Order.
- 1.3.6 Accordingly, VIPL-T's main prayers in the revised Petition are as follows:
- “
- a) *Admit the present Petition.*
 - b) *Condone delay in filing of present Petition.*
 - c) *Approve the true-up of ARR along with additional Return on Equity and carrying cost for FY 2022-23 and FY 2023-24*
 - d) *Approve the provisional true-up of ARR for FY 2024-25 as indicated in this Petition*
 - e) *Approve the projections of ARR for FY 2025-26 to FY 2029-30 as indicated in this Petition*
 - f) *Allow recovery of the impact of the above prayers from the TSUs along with applicable carrying cost*
 - g) *Condone any inadvertent omissions/errors/shortcomings and permit to add/change/modify/alter this filing and make further submissions as may be required at a future date.*
 - h) *Allow any other relief, order or direction, which the Hon'ble Commission deems fit*

to be issued

- i) *Pass such further orders, as the Hon'ble Commission may deem fit and appropriate, keeping in view the facts and circumstances of the case*

.....”

1.4 Admission of Petition and Public Hearing Process

- 1.4.1 The Commission admitted the Petition on 11 December, 2024 and directed VIPL-T to publish its Public Notice in accordance with Section 64 of the EA, 2003, in the prescribed abridged form and manner. The Commission also directed VIPL-T to reply to any suggestions and comments received within 3 days of the receipt of the same.
- 1.4.2 VIPL-T published a Public Notice inviting comments/suggestions/objections on its Petition and intimating that the Commission has scheduled the e-public hearing in the matter on 8 January 2025. The Public Notice was published in English in Financial Express and Active Times Journal and in Marathi in Loksatta and Lakshdeep, daily newspapers, on 13 December, 2024. The Petition and its Summary were made available for inspection/purchase at VIPL-T's offices and website (www.vidarbhapower.co.in). The Public Notice and Executive Summary of the Petition were also made available on the websites of the Commission (www.merc.gov.in) in a downloadable format.
- 1.4.3 The Commission did not receive any written or oral suggestions or objections to the Petition during the public consultation process in response to the Public Notice. An e-Public Hearing was held on 8 January, 2025. No oral suggestions or objections were raised during the Public Hearing. The list of persons who participated in the Public Hearing is at **Appendix-2**.
- 1.4.4 The Commission has ensured that the due process contemplated under law for transparency and public participation was followed at every stage and an adequate opportunity was given to all concerned to express their views.

1.5 Organisation of the Order

- 1.5.1 This Order is organised in the following Sections:
- **Section 1** provides a brief of the regulatory process undertaken by the Commission.
 - **Section 2** deals with the Truing-up of FY 2022-23 & FY 2023-24.
 - **Section 3** deals with the approval of the Provisional Truing-up of FY 2024-25.
 - **Section 4** deals with the determination of ARR for 5th MYT Control Period for FY 2025-26 to FY 2029-30.

- **Section 5** deals with recovery of ARR and Transmission charges.
- **Section 6** deals with the Commission's directives.
- **Section 7** deals with the applicability of the present Order.

2 TRUING-UP OF ARR FOR FY 2022-23 AND FY 2023-24

2.1 Background

- 2.1.1 VIPL-T has sought final Truing-up for FY 2022-23 and FY 2023-24 in accordance with the MYT Regulations, 2019, based on the actual expenditure and revenue as per the certificate issued by the Statutory Auditor allocating these amounts among transmission and generation businesses of VIPL. It has also presented the comparison of expenditure and revenues approved by the Commission vide the MTR Order dated 31 March, 2023 in Case No. 224 of 2022 vis-à-vis the audited performance.
- 2.1.2 It is pertinent to note that in the Order dated 30 March, 2020 in Case No. 301 of 2019 and Order dated 31 March, 2023 in Case No. 224 of 2022, the Commission had specifically directed VIPL-T to maintain and submit separate audited accounts for its Generation and Transmission business along with Tariff Petition. It has been noted that VIPL-T in the instant Petition has complied with the direction of the Commission and has submitted the audited accounting statement for Transmission business of Vidarbha Industries Power Limited for FY 2022-23 and FY 2023-24. The Commission has considered the audited accounting statement, as submitted, to undertake the True-up exercise in this Petition, so as to match the actual expenses done by the Licensee with the audited accounts including reconciliation of the financial numbers while issuing the Tariff Order.
- 2.1.3 The Commission notes that there has been no asset addition of VIPL-T in FY 2022-23 and FY 2023-24 and it continues to operate 6.12 Ckt Km of 220 kV transmission line and 4 no. of 220 kV bays which includes 2 number of AIS and 2 number of GIS bays.
- 2.1.4 It is further noted that though the VIPL generation station has been shut down from January 2019, MSLDC, vide its letter dated 20 December 2023 and 30 May 2024, has certified the transmission availability of VIPL-T for FY 2022-23 and FY 2023-24 respectively and the same has been taken into consideration by the Commission, as discussed in subsequent part of this Order. The aforesaid confirms that the assets are in use and are part of the InSTS system.
- 2.1.5 The detailed analysis underlying the Commission's approval for Truing-up of ARR for FY 2022-23 and FY 2023-24 is set out below.

2.2 Normative Operation & Maintenance (O&M) Expenses

VIPL-T's Submission

- 2.2.1 The O&M expenses are computed as per the norms specified in Regulations 61.6 of the MYT Regulations, 2019 for FY 2022-23 and FY 2023-24.

2.2.2 The normative O&M expenses for FY 2022-23 and FY 2023-24 is computed as per the following table and the same has been approved by the Commission in its Order dated 31 March, 2023 in Case No. 224 of 2022 (MTR Order).

Table 2 : Normative O&M expenses for FY 2022-23 and FY 2023-24, as submitted by VIPL-T (Rs. Crore)

Particulars	Unit	MTR Order	Petition	MTR Order	Petition
		FY 2022-23		FY 2023-24	
Circuit Km basis (A)	Ckt. Kms.	6.12	6.12	6.12	6.12
Norms as per Regulations (B)	Rs. Lakh/ Ckt. Kms.	0.24	0.24	0.25	0.25
Cost (C = A * B)	Rs. Crore	0.01	0.01	0.02	0.02
No of bays (D)	No. of bays	2.00	2.00	2.00	2.00
Norms as per Regulations (E)	Rs. Lakh/ bay	15.18	15.18	15.76	15.76
Cost (F = D * E)	Rs. Crore	0.30	0.30	0.32	0.32
No of GIS bays (G)	No. of bays	2.00	2.00	2.00	2.00
Norms as per Regulations (H)	Rs. Lakh/ bay	10.63	10.63	11.03	11.03
Cost (I = G * H)	Rs. Crore	0.21	0.21	0.22	0.22
Total O&M expenses (J = C + F + I)	Rs. Crore	0.53	0.53	0.55	0.55

Commission's Analysis and Ruling

2.2.3 As mentioned herein above, the Commission notes that there has been no actual addition in line length as well as bays by VIPL-T in FY 2022-23 and FY 2023-24. Accordingly, as the specific norms of O&M expenses for VIPL-T is not specified in the MYT Regulations 2019, the Commission approves the normative O&M expenses as computed in accordance with the norms as specified in Regulation 61.6 (Norms for new and other existing transmission licensee) of the MYT Regulations, 2019 for FY 2022-23 and FY 2023-24, on the basis of actual number of bays and line length. Further, as per Regulation 61.7 of MYT Regulations 2019, the O&M expenses for the 2 GIS bays is worked out by multiplying 0.70 to the normative O&M expenses as per Regulation 61.6 of MYT Regulations, 2019. The normative O&M Expenses as per MYT Regulations 2019, is as shown in the Table below:

Table 3 : Revised Normative O&M expenses for FY 2022-23, as approved by the Commission

Particulars	Unit	MTR Order	Petition	Approved
Circuit Km basis (A)	Ckt. Kms.	6.12	6.12	6.12
Norms as per Regulations (B)	Rs. Lakh/ Ckt. Kms.	0.24	0.24	0.24
Cost (C = A * B)	Rs. Crore	0.01	0.01	0.01
No of AIS bays (D)	No. of bays	2.00	2.00	2.00
Norms as per Regulations (E)	Rs. Lakh/ bay	15.18	15.18	15.18
Cost (F = D * E)	Rs. Crore	0.30	0.30	0.30
No of GIS bays (G)	No. of bays	2.00	2.00	2.00
Norms as per Regulations (H)	Rs. Lakh/ bay	10.63	10.63	10.63
Cost (I = G * H)	Rs. Crore	0.21	0.21	0.21
Total O&M expenses (J = C + F + I)	Rs. Crore	0.53	0.53	0.53

Table 4 : Revised Normative O&M expenses for FY 2023-24, as approved by the Commission

Particulars	Unit	MTR Order	Petition	Approved
Circuit Km basis (A)	Ckt. Kms.	6.12	6.12	6.12
Norms as per Regulations (B)	Rs. Lakh/ Ckt. Kms.	0.25	0.25	0.25
Cost (C = A * B)	Rs. Crore	0.02	0.02	0.02
No of AIS bays (D)	No. of bays	2.00	2.00	2.00
Norms as per Regulations (E)	Rs. Lakh/ bay	15.76	15.76	15.76
Cost (F = D * E)	Rs. Crore	0.32	0.32	0.32
No of GIS bays (G)	No. of bays	2.00	2.00	2.00
Norms as per Regulations (H)	Rs. Lakh/ bay	11.03	11.03	11.03
Cost (I = G * H)	Rs. Crore	0.22	0.22	0.22
Total O&M expenses (J = C + F + I)	Rs. Crore	0.55	0.55	0.55

2.2.4 The Commission approves the revised normative O&M expenses of Rs. 0.53 Crore and Rs. 0.55 Crore for Truing-up of ARR for FY 2022-23 and FY 2023-24, respectively. The said normative expenses approved by the Commission are same as approved in MTR Order dated 31 March, 2023 as there is no actual addition of any asset in FY 2022-23 and FY 2023-24.

2.3 Actual O&M Expenses

VIPL-T's Submission

2.3.1 VIPL-T submitted that O&M Expenditure consists of Employee expenses, Administrative and General (A&G) expenses and Repairs and Maintenance (R&M) expenses. For employee expenses, VIPL-T has considered 4 numbers of employees for overall management of Transmission Business.

2.3.2 As regards to A&G expenses for FY 2022-23 and FY 2023-24, actual expenses related to lease rental and security expenses have been considered.

2.3.3 The actual O&M expenditure for FY 2022-23 and FY 2023-24 is as shown in the following Table:

Table 5 : Actual O&M expenses for FY 2022-23 and FY 2023-24, as submitted by VIPL-T (Rs. Crore)

Particulars	MTR Order	Petition	MTR Order	Petition
	FY 2022-23		FY 2023-24	
Employee Expenses	0.53	0.56	0.55	0.72
A&G Expenses		0.17		0.17
R&M Expenses		0.10		0.11
Total O&M Expenses	0.53	0.83	0.55	1.00

Commission's Analysis and Ruling

2.3.4 VIPL-T has submitted the audited accounting statement certified by Statutory Auditor stating the financial statement highlighting Balance Sheet, Profit & Loss account and

related note for FY 2022-23 and FY 2023-24 for Transmission business. The Commission has considered the audited accounting statement as certified by Statutory Auditor for the purpose of Truing-up in this Petition.

Employee Expenses

- 2.3.5 In response to the data gaps raised by the Commission in respect of increase in employee costs in FY 2023-24 (Rs 0.72 Crore) vis-à-vis employee cost in FY 2022-23 (Rs 0.56 Crore) by 29%, VIPL-T submitted that it has considered 04 employees for overall management of Transmission business whereby since the company is in insolvency, hence 2 of the existing employees have resigned and new employees were hired as replacement having higher cost.
- 2.3.6 The Commission further notes that it has allowed employee expense of Rs 0.66 Crore for 4 employees in FY 2021-22. The said expenses for FY 2022-23 of Rs 0.56 Crore are lower by 15%, and the increase in FY 2023-24 is by 29% due to the hiring of 2 employees at a higher cost. The said expense has been verified from the audited statement certified by the Statutory Auditor.
- 2.3.7 The Commission approves the employee expenses of Rs. 0.56 Crore and Rs. 0.72 Crore for FY 2022-23 and FY 2023-24, respectively.

Administrative & General Expenses

- 2.3.8 The Commission notes that in FY 2018-19, VIPL-T has not claimed any A&G expense for VIPL-T as the same was considered under Generation business and no separate allocation was made towards Transmission business. However, since VIPL's generating units are under shutdown, VIPL-T has started claiming A&G expense from FY 2019-20 onwards.
- 2.3.9 The Commission notes that under A&G expenses, VIPL-T has claimed actual expenses related to lease rental and security expenses which has also been verified from audited accounting statement.
- 2.3.10 Therefore, the Commission approves actual A&G expenses of Rs. 0.17 Crore each for FY 2022-23 and FY 2023-24, respectively.

Repair and Maintenance Expenses

- 2.3.11 The R&M expenses of VIPL-T for FY 2022-23 and FY 2023-24 consist of Annual Maintenance Contract (AMC) awarded to M/s ACS Aircon System and M/s. New J. B. Enterprises, which were engaged for overall maintenance of Transmission assets.
- 2.3.12 The Commission sought detailed documentary evidence to confirm that 'Least Cost'

approach was ascertained while awarding AMC contract by way of competitive bidding from VIPL-T in data gaps. In reply, VIPL-T submitted the Work Order contract whereby the work order of M/s. New J. B. Enterprises was an extension to the ongoing contract. The Commission is of the view that mere extension of the contract without undertaking the competitive bidding process may not result in competitive prices and may not provide the least cost option to the consumers. Therefore, the Commission directs VIPL-T to ensure the competitive bidding process for all future O&M contracts as the basic intention to carry out the competitive bidding process is to explore the option to provide the least cost to the consumers by encouraging competition. Also, the Commission directs VIPL-T to initiate the steps for more participation from the bidders in competitive bidding. This will ensure more competitive rates resulting in a lower burden on the consumers.

2.3.13 The total expenditure claimed by VIPL-T is Rs. 0.10 Crore and Rs. 0.11 Crore for FY 2022-23 and FY 2023-24, respectively. The Commission notes that the expense of Rs. 0.10 Crore per year towards R&M is constant as compared to the amount incurred in FY 2020-21 and has marginally increased by Rs. 1 Lakh in FY 2023-24.

2.3.14 Based on the above, the Commission approves the actual O&M expenses submitted by VIPL-T, after verification with the audited accounting Statement issued by Statutory Auditor as shown in the following Table:

Table 6 : Actual O&M expenses for FY 2022-23 and FY 2023-24, as approved by the Commission (Rs. Crore)

Particulars	FY 2022-23			FY 2023-24		
	MTR Order	Petition	Approved	MTR Order	Petition	Approved
Employee Expenses	0.53	0.56	0.56	0.55	0.72	0.72
A&G Expenses		0.17	0.17		0.17	0.17
R&M Expenses		0.10	0.10		0.11	0.11
Total O&M Expenses	0.53	0.83	0.83	0.55	1.00	1.00

2.3.15 The Commission approves the actual allocated O&M expenses of Rs. 0.83 Crore and Rs. 1.00 Crore on Truing-up of ARR for FY 2022-23 and FY 2023-24, respectively.

2.4 Efficiency gain/losses in O&M expenses

VIPL-T's Submission

2.4.1 Regulation 10 and 11 of the MYT Regulations, 2019 enumerates the mechanism of sharing of gains and losses on account of uncontrollable and controllable parameters respectively.

2.4.2 Any variation on account of uncontrollable factors is a part of the gap identified for the

year and is passed on to the consumer through an adjustment in tariff as per the Regulation 10 of the MYT Regulations. However, in case of variation due to controllable factors, the gains and losses have to be dealt with as per Regulation 11 of the MYT Regulations, 2019.

Table 7 : Sharing of efficiency Gains/(Losses) due to variation in O&M expenses for FY 2022-23 and FY 2023-24, as submitted by VIPL-T (Rs. Crore)

Particulars	MYT Order	Actual	Entitlement as per Regulations/Order	Gain/(loss)	Efficiency Gain / (Loss) shared with TSUs	Net Entitlement of VIPL-T
FY 2022-23						
O & M expenses	0.53	0.83	0.53	(0.30)	(0.10)	0.63
FY 2023-24						
O & M expenses	0.55	1.00	0.55	(0.55)	(0.15)	0.70

Commission's Analysis and Ruling

2.4.3 The Commission has computed the efficiency loss due to variation in normative O&M expenses approved in this Order vis-à-vis the actual O&M expenses approved in line with Regulation 11 of the MYT Regulations, 2019. The normative O&M expenses approved in this Order is same as that approved in the Order dated 31 March, 2023 in Case No. 224 of 2022, as there is no change in the number of bays and Ckt. Kms. of the Transmission System.

2.4.4 As per Regulation 9.2(d) of the MYT Regulations, 2019, variation in O&M expense is a controllable factor. Regulation 11 of the MYT Regulations, 2019 provides the mechanism for sharing of losses under which 1/3rd of the efficiency loss will be passed on as rebate in Tariff to TSUs and 2/3rd of the same will be absorbed by the Transmission Licensee.

2.4.5 Accordingly, the sharing of efficiency loss is approved by the Commission and summarized in the Table below.

Table 8 : Sharing of efficiency Gains/(Losses) due to variation in O&M expenses for FY 2022-23 and FY 2023-24, as approved by the Commission (Rs. Crore)

Particulars	MYT Order	Actual	Entitlement as per Regulations/Order	Gain/(loss)	Efficiency Gain / (Loss) shared with TSUs	Net Entitlement of VIPL-T
FY 2022-23						
O & M expenses	0.53	0.83	0.53	(0.30)	(0.10)	0.63
FY 2023-24						
O & M expenses	0.55	1.00	0.55	(0.55)	(0.15)	0.70

2.5 Capital Expenditure and Capitalization

2.5.1 No capital expenditure has been envisaged during FY 2022-23 and FY 2023-24.

Commission's Analysis and Ruling

2.5.2 The Commission notes the submission of VIPL-T.

2.6 Depreciation

VIPL-T's Submission

2.6.1 Regulation 28 of the MYT Regulations, 2019 provides for computation of depreciation to on capital cost of assets approved by the Commission and rates of depreciation applicable. Accordingly, VIPL-T has calculated Depreciation on the average gross fixed assets during the year based on Straight Line Method.

2.6.2 The closing balance of GFA of FY 2021-22 has been considered as opening balance of FY 2022-23. The depreciation expenses as submitted by VIPL-T are shown in the Table below:

Table 9 : Depreciation for FY 2022-23 and FY 2023-24, as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2022-23		FY 2023-24	
	MTR Order	Petition	MTR Order	Petition
Opening GFA	24.06	24.06	24.06	24.06
Addition of GFA	-	-	-	-
Retirement of GFA	-	-	-	-
Closing GFA	24.06	24.06	24.06	24.06
Depreciation	1.25	1.25	1.25	1.25
Average Depreciation Rate	5.18%	5.18%	5.18%	5.18%

Commission's Analysis and Ruling

2.6.3 The closing balance of GFA for FY 2021-22 as approved in Order dated 31 March, 2023 in Case No. 224 of 2022, is considered as opening balance of GFA for FY 2022-23. Similarly, closing balance of GFA for FY 2022-23 is considered as opening balance of GFA for FY 2023-24. There has been no additional capitalization during FY 2022-23 and FY 2023-24. Therefore, there has been no change in the opening balance and closing balance of GFA of FY 2022-23 and FY 2023-24. Further there is no asset retirement during these years as observed in the audited accounting statement.

2.6.4 The Commission has computed the depreciation in accordance with the Regulation 28 of the MYT Regulations, 2019 and rates of depreciation applicable as per Annexure I specified in the Regulation 28.1 (b) of the MYT Regulations, 2019. Accordingly, the Commission has approved the depreciation for FY 2022-23 and FY 2023-24, as shown

in the following Table below:

Table 10 : Depreciation for FY 2022-23 and FY 2023-24, as approved by the Commission (Rs. Crore)

Particulars	FY 2022-23			FY 2023-24		
	MTR Order	Petition	Approved	MTR Order	Petition	Approved
Opening Gross Fixed Assets	24.06	24.06	24.06	24.06	24.06	24.06
Addition of Gross Fixed Assets	-	-	-	-	-	-
Asset Retirement	-	-	-	-	-	-
Closing Gross Fixed Assets	24.06	24.06	24.06	24.06	24.06	24.06
Depreciation	1.25	1.25	1.25	1.25	1.25	1.25

2.6.5 The Commission approves depreciation of Rs. 1.25 Crore for each year on Truing-up of ARR for FY 2022-23 and FY 2023-24.

2.7 Interest on Long Term Loans

VIPL-T's Submission

2.7.1 Regulation 30.1 read with Regulation 27.1 of the MYT Regulations, 2019 applicable for True-Up of FY 2022-23 and FY 2023-24 provides that 70% of the Capital Cost of Project Cost shall be considered as Gross Normative Loan for Calculation of Interest on loan. Regulation 30.3 of the MYT Regulations, 2019 provides that the repayment during each period of the Control Period FY 2020-21 to FY 2024-25 shall be deemed to be equal to the depreciation allowed for that year.

2.7.2 With respect to Interest rate, Regulation 30.5 of the MYT Regulations, 2019 provides for considering the weightage average rate of interest computed on the basis of the actual loan portfolio of the year shall be allowed on Normative loan:

“30.5 The rate of interest shall be the weighted average rate of interest computed on the basis of the actual loan portfolio at the beginning of each year:

Provided that at the time of Truing-up, the weighted average rate of interest computed on the basis of the actual long-term loan portfolio during the concerned year shall be considered as the rate of interest:”

2.7.3 As per the provisions of the MYT Regulations, 2019, the weighted average interest rate on actual loan portfolio for FY 2022-23 and 2023-24 are required to be considered for calculation of interest on loan. However, due to shutdown of VIPL's generating station from January, 2019 onwards, no debt servicing has been made in the current financial year till date. Therefore, weighted average interest rate has been considered same as that of FY 2021-22.

2.7.4 In term of the above Regulations, the weighted average rate of interest computed on the basis of the actual loan portfolio during the concerned year shall be considered as the rate of Interest. VIPL-T has worked out the Interest on loan in accordance with above

applicable Regulatory provisions of the MYT Regulations, 2019 for True-Up of FY 2022-23 and FY 2023-24.

2.7.5 VIPL-T has worked out the normative loan and corresponding interest expense based on actual loan portfolio as per the above referred Regulation for the FY 2022-23 and FY 2023-24.

2.7.6 Interest on loan capital for FY 2022-23 and FY 2023-24 are shown in the Table below.

Table 11 : Interest on Long Term Loan for FY 2022-23 and FY 2023-24, as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2022-23		FY 2023-24	
	MTR Order	Petition	MTR Order	Petition
Opening balance of Normative loan	6.87	6.87	5.62	5.63
Addition	-	-	-	-
Repayment	1.25	1.25	1.25	1.25
Closing Debt	5.62	5.63	4.38	4.38
Interest Rate (%)	12.09%	12.40%	12.09%	12.40%
Interest on Long Term Loan	0.76	0.77	0.60	0.62
Financing Charges	-	-	-	-
Total Interest & Financing Charges	0.76	0.77	0.60	0.62

Commission's Analysis and Ruling

2.7.7 As per Regulations 27.1 of the MYT Regulations, 2019, normative loan considering a debt-equity ratio of 70:30 is to be considered against the capital cost as approved by the Commission. Since there is no capitalization in these years, addition of loan has not been considered. Further, the repayment is considered equal to the depreciation approved in this Order.

2.7.8 The interest rate for the normative loan is computed based on the Regulation 30.5 of the MYT Regulations 2019, which is extracted below:

“30.5 The rate of interest shall be the weighted average rate of interest computed on the basis of the actual loan portfolio at the beginning of each year:

Provided that at the time of Truing-up, the weighted average rate of interest computed on the basis of the actual loan portfolio during the concerned year shall be considered as the rate of interest:

Provided further that if there is no actual long-term loan for a particular year but normative long-term loan is still outstanding, the last available weighted average rate of interest for actual long-term loan shall be considered:

.....

Provided also that if the entity as a whole does not have actual long-term loan, then the Base Rate at the beginning of the respective year

shall be considered as the rate of interest for the purpose of allowing the interest on the normative loan”

- 2.7.9 The Commission in its data gaps had sought supporting documents validating details of the actual loan portfolio of VIPL-T during FY 2022-23 and FY 2023-24, including opening balance, closing balance and interest paid on such loan. In reply to data gaps, VIPL-T has submitted that the said interest certificates from banks are not available and since the company has defaulted on its previous obligations and there is no change in interest rate. Hence, interest rate of FY 2021-22 is considered. However, VIPL-T has not provided any basis for considering the interest rate of 12.40% in its computation.
- 2.7.10 Also, there has been no debt servicing done since January, 2019 and currently Vidarbha Industries Power Limited, undergoing the Corporate Insolvency Resolution Process ("CIRP") as a Corporate Debtor pursuant to the Order dated 30 September 2024 issued by Hon'ble the National Company Law Tribunal. Pursuant to the said Order, Resolution Professional ("RP") has been appointed under the Insolvency and Bankruptcy Code, 2016 ("IBC"). In line with the IBC process, the RP has requested for EOI from prospective applicants ("PRA") and pursuant to receipt of 10 EOIs, the PRA's are currently carrying out their due diligence.
- 2.7.11 Based on the above, the said process may lead to either restructuring of the existing debt, one-time settlement with a hair-cut or a liquidation process. The Commission is presently unaware of the likely outcome of the above resolution plan.
- 2.7.12 The Commission has referred to its past Orders to verify the statement of VIPL-T regarding the loan treatment and the interest rate considered. In its Order dated 17 January, 2014 in Case No. 91 of 2013, the Commission had allocated the entire External Commercial Borrowing (ECB) loan towards Generation business for computing the weighted average interest rate of VIPL-G. Further, in Order dated 9 March, 2015 in Case No. 115 of 2014, the Commission has again considered the entire ECB loan allocated in VIPL's Generation business for computing weighted average interest rate. In Order dated 29 February, 2016 in Case No. 36 of 2015, the Commission has considered allocation of Rupee Term Loan (RTL) in VIPL's Transmission business for computing weighted average interest rate. Further, in Order dated 12 September 2018 in Case No. 198 of 2017 and in Order dated 30 March, 2020 in Case No. 301 of 2019, the Commission has considered allocation of RTL in VIPL's Transmission business for computing weighted average interest rate. Moreover, in the present case, there was no supporting document provided by VIPL-T regarding interest payment or debt servicing and VIPL-T has itself submitted that no interest has been paid and no debt servicing as the matter is pending before the NCLT.
- 2.7.13 Further, the Commission in its Order dated 31 March 2023 in Case No. 224 of 2022,

has considered the Interest rate as adopted in the MYT Order dated 30 March 2020 in Case No. 301 of 2019 due to absence of documents.

2.7.14 The provisions of the MYT Regulations, 2019, as reproduced above, specify that in case there is no actual loan portfolio, then Base Rate at the beginning of the respective year shall be considered. However, in the present case, there is an actual loan portfolio which has not been serviced due to pending proceedings in NCLT, hence the provision of the MYT Regulations, 2019 cannot be made applicable. Under such circumstances, in the absence of debt servicing and any documentary evidence for claiming interest rate for actual RTL loan portfolio, the Commission, is considering the similar approach as adopted in the MYT Order dated 30 March, 2020 in Case No. 301 of 2019 and in MTR Order dated 31 March 2023 in Case No. 224 of 2022. Hence, the interest rate of 12.09% has been considered which is the last available weighted average rate of interest for actual long-term loan of FY 2018-19 as approved in MYT Order dated 30 March 2020 in Case No. 301 of 2019. The above interest rate is applied on the normative loan to arrive at the interest expenses for FY 2022-23 and FY 2023-24 as shown in the Table below.

2.7.15 Based on the above, the weighted average interest rate for FY 2022-23 and FY 2023-24 has been computed by the Commission and is shown in the Table below:

Table 12 : Interest on Long Term Loans for FY 2022-23 and FY 2023-24, as approved by the Commission (Rs. Crore)

Particulars	FY 2022-23			FY 2023-24		
	MTR Order	Petition	Approved	MTR Order	Petition	Approved
Opening bal. of Normative loan	6.87	6.87	6.87	5.62	5.63	5.62
Addition	-	-	-	-	-	-
Repayment	1.25	1.25	1.25	1.25	1.25	1.25
Closing bal. of Normative loan	5.62	5.63	5.62	4.38	4.38	4.38
Interest Rate (%)	12.09%	12.40%	12.09%	12.09%	12.40%	12.09%
Interest on the Normative Loan	0.76	0.77	0.76	0.60	0.62	0.60

2.7.16 The Commission approves Interest on Long Term Loans as Rs. 0.76 Crore and Rs. 0.60 Crore on Truing-up of ARR for FY 2022-23 and FY 2023-24, respectively.

2.8 Interest on Working Capital

VIPL-T's Submission

2.8.1 Working Capital requirement has been calculated as per Regulation 32.2 of the MYT Regulations, 2019. VIPL-T has considered normative O&M expenses for the purpose of computing the working capital requirement.

2.8.2 VIPL-T has stated that quantum of Working Capital and rate of interest is computed on normative basis as provided by the above Regulation.

2.8.3 VIPL-T submitted that it is engaged in the business of transmission of electricity and such business involves higher expenditure towards Operation and Maintenance costs. In order to maintain the system, including maintenance of availability of the transmission system of more than 99% in a year, VIPL-T is required to maintain sufficient quantum of spares for smooth functioning of the system.

2.8.4 VIPL-T has considered rate of Interest on Working Capital as 9.30% and 10.07% based on the weighted average Base Rate prevailing during the concerned Year plus 150 basis points for FY 2022-23 and FY 2023-24 respectively which is applied on the working capital to arrive at the Interest on Working Capital as given below:

Table 13 : Interest on Working Capital for FY 2022-23 and FY 2023-24, as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2022-23		FY 2023-24	
	MTR Order	Petition	MTR Order	Petition
O&M Expense for One Month	0.04	0.04	0.05	0.05
Maintenance Spare @ 1% of Opening GFA	0.24	0.24	0.24	0.24
Expected Revenue at prevailing Tariff- 1.5 Months	0.52	0.52	0.46	0.46
Total Working Capital	0.80	0.80	0.75	0.74
Rate of Interest on Working Capital	9.45%	9.30%	9.45%	10.07%
Interest on Working Capital	0.08	0.07	0.07	0.07

Commission's Analysis and Ruling

2.8.5 The Regulation 32.2 of the MYT Regulations, 2019 specifies the methodology for assessment of Working Capital requirements by a Transmission Licensee:

“32.2 Transmission

(a) The working capital requirement of the Transmission Licensee shall cover:

- (i) Normative Operation and maintenance expenses for one month;***
- (ii) Maintenance spares at one per cent of the opening Gross Fixed Assets for the Year; and***
- (iii) One and a half months equivalent of the expected revenue from transmission charges at the Tariff approved in the Order for ensuing year/s;***
minus
- (iv) Amount held as security deposits in cash, if any, from Transmission System Users;***

Provided further that for the purpose of Truing-up for any year, the working capital requirement shall be re-computed on the basis of the values of revised normative Operation & Maintenance expenses and actual Revenue from Transmission Charges excluding incentive, if any, and other components of working capital approved by the Commission in the Truing-up before sharing of gains and losses;

(b) Rate of interest on working capital shall be on normative basis and shall be equal to the Base Rate as on the date on which the Petition

*for determination of Tariff is filed, plus 150 basis points:
Provided that for the purpose of Truing-up for any year, interest on working capital shall be allowed at a rate equal to the weighted average Base Rate prevailing during the concerned Year plus 150 basis points.;*

2.8.6 As per Regulation 32.2 (b) of the MYT Regulations, 2019, the interest rate on working capital is computed based on the weighted average Base Rate (i.e., MCLR) plus 150 basis points. Accordingly, the applicable interest rate is 9.30% and 10.07% for FY 2022-23 and FY 2023-24, respectively as computed in the table outlined below:

Table 14 : Applicable Interest Rate on Working Capital for FY 2022-23 and FY 2023-24

Date	DAYS	SBI Base Rate/ MCLR	Wt Avg	Effective Base Rate	Date	DAYS	SBI Base Rate/ MCLR	Wt. Avg	Effective Base Rate
FY 2022-23					FY 2023-24				
01-Apr-22	14	7.00%	7.80%	9.30%	01-Apr-23	14	8.50%	8.57%	10.07%
15-Apr-22	30	7.10%			15-Apr-23	30	8.50%		
15-May-22	31	7.20%			15-May-23	31	8.50%		
15-Jun-22	30	7.40%			15-Jun-23	30	8.50%		
15-Jul-22	31	7.50%			15-Jul-23	31	8.55%		
15-Aug-22	31	7.70%			15-Aug-23	31	8.55%		
15-Sep-22	30	7.70%			15-Sep-23	30	8.55%		
15-Oct-22	31	7.95%			15-Oct-23	31	8.55%		
15-Nov-22	30	8.05%			15-Nov-23	30	8.55%		
15-Dec-22	31	8.30%			15-Dec-23	31	8.65%		
15-Jan-23	31	8.40%			15-Jan-24	31	8.65%		
15-Feb-23	28	8.50%			15-Feb-24	29	8.65%		
15-Mar-23	17	8.50%			15-Mar-24	17	8.65%		
31-Mar-23					31-Mar-24				

2.8.7 The above computed interest rate is applied on the normative working capital to arrive at the Interest on Working Capital which is shown in Table below:

Table 15 : Interest on Working Capital for FY 2022-23 and FY 2023-24, as approved by the Commission (Rs. Crore)

Particulars	FY 2022-23			FY 2023-24		
	MTR Order	Petition	Approved	MTR Order	Petition	Approved
O&M Expenses for One Month	0.04	0.04	0.04	0.05	0.05	0.05
Maintenance Spare @1% of Opening GFA	0.24	0.24	0.24	0.24	0.24	0.24
Expected Revenue at prevailing Tariff- 1.5 Months	0.52	0.52	0.52	0.46	0.46	0.46
Total Working Capital	0.80	0.80	0.80	0.75	0.74	0.74
Interest Rate on Working Capital	9.45%	9.30%	9.30%	9.45%	10.07%	10.07%
Interest on Working Capital	0.08	0.07	0.07	0.07	0.07	0.07

2.8.8 The Commission approves normative Interest on Working Capital of Rs. 0.07 Crore for each year for Truing-up of ARR for FY 2022-23 and FY 2023-24.

2.9 Sharing of Efficiency Gains/Losses on Interest on Working Capital

VIPL-T's Submission

2.9.1 Regulations 10 and 11 of the MYT Regulations, 2019 enumerates the mechanism of sharing of gains and losses on account of uncontrollable and controllable parameters respectively.

2.9.2 Any variation on account of uncontrollable factors is a part of the gap identified for the year and is passed on to the consumer through an adjustment in tariff as per the Regulation 10 of the MYT Regulations, 2019. However, in case of variation due to controllable factors, the gains and losses have to be dealt with as per Regulation 11 of the MYT Regulations, 2019.

2.9.3 Further, VIPL-T has submitted that it has managed working capital requirement from its internal accruals and hence there is NIL interest on working capital in its annual accounts.

2.9.4 Accordingly, sharing of Gains/(Losses) on account of variation of actual IOWC expense from the normative value has been worked out and is shown in the Table below:

Table 16 : Sharing of Efficiency Gains/(Losses) of Interest on Working Capital for FY 2022-23 and FY 2023-24, as submitted by VIPL-T (Rs. Crore)

Particulars	Normative	Actual	Entitlement as per Regulations / (Order)	Gain / (Loss)	Efficiency Gain / (Loss) Shared with TSU	Net Entitlement of VIPL-T
FY 2022-23						
Interest on Working Capital	0.08	-	0.08	0.08	0.02	0.02
FY 2023-24						
Interest on Working Capital	0.07	-	0.07	0.07	0.02	0.02

Commission's Analysis and Ruling

2.9.5 As per Regulation 32.6 of MYT Regulations, 2019, the sharing of efficiency gains /(losses) on account of Interest on working capital is done on variation between normative IoWC and actual IoWC as cited below.

*“For the purpose of Truing-up for each year, the variation between the normative interest on working capital computed at the time of Truing-up and the **actual interest on working capital incurred** by the Generating Company or Licensee or MSLDC, substantiated by documentary evidence, shall be considered as an efficiency gain or efficiency loss, as the case may be, on*

account of controllable factors, and shared between it and the respective Beneficiary or consumer as the case may be, in accordance with Regulation 11 :”{Emphasis added}

2.9.6 As per VIPL-T, it has managed working capital requirement from its internal accruals and hence there is NIL Interest on Working Capital in its annual accounts. Accordingly, the Commission has not considered any actual Interest on Working Capital for FY 2022-23 and FY 2023-24.

2.9.7 Accordingly, the computation of efficiency gains/(losses) has been shown in the Table following below:

Table 17 : Sharing of Efficiency Gains/(Losses) of Interest on Working Capital for FY 2022-23 and FY 2023-24, as approved by the Commission (Rs. Crore)

Particulars	MYT Order	Actual	Entitlement as per Regulations / (Order)	Gain /(loss)	Efficiency Gain / (Loss) Shared with TSU	Net Entitlement of VIPL-T
FY 2022-23						
Interest on Working Capital	0.07	-	0.07	0.07	0.05	0.02
FY 2023-24						
Interest on Working Capital	0.07	-	0.07	0.07	0.05	0.02

2.9.8 After considering sharing of efficiency gain, the Commission approves Rs. 0.02 Crore as net entitlement of Interest on Working Capital for each year for Truing-up of ARR for FY 2022-23 and FY 2023-24.

2.10 Contribution to Contingency Reserves

VIPL-T's Submission

2.10.1 Regulation 35.1 of the MYT Regulations, 2019 applicable for the FY 2020-21 to FY 2024-25 provides for Contingency as under:

“35.1 Where the Licensee has made a contribution to the Contingency Reserve, a sum not less than 0.25 per cent and not more than 0.5 per cent of the original cost of fixed assets shall be allowed annually towards such contribution in the calculation of Aggregate Revenue Requirement: Provided that where the amount of such Contingency Reserves exceeds five (5) per cent of the original cost of fixed assets, no further contribution shall be allowed: Provided further that such contribution shall be invested in securities authorised under the Indian Trusts Act, 1882 within a period of six months of the close of the Year”

2.10.2 VIPL-T has not made any Contribution towards Contingency Reserve for FY 2022-23

and FY 2023-24.

Commission's Analysis and Ruling

- 2.10.3 The Commission in its data gaps had sought justification from VIPL-T for not making investment towards Contingency Reserve. VIPL-T has submitted that it has not made any contribution towards contingency reserve due to the financial constraint and hence nil amount is considered as part of ARR for FY 2022-23 and FY 2023-24.
- 2.10.4 It is observed that VIPL-T has made Contribution to Contingency Reserve of Rs 0.14 Crore in FY 2016-17 as against two previous years, i.e., FY 2014-15 & FY 2015-16 and Rs 0.07 Crore in FY 2017-18 as against FY 2016-17. The above investments are in line with respective Tariff Orders of the Commission. Therefore, the accumulated balance of Contingency Reserve at the close of FY 2016-17 was Rs 0.21 Crore. As there have not been any subsequent investments in Contingency Reserve, the balance for FY 2022-23 and FY 2023-24 remains same.
- 2.10.5 Accordingly, the Commission has not considered any investment in Contingency Reserve for FY 2022-23 and FY 2023-24, as no investment has been made by VIPL-T in the respective years.
- 2.10.6 The Commission allows NIL Contribution to Contingency Reserves for FY 2022-23 and FY 2023-24.

2.11 Return on Equity

VIPL-T's Submission

- 2.11.1 Regulation 29.1, 29.2 and 29.3 of the MYT Regulations, 2019 applicable for the FY 2020-21 to FY 2024-25 provides for Return on Equity Capital as under:

“29.1 Return on Equity for the Generating Company, Transmission Licensee, Distribution Wires Business and MSLDC shall be allowed on the equity capital determined in accordance with Regulation 27 for the assets put to use, at the rate of up to 15.5 per cent per annum in Indian Rupee terms, and for the Retail Supply Business, Return on Equity shall be allowed on the amount of equity capital determined in accordance with Regulation 27 at the rate of up to 17.5 per cent per annum in Indian Rupee terms:

Provided that Return on Equity shall be allowed in two parts viz. Base Return on Equity, and Additional Return on Equity linked to actual performance:

Provided further that Additional Return on Equity shall be allowed at time of truing up for respective year based on actual performance, after prudence check of the Commission

29.2 *Base Return on equity for the Generating Company, Transmission Licensee, Distribution Wires Business and MSLDC shall be allowed on the equity capital determined in accordance with Regulation 27 for the assets put to use, at the rate of 14 per cent per annum in Indian Rupee terms, and for the Retail Supply Business, Return on equity capital shall be allowed on the amount of equity capital determined in accordance with Regulation 27 at the rate of 15.5 per cent per annum in Indian Rupee terms.*

Provided that in case the Generation Company or Licensee or MSLDC claims Return on Equity at a rate lower than the normative rate specified above for any particular year, then such claim for lower Return on Equity shall be unconditional:

Provided further that such claim for lower Return on Equity shall be allowed subject to the condition that the reduction in Return on Equity shall be foregone permanently for that year and shall not be allowed to be recouped at the time of Mid-Term Review or true-up as applicable.

29.3 *The Base Return on Equity shall be computed in the following manner:—*

- a) Return at the allowable rate as per this Regulation, applied on the amount of equity capital at the commencement of the Year; plus*
- b) Return at the allowable rate as per this Regulation, applied on 50 per cent of the equity capital portion of the allowable capital cost, for the investments put to use in Generation Business or Transmission Business or Distribution Business or MSLDC, for such Year*

Provided that Base Return on Equity in respect of additional capitalization after cut-off date beyond the original scope excluding additional capitalization due to Change in Law or revised emission standards, shall be computed at the weighted average rate of interest on actual loan portfolio of the generating station or the transmission system.”

2.11.2 Further, Regulation 29.7 of the MYT Regulations, 2019 applicable for the FY 2020-21 to FY 2024-25 provide for Return on Equity Capital as under:

“29.7 In case of Transmission, an additional rate of Return on Equity shall be allowed on Transmission Availability, at time of truing up as per the following schedule:

- a) For every 0.50% over-achievement in Transmission Availability up to Transmission Availability of 99.50% for AC System and 96.50% for HVDC bi-pole links and HVDC back-to-back stations, rate of return shall be increased by 0.75%;*

b) *For every 0.25% over-achievement in Transmission Availability above 99.50% for AC System and 96.50% for HVDC bi-pole links and HVDC back-to-back stations, rate of return shall be increased by 0.75%, subject to ceiling of additional rate of Return on Equity of 1.50%;*

Provided that the additional rate of Return on Equity shall be allowed on pro-rata basis for incremental Availability higher than Target Availability:

Provided further that Target Availability for additional rate of Return on Equity shall be as per Regulation 60.”

2.11.3 VIPL-T has achieved transmission availability of 99.91% and 99.85% for FY 2022-23 and FY 2023-24 respectively. Hence, it is eligible for 15.5% rate of return on equity (14% of base rate of return on equity and 1.5% of additional rate of return on equity) for FY 2022-23 and FY 2023-24.

2.11.4 Further, Regulation 34.2 to 34.5 of the MYT Regulations, 2019 applicable for the FY 2020-21 to FY 2024-25 provides for return on equity including additional rate of return on equity to be grossed up with the effective tax rate for respective financial year. Relevant part of the Regulation 34.2 to 34.5 of the MYT Regulations, 2019 is reproduced as below:

“34.1 The Income Tax for the Generating Company or Licensee or MSLDC for the regulated business shall be allowed on Return on Equity, including Additional Return on Equity through the Tariff charged to the Beneficiary/ies, subject to the conditions stipulated in Regulations 34.2 to 34.6:

.....

34.2 The rate of Return on Equity, including additional rate of Return on Equity as allowed by the Commission under Regulation 29 of these Regulations shall be grossed up with the effective tax rate of respective financial year.

34.3 The base rate of return on equity shall be rounded off to three decimal places and shall be computed as per the formula given below:

*Rate of pre-tax return on equity = Base rate of Return on Equity / (1-t),
Where “t” is the effective tax rate*

34.4 The effective tax rate shall be considered on the basis of actual tax paid in respect of financial year in line with the provisions of the relevant Finance Acts by the concerned Generating Company or Licensee or MSLDC, as the case may be:

Provided that, in case of the Generating Company or Licensee or MSLDC has engaged in any other regulated or unregulated Business or Other Business, the actual tax paid on income from any other

regulated or unregulated Business or Other Business shall be excluded for the calculation of effective tax rate:

Provided further that effective tax rate shall be estimated for future year based on actual tax paid as per latest available Audited accounts, subject to prudence check.

34.5 *In case of Generating Company or Licensee or MSLDC paying Minimum Alternate Tax (MAT), “t” shall be considered as MAT rate including surcharge and cess:*

Illustration:-

(a) *In case of a Generating Company or Licensee or MSLDC paying Minimum Alternate Tax (MAT) at rate of 21.55% including surcharge and cess:*

Base rate of return on equity = $15.50/(1-0.2155) = 19.758\%$

(b) *In case of Generating Company or Licensee or MSLDC paying normal corporate tax including surcharge and cess:*

(i) *Estimated Gross Income of Company as a whole for FY 2020-21 is Rs. 1,000 crore;*

(ii) *Income Tax for the year on above is Rs 240 crore;*

(iii) *Effective Tax Rate for the year 2019-20 = Rs 240 Crore/Rs 1000 Crore = 24%;*

(iv) *Base rate of return on equity = $15.50/ (1-0.24) = 20.395\%$.*

2.11.5 Accordingly, based on the above provision, VIPL-T submitted that on a stand-alone basis, its transmission business is profitable, and it can be assumed that it would have to pay normal income tax rate. Normal Corporate income tax rate of 25.168% is considered for FY 2022-23 and FY 2023-24. Hence, Rate of pre-tax return on equity will be worked out as 20.731% by grossing up with Return on Equity @15.5%.

2.11.6 Further, VIPL-T submitted that Return of Equity has been computed based on the opening Capital cost of the Project as on 1st April, 2022 as approved by the Commission in its Order dated 31 March 2023 in Case No. 224 of 2022. Hence the same has been computed considering 30% equity.

2.11.7 Therefore, in accordance with Regulation 29 and Regulation 34 of the MYT Regulations, 2019, Return on Equity of 20.713% has been considered in computing Return on Equity as follows:

Table 18 : Return on Equity for FY 2022-23 and FY 2023-24, as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2022-23		FY 2023-24	
	MTR Order	Petition	MTR Order	Petition
Regulatory Equity at the beginning of the year	7.22	7.22	7.22	7.22
Equity portion of capitalisation during the year	-	-	-	-

Particulars	FY 2022-23		FY 2023-24	
	MTR Order	Petition	MTR Order	Petition
Reduction in Equity Capital on account of retirement / replacement of assets	-	-	-	-
Regulatory Equity at the end of the year	7.22	7.22	7.22	7.22
Rate of Return on Equity	14.00%	15.50%	14.00%	15.50%
Tax Rate	-	25.17%	-	25.17%
Rate of pre-tax Return on Equity	14.00%	20.71%	14.00%	20.71%
Return on Regulatory Equity at the beginning of the year	1.01	1.50	1.01	1.50
Return on Equity portion of capitalisation during the year	-	-	-	-
Total Return on Regulatory Equity	1.01	1.50	1.01	1.50

Commission's Analysis and Ruling

2.11.8 The Closing equity for FY 2021-22 as approved in Order in Case No. 224 of 2022 has been considered as Opening equity of FY 2022-23 and closing equity for FY 2022-23 as approved in this Order is considered as opening equity of FY 2023-24. There is no capitalization during FY 2022-23 and FY 2023-24 and hence addition to equity has not been considered. Further, the closing balance of equity for each of the year of FY 2022-23 and FY 2023-24 has remained the same.

2.11.9 The Commission has computed RoE according to Regulation 29 of the MYT Regulations, 2019. The RoE for the transmission licensee is allowed in two parts, i.e., Base rate of RoE of 14% and an additional rate of RoE of 1.5% linked to actual performance (i.e., Transmission Availability) whereby additional RoE will be allowed at time of Truing-up. Target Transmission availability for an additional rate of RoE consideration is 99% as per Regulation 60 of the MYT Regulations, 2019. Further, Regulation 29.7 provides that the additional rate of RoE shall be allowed on pro-rata basis for incremental Availability higher than Target Availability. VIPL-T has considered the additional rate of RoE of 1.5% based on the actual availability of the Transmission system of VIPL-T, which is 99.91% and 99.85% for FY 2022-23 and FY 2023-24, respectively.

2.11.10 The Commission has sought clarification that as per the audited accounts and Income Tax Return of FY 2022-23 and FY 2023-24, no income tax has been paid by VIPL-T, however VIPL-T has claimed Pre-tax RoE by grossing up with the Corporate tax rate of 25.168%. VIPL-T submitted that considering the combined business profitability of generation and transmission business, there was no requirement for payment of income tax for FY 2022-23 & FY 2023-24, however, as VIPL has filed a separate Petition for its Transmission business on standalone basis, it is eligible for normal corporate tax rate.

2.11.11 The Commission notes that VIPL-T has not paid any income tax for FY 2022-23 and FY 2023-24 and income tax liability for the said year is Zero. In accordance with the MYT Regulations 2019, income tax shall be computed for the company as a whole and differential tax rates cannot be considered for different business segments.

2.11.12 As per the provisions of the MYT Regulations, 2019, the effective tax rate is to be considered on the basis of actual tax paid by the Company and while computing the effective tax rate, the actual tax paid on income from any other regulated or unregulated Business or Other Business is to be excluded for the calculation of effective tax rate. When the actual tax payable for Company as a whole works out to zero, the question of computing an effective tax rate excluding the actual tax paid on income from any other regulated or unregulated Business or Other Business does not arise at all. Further, the MYT Regulations 2019 does not provide for computing the effective tax rate for regulated business on stand-alone basis (i.e. based on regulatory profit before tax).

2.11.13 Hence, as the actual tax payable by VIPL (company as a whole) is zero, the effective rate as per the provisions of Regulations works out to be Zero. Therefore, the Commission deems it prudent to consider effective tax rate of 0% for FY 2022-23 and FY 2023-24.

2.11.14 Accordingly, the Commission has considered 'Nil' income tax and allowed RoE for the said period without grossing up with tax as per Regulation 34 of the MYT Regulations, 2019.

2.11.15 The RoE as approved by the Commission for FY 2022-23 and FY 2023-24 is shown in the Table below:

Table 19 : Return on Equity for FY 2022-23 and FY 2023-24, as approved by the Commission (Rs. Crore)

Particulars	MTR Order	Petition	Approved	MTR Order	Petition	Approved
	FY 2022-23			FY 2023-24		
Additional Return on Equity						
Incremental Transmission Availability for AC system and HVDC system	-	99.91%	99.91%	-	99.85%	99.85%
Additional Rate of Return on Equity for Availability	0.00%	1.50%	1.50%	0.00%	1.50%	1.50%
Computation of Return on Equity						
Regulatory equity at the beginning of year	7.22	7.22	7.22	7.22	7.22	7.22
Equity portion of expenditure capitalized	-	-	-	-	-	-
Equity portion of asset retired during year	-	-	-	-	-	-
Regulatory equity at the end of the year	7.22	7.22	7.22	7.22	7.22	7.22
Return on Equity (%) computation						
Base Rate of RoE (%)	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
Performance Rate of RoE (%)	0.00%	1.50%	1.50%	0.00%	1.50%	1.50%

Particulars	MTR Order	Petition	Approved	MTR Order	Petition	Approved
	FY 2022-23			FY 2023-24		
Total Return on Equity (%)	14.00%	15.50%	15.50%	14.00%	15.50%	15.50%
Effective Tax Rate (%)	0.00%	25.17%	0.00%	0.00%	25.17%	0.00%
Pretax RoE after considering effective Tax rate	14.00%	20.71%	15.50%	14.00%	20.71%	15.50%
Total Return on Equity	1.01	1.50	1.12	1.01	1.50	1.12

2.11.16 The Commission approves Return on Equity of Rs. 1.12 Crore for each year for Truing-up of ARR for FY 2022-23 and FY 2023-24 respectively.

2.12 Non-Tariff Income

VIPL-T's Submission

2.12.1 VIPL-T submitted that the Commission has approved the non-tariff income of Rs. 0.02 Crore for both the FY 2022-23 and FY 2023-24 earned out of investment of contingency reserves. However, Actual non-Tariff income is Rs. 0.03 Crore and Rs. 0.02 Crore for FY 2022-23 and FY 2023-24 respectively as shown in Table below:

Table 20 : Non-Tariff Income for FY 2022-23 and FY 2023-24, as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2022-23		FY 2023-24	
	MTR Order	Petition	MTR Order	Petition
Non-Tariff Income	0.02	0.03	0.02	0.02

Commission's Analysis and Ruling

2.12.2 As stated earlier, VIPL-T has not made any investment in Contingency Reserve for FY 2022-23 and FY 2023-24. Also, the Commission has verified the Tariff income from the audited accounting statement issued by Statutory Auditor.

2.12.3 However, it was observed that the interest income has reduced in FY 2023-24 as compared to FY 2022-23. The Commission has sought clarification for the reduction in non-tariff income for FY 2023-24 against which VIPL-T has submitted that it has withdrawn the investment made during March, 2022, as the same was not approved by the Commission. Hence, there is reduction in the other income of FY 2023-24 as compared to FY 2022-23.

2.12.4 The Commission has approved the Contribution to Contingency Reserves and investment made thereof till FY 2016-17 resulting in accumulation of Rs. 0.21 Crore of total investment. Thereafter, from FY 2017-18 to FY 2021-22, no contribution to contingency reserves was allowed due to the reasons that either the investment was not made or the investment was made post the timeline as stipulated in the MYT Regulations, 2019. Therefore, the interest accrued on investments up to FY 2016-17 of

Rs. 0.21 Crore is considered as Non-Tariff Income. Accordingly, the Commission has approved the interest income as Non-Tariff Income as per audited financial statement as shown in Table below.

Table 21 : Non-Tariff Income for FY 2022-23 and FY 2023-24, as approved by the Commission (Rs. Crore)

Particulars	FY 2022-23			FY 2023-24		
	MTR Order	Petition	Approved	MTR Order	Petition	Approved
Non-Tariff Income	0.02	0.03	0.03	0.02	0.02	0.02

2.12.5 The Commission approves Rs 0.03 Crore and Rs 0.02 Crore as Non-Tariff Income for Truing-up of ARR for FY 2022-23 and FY 2023-24, respectively.

2.13 Summary of Truing-up of ARR for FY 2022-23 and FY 2023-24

VIPL-T's Submission

2.13.1 Based on the above parameters, the ARR for FY 2022-23 and FY 2023-24 is summarized in the Table below:

Table 22 : ARR for FY 2022-23, as submitted by VIPL-T (Rs. Crore)

Particulars	MTR Order	Petition	Net Entitlement after sharing of Gains / (Losses)
Operation & Maintenance Expenses	0.53	0.83	0.63
Depreciation Expenses	1.25	1.25	1.25
Interest on Long-term Loan Capital	0.76	0.77	0.77
Interest on Working Capital	0.08	-	0.02
Income-Tax	-	-	-
Contribution to Contingency reserves	0.06	-	-
Total Revenue Expenditure	2.68	2.85	2.68
Return on Equity Capital	1.01	1.50	1.50
Aggregate Revenue Requirement	3.69	4.35	4.17
Less: Non-Tariff Income	0.02	0.03	0.03
Aggregate Revenue Requirement from Transmission Tariff	3.67	4.32	4.14
Add: Past Gap approved in MYT Order in Case No. 301 of 2019	0.27	0.27	0.27
Total Aggregate Revenue Requirement from Transmission Tariff	3.93	4.59	4.41
Revenue from Transmission Tariff	4.13	4.13	4.13
Revenue Gap/(Surplus)	(0.20)	0.46	0.28

Table 23 : ARR for FY 2023-24, as submitted by VIPL-T (Rs. Crore)

Particulars	MTR Order	Petition	Net Entitlement after sharing of Gains / (Losses)
Operation & Maintenance Expenses	0.55	1.00	0.70
Depreciation Expenses	1.25	1.25	1.25
Interest on Long-term Loan Capital	0.60	0.62	0.62
Interest on Working Capital	0.07	-	0.02
Income-Tax	-	-	-
Contribution to Contingency reserves	0.06	-	-
Total Revenue Expenditure	2.53	2.87	2.59
Return on Equity Capital	1.01	1.50	1.50
Aggregate Revenue Requirement	3.54	4.36	4.09
Less: Non-Tariff Income	0.02	0.02	0.02
Add: Availability Incentive	-	-	-
Aggregate Revenue Requirement from Transmission Tariff	3.52	4.34	4.07
Add: Past Gap approved in MYT Order in Case No. 301 of 2019	0.25	0.25	0.25
Add: Past Gap approved in MTR Order in Case No. 224 of 2022	(0.12)	(0.12)	(0.12)
Total Aggregate Revenue Requirement from Transmission Tariff	3.65	4.47	4.20
Revenue from Transmission Tariff	3.65	3.65	3.65
Revenue Gap/(Surplus)	-	0.82	0.55

Commission's Analysis and Ruling

2.13.2 Based on the analysis detailed in this Order, the Commission approves the Truing-up of ARR of VIPL-T for FY 2022-23 and FY 2023-24 in the below Table:

Table 24 : Summary of ARR for FY 2022-23, as approved by the Commission (Rs. Crore)

Particulars	MTR Order	Petition – Net Entitlement	Approved	Net Entitlement after sharing of gains/ (losses)
Operation & Maintenance Expenses	0.53	0.63	0.83	0.63
Depreciation	1.25	1.25	1.25	1.25
Interest on Long-term Loan	0.76	0.77	0.76	0.76
Interest on Working Capital	0.08	0.02	0.07	0.02
Contribution to Contingency Reserves	0.06	-	-	-
Total Revenue Expenditure	2.67	2.68	2.91	2.66
Return on Equity Capital	1.01	1.50	1.12	1.12
Aggregate Revenue Requirement	3.68	4.17	4.02	3.78
Less: Non-Tariff Income	0.02	0.03	0.03	0.03

Particulars	MTR Order	Petition – Net Entitlement	Approved	Net Entitlement after sharing of gains/ (losses)
Aggregate Revenue Requirement from Transmission Tariff	3.66	4.14	3.99	3.75
Add: Past Gap approved in MYT Order in Case No. 301 of 2019	0.27	0.27	0.27	0.27
Total Aggregate Revenue Requirement from Transmission Tariff	3.93	4.41	4.26	4.02
Revenue from Transmission Tariff	4.13	4.13	4.13	4.13
Revenue Gap/(Surplus)	(0.20)	0.28	0.13	(0.11)

Table 25 : Summary of ARR for FY 2023-24, as approved by the Commission (Rs. Crore)

Particulars	MTR Order	Petition – Net Entitlement	Approved	Net Entitlement after sharing of gains/ (losses)
Operation & Maintenance Expenses	0.55	0.70	1.00	0.70
Depreciation	1.25	1.25	1.25	1.25
Interest on Long-term Loan	0.60	0.62	0.60	0.60
Interest on Working Capital	0.07	0.02	0.07	0.02
Contribution to Contingency Reserves	0.06	-	-	-
Total Revenue Expenditure	2.53	2.59	2.93	2.58
Return on Equity Capital	1.01	1.50	1.12	1.12
Aggregate Revenue Requirement	3.54	4.09	4.04	3.70
Less: Non-Tariff Income	0.02	0.02	0.02	0.02
Aggregate Revenue Requirement from Transmission Tariff	3.52	4.07	4.02	3.68
Add: Past Gap approved in MYT Order in Case No. 301 of 2019	0.25	0.13	0.25	0.25
Add: Past Gap approved in MTR Order in Case No. 224 of 2022	(0.12)		(0.12)	(0.12)
Total Aggregate Revenue Requirement from Transmission Tariff	3.65	4.20	4.15	3.81
Revenue from Transmission Tariff	3.65	3.65	3.65	3.65
Revenue Gap/(Surplus)	0.00	0.55	0.50	0.16

2.13.3 The detailed analysis underlying the Commission's approval of individual ARR elements on Truing-up of ARR for FY 2022-23 and FY 2023-24 is already set out above, however, the variation in the ARR sought by the VIPL-T and that approved by the Commission in this Order is mainly on account of lower interest rate expenses on Long Term Loan on account of non-servicing of debt pending NCLT issue and RoE allowed considering effective tax rate as Zero.

2.13.4 Accordingly, the Commission approves the standalone Revenue Surplus of Rs. (0.11) Crore and Gap of Rs. 0.16 Crore on Truing-up of ARR for FY 2022-23 and FY 2023-

24.

2.13.5 The Revenue Surplus/Gap along with the associated holding/carrying cost for FY 2022-23 and FY 2023-24 is dealt with in subsequent Sections of this Order.

3 PROVISIONAL TRUING-UP OF ARR FOR FY 2024-25

3.1 Background

- 3.1.1 VIPL-T, in the present Petition has sought the provisional Truing-up for FY 2024-25 based on the actual performance for H1 of FY 2024-25. This is compared with the ARR approved vide the MTR Order dated 31 March, 2023 in Case No. 224 of 2022.
- 3.1.2 The analysis underlying the provisional Truing-up of ARR for FY 2024-25 undertaken by the Commission is set out below.

3.2 Operation & Maintenance (O&M) Expenses

VIPL-T's Submission

- 3.2.1 The Commission vide MTR Order dated 31 March, 2023 in Case No. 224 of 2022 has approved Rs 0.57 Crore as O&M Expenses for the FY 2024-25 considering applicable Norms according to Regulation 61.6 of the MYT Regulations, 2019.
- 3.2.2 Considering provisional Truing-up, VIPL-T has claimed the Normative O&M expenses for FY 2024-25 in line with the approach adopted by the Commission in the past Order.
- 3.2.3 The normative O&M expenses of Rs. 0.57 Crore for FY 2024-25 is as shown in the Table below:

Table 26 : Normative O&M expenses for FY 2024-25 as submitted by VIPL-T (Rs. Crore)

O&M Expenses	Normative - Approved	Petition
O&M Expenses	0.57	0.57

- 3.2.4 Further, VIPL-T has also submitted the estimated O&M expenses for FY 2024-25 computed provisionally in its Petition, comprising of Rs. 0.41 Crore towards employee expenses, Rs. 0.10 Crore towards A&G expenses and Rs. 0.06 Crore towards R&M expenses i.e., a total of Rs. 0.57 Crore but have claimed normative O&M expenses as a part of ARR for FY 2024-25.

Commission's Analysis and Ruling

- 3.2.5 As the specific norms of O&M expenses for VIPL-T are not specified in the MYT Regulations, 2019, the Commission approves the normative O&M expenses as computed in accordance with the norms as specified in Regulations 61.6 (Norms for new and other existing transmission licensee) of the MYT Regulations, 2019 for FY 2024-25, on the basis of actual number of bays and line length.
- 3.2.6 Further, as per Regulation 61.7 of the MYT Regulations, 2019, the O&M expenses for the 2 GIS bays is worked out by multiplying 0.70 to the normative O&M expenses as allowed as per Regulation 61.6 of the MYT Regulations, 2019.

3.2.7 The normative O&M expenses as specified in Regulation 61.6 and 61.7 of the MYT Regulations, 2019 for the Transmission Line length (Ckt. Kms.) and bays and as approved by the Commission are as follows:

Table 27 : Normative O&M expenses for FY 2024-25, as approved by the Commission

Particulars	Unit	MTR Order	Petition	Approved
Circuit Km basis (A)	Ckt. Kms.	6.12	6.12	6.12
Norms as per Regulations (B)	Rs. Lakh/ Ckt. Kms.	0.25	0.25	0.25
Cost (C = A * B)	Rs. Crore	0.02	0.02	0.02
No of AIS bays (D)	No. of bays	2.00	2.00	2.00
Norms as per Regulations (E)	Rs. Lakh/ bay	16.37	16.37	16.37
Cost (F = D * E)	Rs. Crore	0.33	0.33	0.33
No of GIS bays (G)	No. of bays	2.00	2.00	2.00
Norms as per Regulations (H)	Rs. Lakh/ bay	11.46	11.46	11.46
Cost (I = G * H)	Rs. Crore	0.23	0.23	0.23
Total O&M expenses (J = C + F + I)	Rs. Crore	0.57	0.57	0.57

3.2.8 Further, considering VIPL's claim of estimated O&M expenses for FY 2024-25 computed provisionally, component wise, as set out above, the Commission would carry out the prudence check at the time of truing up of ARR of FY 2024-25 based on audited statement for Transmission business and in this current order, approves the normative O&M expenses as claimed by VIPL-T.

3.2.9 The Commission approves the normative O&M expenses of Rs. 0.57 Crore, based on VIPL-T's claim on Provisional Truing-up of ARR for FY 2024-25.

3.3 Capital Expenditure and Capitalization

3.3.1 No capital expenditure has been envisaged during FY 2024-25.

Commission's Analysis and Ruling

3.3.2 The Commission notes the submission of VIPL-T.

3.4 Depreciation Expenses

VIPL-T's Submission

3.4.1 VIPL-T has submitted that the depreciation is calculated on the average gross fixed assets during the year based on Straight Line Method. The rates of depreciation prescribed as per Regulation 28 of the MYT Regulations, 2019 has been considered for working out depreciation for the FY 2024-25.

3.4.2 The closing GFA for FY 2023-24 has been considered to be equal to the opening GFA

for FY 2024-25.

3.4.3 The depreciation expenses as submitted by VIPL-T are shown in the Table below:

Table 28 : Depreciation for FY 2024-25, as submitted by VIPL-T (Rs. Crore)

Particulars	MTR Order	Petition
Opening GFA	24.06	24.06
Additions during the year	-	-
Retirement during the year	-	-
Closing GFA	24.06	24.06
Depreciation	1.25	1.25

Commission's Analysis and Ruling

3.4.4 The closing GFA for FY 2023-24 as approved in this Order is considered as the opening GFA for FY 2024-25. The Commission has not considered any capitalization for FY 2024-25, as submitted by VIPL-T.

3.4.5 The Commission has computed the depreciation for FY 2024-25 in accordance with the MYT Regulations, 2019 as shown in the following Table.

Table 29 : Depreciation for FY 2024-25, as approved by the Commission (Rs. Crore)

Particulars	MTR Order	Petition	Approved
Opening Gross Fixed Assets	24.06	24.06	24.06
Addition of Gross Fixed Assets	-	-	-
Asset Retirement	-	-	-
Closing Gross Fixed Assets	24.06	24.06	24.06
Depreciation	1.25	1.25	1.25
Average Depreciation Rate	5.18%	5.18%	5.18%

3.4.6 The Commission approves depreciation of Rs. 1.25 Crore on Provisional Truing-up of ARR for FY 2024-25.

3.5 Interest on Long Term Loans

VIPL-T's Submission

3.5.1 VIPL-T submitted that as per Regulation 30.1 read with Regulation 27.1 of the MYT Regulations, 2019 provides that 70% of the Capital Cost of Project Cost shall be considered as Gross Normative Loan for Calculation of Interest on loan.

3.5.2 Further, Regulation 30.3 of the MYT Regulations, 2019 provides that the repayment during each period of the Control Period FY 2020-21 to FY 2024-25 shall be deemed to be equal to the depreciation allowed for that year.

3.5.3 Due to the shutdown of VIPL's generating station from January, 2019 onwards, no debt

servicing has been made from FY 2019-20 onwards till date. Therefore, weighted average interest rate has been considered same as that of FY 2021-22.

3.5.4 VIPL-T has worked out the normative loan and corresponding interest expense based on actual loan portfolio as per the above referred Regulation for the FY 2024-25. Further, Interest on normative loan portfolio has been worked out based on weightage average Interest Rate on actual loan portfolio at beginning of each year in accordance with Regulation 30 (5) of the MYT Regulations, 2019 for the FY 2024-25.

3.5.5 The interest on long term loan as submitted by VIPL-T is as shown in the Table below:

Table 30 : Interest on Long Term Loans for FY 2024-25, as submitted by VIPL-T (Rs. Crore)

Particulars	MTR Order	Petition
Opening Balance of Loan	4.38	4.38
Addition in Loan during the Year	-	-
Repayment of Loan during the Year	1.25	1.25
Closing Balance of Loan	3.13	3.13
Average Loan Balance during the Year	3.76	3.76
Interest Rate (%)	12.09%	12.40%
Interest Expense	0.45	0.47

Commission's Analysis and Ruling

3.5.6 There has been no debt servicing done since January 2019 and currently Vidarbha Industries Power Limited, undergoing the Corporate Insolvency Resolution Process ("CIRP") as a Corporate Debtor pursuant to Order dated 30 September 2024 issued by Hon'ble the National Company Law Tribunal. Pursuant to the said order, Resolution Professional ("RP") has been appointed under the Insolvency and Bankruptcy Code, 2016 ("IBC"). In line with the IBC process, the RP has requested for EOI from prospective applicants ("PRA") and pursuant to receipt of 10 EOI's, the PRA's are currently carrying out their due diligence.

3.5.7 Based on the above, the said process may lead to either restructuring of the existing debt, one-time settlement with a hair-cut or a liquidation process. The Commission is presently unaware of the likely outcome of the above resolution plan.

3.5.8 However, the Transmission assets are a part of Intra state transmission network, which is being utilized by Transmission system users of the State. Therefore, the investments made in Transmission assets have a Cost of Capital that has been provisionally considered by the Commission. Therefore, the Commission has provisionally considered the weightage average interest rate of 12.09% as approved for FY 2022-23 and FY 2023-24, i.e., for computing interest expenses of FY 2024-25 based on the principle as adopted in MYT Order dated 30 March, 2020 and MTR Order dated 31 March, 2023. This interest expense is thus provisionally approved, and the actual

interest expenses shall be validated at the time of final True-up.

3.5.9 The closing balance of loan approved for FY 2023-24 in this Order is considered as the opening loan for FY 2024-25. There is no capitalization during FY 2024-25 and hence addition to loan has not been considered. The depreciation approved for FY 2024-25 in this Order is considered as normative repayment of loan.

3.5.10 The interest expense approved by the Commission is shown in the Table below.

Table 31 : Interest on Long Term Loans for FY 2024-25, as approved by the Commission (Rs. Crore)

Particulars	MTR Order	Petition	Approved
Opening balance of Normative loan	4.38	4.38	4.38
Addition	-	-	-
Repayment	1.25	1.25	1.25
Closing Normative loan	3.13	3.13	3.13
Interest Rate (%)	12.09%	12.40%	12.09%
Interest Expenses	0.45	0.47	0.45

3.5.11 The Commission approves Interest on Long Term Loans as Rs. 0.45 Crore on Provisional Truing-up of ARR for FY 2024-25.

3.6 Interest on Working Capital

VIPL-T's Submission

3.6.1 Regulation 32.2 of the MYT Regulations, 2019 specifies the methodology for assessment of Working Capital requirements by a Transmission Licensee and accordingly, VIPL-T has computed Interest on Working Capital in accordance with the same.

3.6.2 VIPL-T has submitted that the quantum of Working Capital and rate of interest is computed on normative basis as provided by the above Regulation.

3.6.3 In accordance with the provisions as specified in the MYT Regulations, 2019, VIPL-T has considered rate of Interest on Working Capital as 10.45% based on SBI 1-year MCLR as on date of filing of present Petition plus 150 basis point for FY 2024-25.

3.6.4 The Interest on Working Capital as submitted by VIPL-T is as shown in the following Table:

Table 32 : Interest on Working Capital for FY 2024-25, as submitted by VIPL-T (Rs. Crore)

Interest on Working Capital	MTR Order	Petition
Operations and Maintenance Expenses for one month	0.05	0.05
Maintenance Spares @ 1% of the opening GFA for the year.	0.24	0.24
One and a half month equivalent of the expected revenue from	0.45	0.45

Interest on Working Capital	MTR Order	Petition
transmission charges		
Less: Amount of Security Deposit from Transmission System Users	-	-
Total Working Capital Requirement	0.74	0.74
Interest Rate (%)	9.45%	10.45%
Interest on Working Capital	0.07	0.08

Commission's Analysis and Ruling

- 3.6.5 The Commission has scrutinized the IoWC computation and estimated normative working capital requirement. On scrutiny, it is found that normative IoWC has been computed by considering one month of normative O&M expenses, book value of stores at 1% of GFA and revenue requirement approved for FY 2024-25 in the InSTS Order in Case No. 239 of 2022, which is in line with the provisions specified in the MYT Regulations, 2019.
- 3.6.6 The Regulation 32.2 of the MYT Regulations, 2019 specifies the methodology for assessment of Working Capital requirements by a Transmission Licensee.
- 3.6.7 The Commission has verified the interest rate computed by VIPL-T and notes that it has considered Marginal Cost of Lending Rate (MCLR) of State Bank of India as on date of filing Petition as stipulated in the MYT Regulations 2019 and not the delayed date of filing plus 150 basis points for FY 2024-25 i.e., 10.45% (8.95%+1.5%) as IoWC and the same has been considered for estimation of the Interest on Working Capital.
- 3.6.8 Accordingly, the normative Interest on Working Capital approved by the Commission is as shown in the following Table:

Table 33 : Interest on Working Capital for FY 2024-25, as approved by the Commission (Rs. Crore)

Particulars	MTR Order	Petition	Approved
O&M Expenses for One Month	0.05	0.05	0.05
Maintenance Spare @1% of Opening GFA	0.24	0.24	0.24
Expected Revenue at prevailing Tariff- 1.5 Months	0.45	0.45	0.45
Total Working Capital	0.74	0.74	0.74
Rate of Interest on Working Capital (% p.a.)	9.45%	10.45%	10.45%
Interest on Working Capital	0.07	0.08	0.08

- 3.6.9 The Commission approves normative Interest on Working Capital of Rs. 0.08 Crore on Provisional Truing-up of ARR for FY 2024-25.

3.7 Contribution to Contingency Reserves

VIPL-T's Submission

- 3.7.1 The Regulation 35.1 of the MYT Regulations, 2019 provides for contributions to contingency reserve of a sum not less than 0.25% and not more than 0.5% of the original

cost of fixed assets.

- 3.7.2 The contribution to Contingency Reserves for FY 2024-25 has been considered as 0.25% of opening GFA, as shown in the following Table:

Table 34 : Contribution to Contingency Reserves for FY 2024-25, as submitted by VIPL-T (Rs. Crore)

Particulars	MTR Order	Petition
Opening Balance of Contingency Reserves	0.33	0.21
Opening Gross Fixed Assets	24.06	24.06
Opening Balance of Contingency Reserves as % of Opening GFA	1.37%	0.87%
Contribution to Contingency Reserves	0.06	0.06
Closing Balance of Contingency Reserves as % of Opening GFA	1.62%	1.12%
Closing Balance of Contingency Reserves	0.39	0.27

Commission's Analysis and Ruling

- 3.7.3 With reference to the earlier section of this Order, VIPL-T has not invested in Contingency Reserves in FY 2022-23 and FY 2023-24. Further, it is also observed that from FY 2017-18 to FY 2021-22, no contribution to contingency reserves was allowed due to the reasons that either the investment was not made, or the investment was made post the timeline as stipulated in the Regulations.
- 3.7.4 The Commission in its data gaps had sought the clarification for no investment made in contingency reserved for past years against which VIPL-T has replied that due to insolvency process, VIPL-T has not invested the contingency reserves in past and requested the Commission to allow contribution to contingency reserve for FY 2024-25 as it will invest after completion of insolvency process.
- 3.7.5 Further, as per last proviso of Regulations 35.1 of the MYT Regulations, 2019, if for consecutive two years the amount is not invested, then the contribution to contingency reserve shall not be allowed for subsequent year onwards:

35.1

Provided also that if the Licensee does not invest the amount of contribution to Contingency Reserves in authorised securities for two consecutive Years, then the contribution to Contingency Reserves shall not be allowed in the calculation of Aggregate Revenue Requirement from the subsequent Year onwards.

- 3.7.6 The Commission has taken cognizance of the above submission, undergoing NCLT proceedings and the proviso specified in the MYT Regulations 2019 and has not allowed the proposed contribution to the contingency reserves at present. Also, as per proviso specified in Regulations 35.1 of the MYT Regulations, 2019, if the Licensee does not invest the amount of contribution to Contingency Reserves in authorised

securities for two consecutive Years, then the contribution to Contingency Reserves shall not be allowed in the calculation of Aggregate Revenue Requirement from the subsequent Year onwards. Since VIPL-T has not made any investment in the Contingency Reserves within the stipulated time as provided in Regulations 35 of MYT Regulations, 2019 in last 2 years, No investment shall be allowed at the time of final Truing-up of FY 2024-25.

Table 35 : Contribution to Contingency Reserves for FY 2024-25, as approved by the Commission (Rs. Crore)

Particulars	MTR Order	Petition	Approved
GFA	24.06	24.06	24.06
Opening Balance of Contingency Reserve	0.33	0.21	0.21
Contribution to Contingency Reserves	0.06	0.06	-
Closing Balance to Contribution Reserve	0.39	0.27	0.21

- 3.7.1 The Commission approves NIL contribution to Contingency Reserves for Provisional Truing-up of ARR for FY 2024-25.

3.8 Return on Equity

VIPL-T's Submission

- 3.8.1 VIPL-T has submitted that it has claimed Return on Equity as per Regulation 29.1, 29.2 and 29.3 of the MYT Regulations, 2019, whereby the Return on Equity has been computed at the base RoE rate of 14% on the equity capital.
- 3.8.2 As per VIPL-T, as per Regulation 34.2 to 34.5 of the MYT Regulations, 2019, it provides for Return on Equity including additional rate of return on equity to be grossed up with the effective tax rate for respective financial year. Accordingly, VIPL-T has considered normal income tax rate of 25.168% for FY 2024-25, which is grossed up with base RoE of 14% and claimed the Pre-Tax Return on Equity of 18.709% (14.0% / (1-25.168%)).
- 3.8.3 VIPL-T has calculated RoE for FY 2024-25 considering the closing equity as on 31 March, 2024 as claimed in the Petition.
- 3.8.4 The RoE as submitted by VIPL-T is as given in the following Table:

Table 36 : Return on Equity for FY 2024-25, as submitted by VIPL-T (Rs. Crore)

Particulars	MTR Order	Petition
Regulatory Equity at the beginning of the year	7.22	7.22
Equity portion of capitalisation during the year	-	-
Reduction in Equity Capital on account of retirement / replacement of assets	-	-
Regulatory Equity at the end of the year	7.22	7.22

Particulars	MTR Order	Petition
Rate of Return on Equity	14.00%	14.00%
Tax Rate	-	25.168%
Rate of pre-tax Return on Equity	14.00%	18.71%
Return on Regulatory Equity at the beginning of the year	1.01	1.35
Return on Equity portion of capitalisation during the year	-	-
Total Return on Regulatory Equity	1.01	1.35

Commission's Analysis and Ruling

- 3.8.5 The Commission has considered the closing equity for FY 2023-24 approved in this Order as the opening equity for FY 2024-25. There is no additional capitalization and hence addition to equity has not been considered during the year.
- 3.8.6 Further, the Commission has not considered any income tax in the previous year (FY 2023-24) and hence same is not considered for grossing up of RoE. Accordingly, the RoE is computed at the rate of 14%, in accordance with the MYT Regulations, 2019 as shown in the following Table.

Table 37 : Return on Equity for FY 2024-25, as approved by the Commission (Rs. Crore)

Particulars	MTR Order	Petition	Approved
Regulatory equity at the beginning of the year	7.22	7.22	7.22
Equity portion of capitalisation during the year	-	-	-
Regulatory equity at the end of the year	7.22	7.22	7.22
Base Rate of Return on Equity (RoE) (%)	14.00%	14.00%	14.00%
Effective Tax Rate (%)	0.00%	25.17%	0.00%
Pretax RoE after considering effective Tax rate	14.00%	18.71%	14.00%
Total Return on Regulatory Equity	1.01	1.35	1.01

- 3.8.7 The Commission approves the RoE of Rs. 1.01 Crore on Provisional Truing-up of ARR for FY 2024-25.

3.9 Non-Tariff Income

VIPL-T's Submission

- 3.9.1 VIPL-T has submitted that the Commission has approved the Non-tariff income of Rs. 0.02 Crore for FY 2024-25 in the MTR Order, earned out of investment of contingency reserves. Similar, VIPL-T is estimating income from contingency reserves of Rs. 0.02 Crore based on investment of contingency reserves which is considered as Non-tariff income for FY 2024-25.

Table 38 : Non-Tariff Income for FY 2024-25, as submitted by VIPL-T (Rs. Crore)

Particulars	MTR Order	Petition
Non-Tariff Income	0.02	0.02

Commission's Analysis and Ruling

3.9.2 VIPL-T has not made any investments in Contingency Reserves for FY 2017-18, FY 2018-19, FY 2021-22, FY 2022-23 and FY 2023-24, and the investment for FY 2019-20 and FY 2020-21 has been disallowed due to investment of the funds beyond the stipulated timeline as per relevant provisions of the MYT Regulations. Hence, there has not been any change in balance of Contingency Reserve during FY 2024-25 compared to the approved balance in the MYT Order. Thus, the accumulated Contingency Reserve stands at Rs 0.21 Crore for FY 2024-25.

3.9.3 The Commission has computed the Non-Tariff Income for FY 2024-25 by considering sum of total interest accrued on investment made in Contingency Reserve for FY 2014-15, FY 2015-16 and FY 2016-17. The Non-tariff Income, as approved by the Commission is shown in the Table below:

Table 39 : Non-Tariff Income for FY 2024-25, as approved by the Commission (Rs. Crore)

Particulars	MTR Order	Petition	Approved
Non-Tariff Income	0.02	0.02	0.02

3.9.4 The Commission approves Non-Tariff Income of Rs. 0.02 Crore on Provisional Truing-up of ARR for FY 2024-25.

3.1 Revenue from InSTS

Commission's Analysis and Ruling

3.1.1 The Commission has considered revenue as approved in Order in Case No. 239 of 2022 and Case No. 224 of 2022 for the purpose of working out the revenue Gap / (Surplus) for FY 2024-25.

3.2 Summary of Provisional Truing-up of ARR for FY 2024-25

VIPL-T's Submission

3.2.1 The provisional revenue Gap / Surplus for FY 2024-25 has arrived by comparing the revenue received from InSTS and the Aggregate Revenue Requirement as summarized in the Table below:

Table 40 : Summary of ARR for FY 2024-25, as submitted by VIPL-T (Rs. Crore)

Particulars	MTR Order	Petition
Operation & Maintenance Expenses	0.57	0.57
Depreciation Expenses	1.25	1.25
Interest on Long-term Loan Capital	0.45	0.47
Interest on Working Capital	0.07	0.08
Contribution to Contingency reserves	0.06	0.06
Total Revenue Expenditure	2.40	2.42
Return on Equity Capital	1.01	1.35
Aggregate Revenue Requirement (ARR)	3.41	3.77
Less: Non-Tariff Income	0.02	0.02
Aggregate Revenue Requirement from Transmission Tariff	3.39	3.75
Add: Past Gap approved in MYT Order in Case No. 301 of 2019	0.23	0.23
Revenue from Transmission Tariff	3.62	3.98
Revenue from transmission tariff	3.62	3.62
Revenue Gap/(Surplus)	0.00	0.36

Commission's Analysis and Ruling

3.2.2 Based on the analysis detailed in this Order, the Commission approves the ARR on Provisional Truing-up for FY 2024-25 as shown in the Table below:

Table 41 : Summary of ARR for FY 2024-25, as approved by the Commission (Rs. Crore)

Particulars	MTR Order	Petition	Approved
Operation & Maintenance Expenses	0.57	0.57	0.57
Depreciation Expenses	1.25	1.25	1.25
Interest on Long-term Loan Capital	0.45	0.47	0.45
Interest on Working Capital	0.07	0.08	0.08
Income Tax	-	-	-
Contribution to Contingency reserves	0.06	0.06	-
Total Revenue Expenditure	2.40	2.42	2.35
Return on Equity Capital	1.01	1.35	1.01
Aggregate Revenue Requirement (ARR)	3.41	3.77	3.36
Less: Non-Tariff Income	0.02	0.02	0.02
Aggregate Revenue Requirement from Transmission Tariff	3.39	3.75	3.34
Add: Past Gap approved in MYT Order in Case No. 301 of 2019	0.23	0.23	0.23
Revenue from Transmission Tariff	3.62	3.98	3.57
Revenue from transmission tariff as per InSTS Order dated 31 March, 2022 in Case No. 239 of 2022	3.62	3.62	3.62
Revenue Gap/(Surplus)	0.00	0.36	(0.05)

3.2.3 The detailed analysis underlying the Commission's approval of individual ARR

elements on Provisional Truing-up of ARR for FY 2024-25 is already set out above, however, the variation in the ARR sought by the VIPL-T and that approved by the Commission in this Order is mainly on account of the lower interest rate expenses on Long Term Loan, lower RoE due to consideration of effective tax rate as 0% and disallowance of Contribution to Contingency Reserve.

- 3.2.4 The Commission approves a Revenue Surplus of Rs. (0.05) Crore on Provisional True-up of ARR for FY2024-25. The Revenue Surplus for FY 2024-25 is dealt in subsequent Section of this Order.

4 APPROVAL OF ARR FOR 5TH MYT CONTROL PERIOD - FY 2025-26 TO FY 2029-30

4.1 Background

4.1.1 VIPL-T has submitted its Petition for the 5th MYT Control Period with projections of ARR under various heads, viz., O&M expenses, Depreciation, Interest on Long Term Loans, IoWC, RoE, etc. VIPL-T has filed the Petition for the determination of ARR for the 5th MYT Control Period from FY 2025-26 to FY 2029-30, as per the provisions of the MYT Regulations, 2024 notified on 19 August, 2024. The Commission has examined the submissions of VIPL-T in accordance with the applicable Regulations, and the approval for these elements is set out below.

4.2 Operation and Maintenance Expenses

VIPL-T's Submission

4.2.1 Regulation 80.7 of the MYT Regulations, 2024 provides the year wise norms for O&M expenses for VIPL-T for MYT Control Period for FY 2025-26 to FY 2029-30.

4.2.2 Based on the above, the normative O&M expenses for FY 2025-26 to FY 2029-30 are given in the Table below.

Table 42 : O&M expenses for 5th MYT Control Period, as submitted by VIPL-T (Rs. Crore)

Particulars	Unit	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Length of Line of 400 kV (A)	Ckt. Kms.	6.12	6.12	6.12	6.12	6.12
Norms as per Regulations (B)	Rs. Lakh/ Ckt. Kms.	3.07	3.20	3.35	3.50	3.66
Cost (C = A * B)	Rs. Crore	0.19	0.20	0.21	0.21	0.22
No of AIS bays (D)	No. of bays	2	2	2	2	2
Norms as per Regulations (E)	Rs. Lakh/ bay	15.71	16.42	17.15	17.92	18.73
Cost (F = D* E)	Rs. Crore	0.22	0.23	0.24	0.25	0.26
No of GIS bays (G)	No. of bays	2	2	2	2	2
Norms as per Regulations (H) - 70% of (E)	Rs. Lakh/ bay	11.00	11.49	12.01	12.54	13.11
Cost (I = G * H)	Rs. Crore	0.22	0.23	0.24	0.25	0.26
Total O&M expenses (J = C + F + I)	Rs. Crore	0.63	0.66	0.69	0.72	0.75

Commission's Analysis and Ruling

4.2.3 The MYT Regulations, 2024 are applicable for the Tariff determination of Transmission licensees for the 5th MYT Control Period from FY 2025-26 to FY 2029-30. The norms for O & M expenditure for VIPL-T, as Transmission licensees, are specified in these Regulations. The relevant applicable proviso of the said Regulations is reproduced below:

“80 Operation and Maintenance expenses

80.1 *The norms for O&M expenses for existing and new Transmission Licensees have been specified on the basis of circuit kilometre of transmission lines, number of Bays and MVA Capacity of Transformers in the substation of the Transmission Licensee, as given below:*

.....

80.7 *Norms for O&M Expenses for Vidarbha Industries Power Limited-Transmission (VIPL-T) shall be:*

<i>Voltage Level</i>	<i>FY 2025-26</i>	<i>FY 2026-27</i>	<i>FY 2027-28</i>	<i>FY 2028-29</i>	<i>FY 2029-30</i>
<i>INR Lakh/ckt km</i>	<i>3.07</i>	<i>3.20</i>	<i>3.35</i>	<i>3.50</i>	<i>3.66</i>
<i>INR Lakh/Bay</i>					
<i>220 kV</i>	<i>15.71</i>	<i>16.42</i>	<i>17.15</i>	<i>17.92</i>	<i>18.73</i>

“The O&M expenses for the GIS bays shall be allowed as worked out by multiplying 0.70 to the normative O&M expenses for bays as allowed in Regulations 80.1 to 80.9”

4.2.4 Accordingly, the Commission has computed the normative O&M expenses over the actual number of bays and the actual length of Lines as per Regulation 80.7 of the MYT Regulations, 2024. It is also noted that VIPL-T has not proposed any increase in Ckt. Km. of Transmission Lines and in the number of Bays, as compared to the previous MYT Control Period.

4.2.5 Further, as per Regulation 80.9 of the MYT Regulations 2024, the O&M expenses for the 2 GIS bays is worked out by multiplying 0.70 to the normative O&M expenses as allowed in Regulation 80.7 of the MYT Regulations, 2024. The norms of Rs. Lakh per Circuit Km and Rs. Lakh per bay is used to compute these O&M expenses and the same is approved by the Commission as shown in the Table below.

Table 43 : Normative O&M Expenses for 5th MYT Control Period, as approved by the Commission (Rs. Crore)

Particulars	Unit	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Circuit Km basis (A)	Ckt. Kms.	6.12	6.12	6.12	6.12	6.12
Norms as per Regulations (B)	Rs. Lakh/ Ckt. Kms.	3.07	3.20	3.35	3.50	3.66
Cost (C = A * B)	Rs. Crore	0.19	0.20	0.21	0.21	0.22
No of AIS bays (D)	No. of bays	2.00	2.00	2.00	2.00	2.00
Norms as per Regulations (E)	Rs. Lakh/ bay	15.71	16.42	17.15	17.92	18.73
Cost (F = D * E)	Rs. Crore	0.31	0.33	0.34	0.36	0.37
No of GIS bays (G)	No. of bays	2.00	2.00	2.00	2.00	2.00
Norms as per Regulations (H)	Rs. Lakh/ bay	11.00	11.49	12.01	12.54	13.11
Cost (I = G * H)	Rs. Crore	0.22	0.23	0.24	0.25	0.26
Total O&M expenses (J = C + F + I)	Rs. Crore	0.72	0.75	0.79	0.82	0.86

- 4.2.6 The Commission approves the normative O&M Expenses as mentioned in the above Table for FY 2025-26 to FY 2029-30, which will be subject to prudence check at the time of True-up.

4.3 Capital Expenditure and Capitalization

VIPL-T's Submission

- 4.3.1 VIPL-T has not envisaged any capital expenditure during FY 2025-26 to FY 2029-30.

Commission's Analysis and Ruling

- 4.3.2 The Commission has noted the submission of VIPL-T and has not considered any additional capitalization for 5th MYT Control Period - FY 2025-26 to FY 2029-30.
- 4.3.3 As stated hereinabove, VIPL, currently, is undergoing the Corporate Insolvency Resolution Process ("CIRP") pursuant to order dated 30 September, 2024 issued by Hon'ble the NCLT. In line with the IBC process, the RP has requested EOI from prospective applicants ("PRA") and pursuant to receipt of 10 EOI's, the PRA's are currently carrying out their due diligence. The outcome of this process is yet to be come. However, the Commission would like to state that for projects acquired through NCLT proceedings under the IBC Process, for projects already under operation, historical GFA of the project acquired or the acquisition cost paid by the company, whichever is lower may be considered for the determination of tariff. Hence, the Commission directs VIPL-T to provide the details of the outcome of the resolution process within three months of the issuance of such Order and follow the Regulatory process as specified in the Transmission License No. 1 of 2015 issued to VIPL-T on 5 January, 2015.

4.4 Depreciation

VIPL-T's Submission

- 4.4.1 VIPL-T has computed depreciation as per Regulations 28 of the MYT Regulations, 2024 on the fixed assets, based on Straight Line Method. Further, VIPL-T has submitted that some of the assets has attained depreciation of 70% of its capitalised amount during FY 2026-27 and accordingly, depreciation rates are calculated based on remaining depreciation to be claimed and remaining useful life.
- 4.4.2 VIPL-T has considered the opening GFA for FY 2025-26 as equal to closing GFA of FY 2024-25. There is no asset addition as well as retirement of assets envisaged during the 5th MYT Control Period.
- 4.4.3 Based on the above submission, the depreciation projected for 5th MYT Control Period for FY 2025-26 to FY 2029-30 is provided in the Table below:

Table 44 : Depreciation for 5th MYT Control Period, as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Opening GFA	24.06	24.06	24.06	24.06	24.06
Additions during the year	-	-	-	-	-
Retirement during the year	-	-	-	-	-
Closing GFA	24.06	24.06	24.06	24.06	24.06
Depreciation	1.25	1.25	1.25	0.31	0.30

Commission's Analysis and Ruling

- 4.4.4 The closing balance of GFA for FY 2024-25 approved in this Order is considered as the opening balance for the first year of the 5th MYT Control Period, i.e., FY 2025-26 and accordingly the opening balance of the succeeding years has been computed considering the closing balance of the preceding year.
- 4.4.5 VIPL-T has submitted that no Capital expenditure or Capitalization has been proposed for the 5th MYT Control Period. Further, no retirement is proposed by VIPL-T for the same period. Therefore, addition or reduction of GFA has not been considered for any of the years of 5th MYT Control Period.
- 4.4.6 Regulation 28 of the MYT Regulations, 2024 provides for computation of depreciation based on capital cost of assets approved by the Commission and rates of depreciation applicable as per Annexure I specified in the Regulation 28.1 (b) of the MYT Regulations, 2024.
- 4.4.7 Further, proviso of Regulations 28.1 (b) of the MYT Regulations, 2024 also states that once the asset is 70% depreciated, remaining depreciable value shall be spread over the balance useful life. Also, as per Regulations 28.1 (d) of the MYT Regulations, 2024, the depreciation is allowed up to the maximum of 90%. The related Regulations are cited below:

“28 Depreciation

28.1 (b)

Provided that the Generating Company or Licensee or ESSD or MSLDC or STU shall ensure that once the individual asset is depreciated to the extent of seventy percent, remaining depreciable value as on 31st March of the year closing after the period of twelve years from the Commercial Operation Date or the date of assets capitalised shall be spread over the balance Useful Life of the asset including the Extended Life, as provided in this Regulation:

(c)

(d) *The salvage value of the asset shall be considered as 10.00%, and depreciation shall be allowed up to the maximum of 90.00% of the allowable capital cost of the asset:*

4.4.8 The Commission notes that VIPL-T has calculated depreciation by spreading over the balance useful life for some of the assets whose cumulative depreciation amount has attained 70%. However, it has observed that VIPL-T has considered the depreciation @100% while spreading the amount whereas Regulations 28.1 (d) of the MYT Regulations, 2024 clearly clarifies that depreciation needs to be computed till 90% of the capital cost. Accordingly, the Commission has recalculated the depreciation for such assets whose depreciation value has attained 70%, considering balance 20% amount to be spread over useful life.

4.4.9 Accordingly, the Commission has computed the depreciation as per Regulations 28.1(b) & (d) of the MYT Regulations, 2024. The depreciation for 5th MYT Control Period for FY 2025-26 to FY 2029-30, as approved by the Commission is summarized in the following Table:

Table 45 : Depreciation for 5th MYT Control Period, as approved by the Commission (Rs. Crore)

Particulars	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Opening Gross Fixed Assets	24.06	24.06	24.06	24.06	24.06
Addition of Gross Fixed Assets	-	-	-	-	-
Retirement during the year	-	-	-	-	-
Closing Gross Fixed Assets	24.06	24.06	24.06	24.06	24.06
Depreciation	1.25	1.25	1.25	0.25	0.25
Average Depreciation Rate	5.18%	5.18%	5.18%	1.04%	1.04%

4.4.10 The Commission approves the Depreciation of Rs. 1.25 Crore for FY 2025-26 to FY 2027-28 and Rs. 0.25 Crore for FY 2028-29 and FY 2029-30 respectively, in accordance with Regulation 28 of the MYT Regulations, 2024.

4.5 Interest on Long Term Loans

VIPL-T's Submission

4.5.1 Due to shutdown of VIPL's generating station from January, 2019 onwards, no debt servicing has been made till date. Therefore, weighted average interest rate has been considered same as that of FY 2021-22.

4.5.2 Further, Interest on Long Term Loan has been computed considering Regulation 30.1 of the MYT Regulations, 2024 read with Regulation 27.1 of the MYT Regulations, 2024 applicable for FY 2025-26 to FY 2029-30. Also, as per Regulation 30.3 of the MYT Regulations, 2024, the repayment is considered equal to the depreciation for the year.

4.5.3 The Interest on Long Term Loans as submitted by VIPL-T for 5th MYT Control Period for FY 2025-26 to FY 2029-30 is shown in the Table below:

Table 46 : Interest on Long Term Loan for 5th MYT Control Period, as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Opening Balance of Loan	3.13	1.89	0.64	-	-
Addition in Loan during the Year	-	-	-	-	-
Repayment of Loan during the Year	1.25	1.25	0.64	-	-
Closing Balance of Loan	1.89	0.64	-	-	-
Average Loan Balance during the Year	2.51	1.27	0.32	-	-
Interest Rate (%)	12.40%	12.40%	12.40%	12.40%	12.40%
Interest Expense	0.31	0.16	0.04	-	-

Commission's Analysis and Ruling

- 4.5.4 The closing loan balance for FY 2024-25 approved in this Order is considered as the opening loan balance for FY 2025-26. The repayment is considered equal to the depreciation approved in this Order for the respective years as specified in Regulation 30.3 of the MYT Regulations, 2024. Since, no capitalisation is proposed by VIPL-T, the Commission has not considered any funding of the additional capitalization for 5th MYT Control Period of FY 2025-26 to FY 2029-30.
- 4.5.5 No retirement of assets is proposed for 5th MYT Control Period of FY 2025-26 to FY 2029-30 and thus no consequential treatment is provided in the loan balance. Actual retirement, if any, would be considered at the time of Truing-up along with the consequential adjustment in the loan balance.
- 4.5.6 Also, Regulation 30.5 of the MYT Regulations, 2024 for considering the rate of interest states as follows:

"30.5 The rate of interest shall be the weighted average rate of interest computed on the basis of the actual loan portfolio at the beginning of each year

.....

Provided further that if there is no actual long-term loan for a particular year but normative long-term loan is still outstanding, the last available weighted average rate of interest for actual long-term loan shall be considered." (Emphasis added)

- 4.5.7 As stated in the earlier para of this order, there has been no debt servicing done since January, 2019 and currently VIPL undergoing the Corporate Insolvency Resolution Process ("CIRP") pursuant to Order dated 30 September, 2024 issued by the Hon'ble the NCLT. The Commission is presently unaware of the likely outcome of the resolution plan. Since, the investments made in Transmission assets have a Cost of Capital, therefore the Commission has provisionally considered the weightage average interest rate of 12.09% as per approach adopted in MYT Order dated 30 March, 2020 and MTR Order dated 31 March, 2023 and as approved for FY 2022-23 to FY 2024-25, i.e., for computing interest expenses of 5th MYT Control Period of FY 2025-26 to

FY 2029-30. This interest expense is thus provisionally approved, and the actual interest expenses shall be validated at the time of final True-up.

4.5.8 Further, it is also observed that the normative loan of VIPL-T gets squared off in FY 2027-28 and thus repayment of loan has been restricted to the opening balance of the loan for the respective year.

4.5.9 The Interest on Loan for 5th MYT Control Period of FY 2025-26 to FY 2029-30 approved by Commission is set out in Table below:

Table 47 : Interest on Long Term Loans for 5th MYT Control Period, as approved by the Commission (Rs. Crore)

Particulars	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Opening balance of Normative loan	3.13	1.89	0.64	-	-
Addition	-	-	-	-	-
Repayment	1.25	1.25	0.64	-	-
Closing Normative loan	1.89	0.64	-	-	-
Interest Rate (%)	12.09%	12.09%	12.09%	12.09%	12.09%
Interest Expenses	0.30	0.15	0.04	-	-

4.5.10 The Commission approves the Interest on Long Term Loans as mentioned in the above Table for 5th MYT Control Period for FY 2025-26 to FY 2029-30.

4.6 Interest on Working Capital

VIPL-T's Submission

4.6.1 Regulation 32.2 of the MYT Regulations, 2024 specifies the methodology for assessment of Working Capital requirements by a Transmission Licensee and VIPL-T has computed Interest on Working Capital for 5th MYT Control Period in accordance with the same.

4.6.2 Interest rate on working capital is computed based on the Base Rate (i.e., MCLR) as on the date on which the Petition for determination of Tariff is filed plus 150 basis points as per Regulation 32.2 (b) of the MYT Regulations, 2024.

4.6.3 VIPL-T has calculated Interest on Working Capital for 5th MYT Control Period for FY 2025-26 to FY 2029-30, as per norms, as shown in Table below:

Table 48 : Interest on Working Capital for 5th MYT Control Period, as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
O&M Expenses for One Month	0.05	0.05	0.06	0.06	0.06
Maintenance Spare @1% of Opening GFA	0.24	0.24	0.24	0.24	0.24
Expected Revenue at prevailing Tariff- 1.5 Months	0.68	0.46	0.45	0.33	0.33
Less: Amount of Security Deposit	-	-	-	-	-
Total Working Capital Requirement	0.97	0.75	0.74	0.63	0.63

Particulars	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Interest Rate (%)	10.45%	10.45%	10.45%	10.45%	10.45%
Interest on Working Capital	0.10	0.08	0.08	0.07	0.07

Commission's Analysis and Ruling

4.6.4 Interest on Working Capital is calculated according to Regulation 32.2 (a) and (b) of the MYT Regulations, 2024.

“32 Interest on Working Capital

32.2 Transmission

(a) *The working capital requirement of the Transmission Licensee shall cover:*

(i) *Normative Operation and maintenance expenses for one month;*

(ii) *Maintenance spares at one per cent of the opening Gross Fixed Assets for the Year; and*

(iii) *One and a half months equivalent of the expected revenue from transmission charges at the Tariff approved in the Order for ensuing year(s);*

minus

(iv) *Amount held as security deposits in cash, if any, from Transmission System Users:*

.....;

(b) *Rate of interest on working capital shall be on normative basis and shall be equal to the Base Rate as on the date on which the Petition for determination of Tariff is filed, plus 150 basis points:*

.....”

4.6.5 Accordingly, working capital requirement has been computed as per above Regulatory provisions and considered interest rate equivalent to Base Rate as on stipulated date of filing of the Petition as specified in the MYT Regulations, 2024 i.e., 1 November, 2024 and not the delayed filing by VIPL-T. Accordingly, the Commission has considered interest rate as Base Rate of 9.55% p.a. as on 1 November, 2024 plus 150 basis points i.e., 10.45% p.a. The IoWC approved by the Commission for 5th MYT Control Period FY 2025-26 to FY 2029-30 is shown in the Table below:

Table 49 : Interest on Working Capital for 5th MYT Control Period, as approved by the Commission (Rs. Crore)

Particulars	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
O&M Expenses for One Month	0.06	0.06	0.07	0.07	0.07
Maintenance Spare @ 1% of Opening GFA	0.24	0.24	0.24	0.24	0.24
Expected Revenue at prevailing Tariff- 1.5 Months	0.47	0.42	0.41	0.29	0.29

Particulars	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Less: Amount of Security Deposit	-	-	-	-	-
Total Working Capital	0.77	0.73	0.72	0.59	0.60
Interest Rate (%)	10.45%	10.45%	10.45%	10.45%	10.45%
Interest on Working Capital	0.08	0.08	0.08	0.06	0.06

4.6.6 The Commission approves Interest on Working Capital as mentioned in the above Table for 5th MYT Control Period for FY 2025-26 to FY 2029-30 respectively.

4.7 Contribution to Contingency Reserves

VIPL-T's Submission

4.7.1 Regulation 35.1 of the MYT Regulations, 2024 provides for contribution to contingency reserve of a sum not less than 0.25% and not more than 0.5% of the original cost of fixed assets. Since total approval of contribution to contingency reserves has not reached 5% of the GFA, VIPL-T has computed contribution to contingency reserves at 0.25% of the GFA for FY 2025-26 to FY 2029-30.

Table 50 : Contribution towards Contingency Reserves for 5th MYT Control Period, as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Opening Balance of Contingency Reserves	0.27	0.33	0.39	0.45	0.51
Opening Gross Fixed Assets	24.06	24.06	24.06	24.06	24.06
Opening Balance of Contingency Reserves as % of Opening GFA	1.12%	1.37%	1.62%	1.87%	2.12%
Contribution to Contingency Reserves during the year	0.06	0.06	0.06	0.06	0.06
Utilisation of Contingency Reserves during the year	-	-	-	-	-
Closing Balance of Contingency Reserves as % of Opening GFA	1.37%	1.62%	1.87%	2.12%	2.37%
Contribution to Contingency Reserves during the year	0.33	0.39	0.45	0.51	0.57

Commission's Analysis and Ruling

4.7.2 As per Regulations 35 of the MYT Regulations, 2024, the Commission has considered 0.25% of GFA as the Contribution to Contingency Reserve for 5th MYT Control Period for FY 2025-26 to FY 2029-30.

4.7.3 The Commission approves the Contribution to Contingency Reserve for FY 2025-26 to FY 2029-30 as shown in the following Table:

Table 51 : Contribution to Contingency Reserve for 5th MYT Control Period, approved by the Commission (Rs. Crore)

Particulars	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
GFA	24.06	24.06	24.06	24.06	24.06
Opening Balance of Contingency Reserve	0.21	0.27	0.33	0.39	0.45
Contribution to Contingency Reserves	0.06	0.06	0.06	0.06	0.06
Closing Balance to Contribution Reserve	0.27	0.33	0.39	0.45	0.51

4.7.4 The Commission approves the Contribution to Contingency reserve for 5th MYT Control Period as shown in the above Table.

4.8 Return on Equity

VIPL-T's Submission

4.8.1 As per Regulation 29.1 and 29.2 of the MYT Regulations, 2024, Return on Equity for Transmission Licensee will be @15.50% (Base rate – 14% + Performance linked - 1.50%) for the assets put to use. Relevant part of Regulation 29.2 (i) is reproduced here below:

“29 – Return on Equity

29.2 Return on Equity at the time of MYT Proceedings

i. Return on equity for the Generating Company having thermal, gas or hydro plants, Transmission Licensee and Distribution Wires Business, shall be allowed on the equity capital determined in accordance with Regulation 27 for the assets put to use, at the rate of 15.50 (base rate – 14 + performance linked - 1.50) per cent per annum in Indian Rupee terms.”

4.8.2 VIPL-T has considered normal income tax rate of 25.168% for FY 2025-26 to FY 2029-30 and accordingly has considered Rate of pre-tax return on equity as 20.713% (15.50% / (1-25.168%).

4.8.3 Normative opening Equity for FY 2025-26 has been considered as equal to the closing equity of FY 2024-25.

4.8.4 In accordance to Regulation 29 and Regulation 34 of the MYT Regulations, 2024, Return on Equity has been considered in computing return as follows:

Table 52 : Return on Equity for 5th MYT Control Period, as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Regulatory Equity at the beginning of the year	7.22	7.22	7.22	7.22	7.22
Equity portion of capitalisation during the year	-	-	-	-	-
Reduction in Equity Capital					
Regulatory Equity at the end of	7.22	7.22	7.22	7.22	7.22

Particulars	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
the year					
Return on Equity Computation					
Base Rate of Return on Equity	15.50%	15.50%	15.50%	15.50%	15.50%
Pretax Return on Equity after considering effective Tax rate	20.71%	20.71%	20.71%	20.71%	20.71%
Total Return on Equity	1.50	1.50	1.50	1.50	1.50

Commission's Analysis and Ruling

4.8.5 The Commission has considered the closing equity for FY 2024-25 approved in this Order as the opening equity for FY 2025-26 and similarly the closing equity for succeeding years with the opening equity of preceding year till FY 2029-30. No capitalization has been considered for 5th MYT Control Period for FY 2025-26 to FY 2029-30, hence any addition to equity has not been taken into account.

4.8.6 As per Regulation 29.1 of the MYT Regulations, 2024, RoE for Transmission licensee will be 15.5% (14% - Base RoE + 1.5% - Performance Linked RoE) for the assets put to use which shall be inclusive of both Base Return on Equity and Performance Linked Return on Equity.

“29 Return on Equity

29.1 *Return on Equity shall be allowed in two parts viz. Base Return on Equity, and Performance Linked Return on Equity linked with actual performance:*

Provided that, the Return on Equity allowed at the time of MYT Proceedings shall be inclusive of both Base Return on Equity and Performance Linked Return on Equity:

Provided further that Performance Linked Return on Equity considered at the time of MYT Proceedings is on provisional basis and may undergo change at the time of True-up based on level of performance on various parameters stipulated in these Regulations:

29.2 *Return on Equity at the time of MYT Proceedings*

- i. *Return on equity for the Generating Company having thermal, gas or hydro plants, Transmission Licensee and Distribution Wires Business, shall be allowed on the equity capital determined in accordance with Regulation 27 for the assets put to use, at the rate of 15.50 (base rate – 14 + performance linked - 1.50) per cent per annum in Indian Rupee terms.”*

4.8.7 As per the Regulation 34 of MYT Regulations, 2024, the Income Tax for transmission Licensee is required to be considered while calculation of RoE and Regulation 34.2 allows the grossing up of RoE with the effective tax rate for previous year.

“34 Income Tax

34.2 The rate of Return on Equity, including the rate of Performance Linked Return on Equity as allowed by the Commission under Regulation 29 of these Regulations shall be grossed up with actual tax paid, for the previous year:

Provided that in case the Generating Company or ESSD or Licensee or MSLDC or STU for the regulated business has not paid any Income Tax for respective year, the Tax Rate shall be considered as zero at the time of Truing-up, subject to prudence check.”

4.8.8 The Commission notes that VIPL-T has not been paying the tax as is evident in True-up section of this Order. Accordingly, the effective tax rate considered is zero for the purpose of grossing up of RoE for 5th MYT Control Period resulting in RoE of 15.50%. The Summary is shown in the Table below:

Table 53 : Return on Equity for 5th MYT Control Period, as approved by the Commission (Rs. Crore)

Particulars	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Regulatory equity at the beginning of the year	7.22	7.22	7.22	7.22	7.22
Equity portion of expenditure capitalized	-	-	-	-	-
Regulatory equity at the end of the year	7.22	7.22	7.22	7.22	7.22
Return computation					
Rate of Return on Equity (%)	15.50%	15.50%	15.50%	15.50%	15.50%
Effective Tax Rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%
Pretax Return on Equity after considering effective Tax rate	15.50%	15.50%	15.50%	15.50%	15.50%
Total Return on Equity	1.12	1.12	1.12	1.12	1.12

4.8.9 The Commission approves the Return on Equity of Rs. 1.12 Crore for each year of 5th MYT Control Period.

4.9 Non-Tariff Income

VIPL-T's Submission

4.9.1 VIPL-T has computed Non-Tariff Income based on the investment proposed to be made against the Contribution to Contingency Reserves and by considering the interest rate of 7.10% for additional investment made.

4.9.2 The Non-Tariff Income submitted by VIPL-T is as per the following Table

Table 54 : Non-Tariff Income for 5th MYT Control Period, as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Non-Tariff Income	0.03	0.03	0.04	0.04	0.05

Commission's Analysis and Ruling

4.9.3 The Commission in earlier chapter of this Order has stated that the balance of Contribution to Contingency Reserve is Rs 0.21 Crore. The Commission has considered Contingency Reserve @0.25% of opening GFA as per Regulations 35 of the MYT Regulations, 2024 for 5th MYT Control Period in this Order. The projected accumulated Contingency Reserve during 5th MYT Control Period, based upon Commission's approval has been used to compute the Non-Tariff Income for FY 2025-26 to FY 2029-30.

4.9.4 The Commission has computed the Non-Tariff Income for 5th MYT Control Period of FY 2025-26 to FY 2029-30 by considering sum of total interest accrued on investment made in Contingency Reserve in the past of Rs. 0.21 Crore and approved to be invested in the 5th MYT Control Period as per Table 51 of this Order, at interest rate of 6.79% which is equivalent to 10-year G-Sec rate as on December 2024. The Non-tariff Income, as approved by the Commission is shown in the Table below:

Table 55 : Non-Tariff Income for 5th MYT Control Period, as approved by the Commission (Rs. Crore)

Particulars	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Non-Tariff Income	0.02	0.02	0.02	0.03	0.03

4.9.5 The Commission approves the estimates of Non-Tariff Income mentioned in the above Table for 5th MYT Control Period of FY 2025-26 to FY 2029-30.

4.10 Income from Other Business

VIPL-T's Submission

4.10.1 VIPL-T has not envisaged any income from other businesses for 5th MYT Control Period of FY 2025-26 to FY 2029-30.

Commission's Analysis and Ruling

4.10.2 The Commission has noted the Submission of VIPL-T that it has no Income for Other Business for 5th MYT Control Period of FY 2025-26 to FY 2029-30.

4.11 Annual Revenue Requirement for 5th MYT Control Period FY 2025-26 to FY 2029-30

VIPL-T's Submission

4.11.1 VIPL-T has calculated the Carrying Cost as per Regulation 33 of the MYT Regulations, 2019 for Revenue Gap arrived after truing up of FY 2022-23 and FY 2023-24 as given in the Table below:

Table 56 : Carrying Cost for Revenue Gap of FY2022-23 and FY 2023-24, as submitted by VIPL-T (Rs. Crore)

Total Revenue Gap	Rate	Period	Approved
Truing up Revenue Gap for FY 2022-23			
Carrying cost for FY 2022-23	9.30%	Half Year	0.01
Carrying cost for FY 2023-24	10.07%	Full Year	0.04
Carrying cost for FY 2024-25	10.45%	Full Year	0.05
Carrying cost for FY 2024-25	10.45%	Half Year	0.03
Total Carrying Cost			0.13
Truing up Revenue Gap for FY 2023-24			
Carrying cost for FY 2023-24	10.07%	Half Year	0.03
Carrying cost for FY 2024-25	10.45%	Full Year	0.06
Carrying cost for FY 2024-25	10.45%	Half Year	0.03
Total Carrying Cost			0.11

4.11.2 The Cumulative Revenue Gap/(Surplus) till the middle of FY 2025-26, as computed by VIPL-T, is as shown in Table below:

Table 57 : Cumulative Revenue Gap / (Surplus), as submitted by VIPL-T (Rs. Crore)

Particulars	Amount
Incremental Revenue Gap/ (Surplus) for FY 2022-23	0.48
Carrying cost on Revenue Gap/ (Surplus) for FY 2022-23	0.13
Revenue Gap/ (Surplus) for FY 2023-24	0.55
Carrying cost on Revenue Gap/ (Surplus) for FY 2023-24	0.11
Revenue Gap/ (Surplus) for FY 2024-25	0.36
Total	1.63

4.11.3 Based on the individual elements described above, the total ARR for 5th MYT Control Period of FY 2025-26 to FY 2029-30 is projected as shown in the Table below:

Table 58 : Summary of ARR for 5th MYT Control Period, as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Operation & Maintenance Expenses	0.63	0.66	0.69	0.72	0.75
Depreciation Expenses	1.25	1.25	1.25	0.31	0.30
Interest on Loan Capital	0.31	0.16	0.04	-	-
Interest on Working Capital	0.10	0.08	0.08	0.07	0.07
Contribution to Contingency Reserves	0.06	0.06	0.06	0.06	0.06
Total Revenue Expenditure	2.35	2.20	2.11	1.15	1.17
Return on Equity	1.50	1.50	1.50	1.50	1.50
Aggregate Revenue Requirement	3.84	3.69	3.60	2.65	2.67
Less: Non-Tariff Income	0.03	0.03	0.04	0.04	0.05

Particulars	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Net Aggregate Revenue Requirement	3.81	3.66	3.57	2.61	2.62
Incremental Revenue Gap/(Surplus) of FY 2022-23	0.48				
Revenue Gap/(Surplus) of FY 2023-24	0.55				
Provisional Revenue Gap/(Surplus) of FY 2024-25	0.36				
Carrying cost on Revenue Gap of FY 2022-23 and FY 2023-24	0.24				
Total Aggregate Revenue Requirement from Transmission Business	5.44	3.66	3.57	2.61	2.62

4.11.4 Accordingly, VIPL-T has submitted that since the transmission system forms an integral part of the State Transmission Network, it shall recover monthly transmission charges in line with Regulation 83 of the MYT Regulations, 2024.

Commission's Analysis and Ruling

4.11.5 In this Order, the Commission has undertaken the Truing-up of FY 2022-23 and FY 2023-24 and has accordingly determined the Revenue Gap / (Surplus). In accordance with the MYT Regulations, 2019 the Commission has calculated the carrying/holding cost for the Revenue Gap/(Surplus) approved in this Order.

4.11.6 In the MTR Order, the Commission had undertaken the Provisional True-up for FY 2022-23 and had adjusted the Revenue Surplus of Rs. 0.20 Crore. However, as the amount was only provisional, no Carrying Cost was considered at that time. The recovery of this provisional Revenue Gap/(Surplus) was allowed in FY 2023-24.

4.11.7 The carrying cost is computed on the Revenue Gap/(Surplus) for FY 2022-23 and FY 2023-24 after Truing-up. The rate of interest considered for computing the carrying cost is the same as the rate considered for computing IoWC for the respective years. The following Table provides the computation of Carrying Costs for 2025-26.

Table 59 : Carrying Cost FY 2025-26, as approved by the Commission (Rs. Crore)

Particular	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Opening Revenue Gap / (Surplus)	-	(0.11)	0.24	0.24
Addition	(0.11)	0.16	-	-
Deduction		(0.20)	-	0.24
Closing Revenue Gap / (Surplus)	(0.11)	0.24	0.24	-
Average Revenue Gap / (Surplus)	(0.06)	0.06	0.24	0.12
Interest Rate	9.30%	10.07%	10.45%	10.45%
Carrying/ (Holding) Cost	(0.01)	0.01	0.02	0.01
Total Carrying Cost	0.04			

4.11.8 The Cumulative Revenue Gap/(Surplus) is as shown in Table below:

Table 60 : Cumulative Revenue Gap/(Surplus), as approved by the Commission (Rs. Crore)

Particulars	Petition	Approved
Incremental Revenue Gap/(Surplus) of FY 2022-23	0.48	0.08*
Revenue Gap/(Surplus) of FY 2023-24	0.55	0.16
Provisional Revenue Gap/(Surplus) of FY 2024-25	0.36	(0.05)
Carrying cost on Revenue Gap of FY 2022-23 and FY 2023-24	0.24	0.04
Total	1.63	0.23

*- Incremental Gap considered based on provision Revenue Surplus of Rs. 0.20 Crore approved in MTR order and Revenue Surplus of Rs. 0.11 Crore approved in this order.

4.11.9 The Revenue Gap/(Surplus) after truing up of FY 2022-23 and FY 2023-24 along with associated Carrying/Holding cost and Provisional Truing up for FY 2024-25 has been added to the standalone Revenue Requirement of FY 2025-26. Based on the above analysis of Gap/Surplus and Carrying/Holding Cost, the total ARR for the 5th MYT Control Period of FY 2025-26 to FY 2029-30 is projected as shown in the Table below:

Table 61 : Summary of ARR for 5th MYT Control Period, as approved by the Commission (Rs. Crore)

Particulars	FY 2025-26		FY 2026-27		FY 2027-28		FY 2028-29		FY 2029-30	
	Petition	Approved	Petition	Approved	Petition	Approved	Petition	Approved	Petition	Approved
Operation & Maintenance Expenses	0.63	0.72	0.66	0.75	0.69	0.79	0.72	0.82	0.75	0.86
Depreciation Expenses	1.25	1.25	1.25	1.25	1.25	1.25	0.31	0.25	0.30	0.25
Interest on Loan Capital	0.31	0.30	0.16	0.15	0.04	0.04	-	-	-	-
Interest on Working Capital	0.10	0.08	0.08	0.08	0.08	0.08	0.07	0.06	0.07	0.06
Contribution to Contingency Reserves	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06
Total Revenue Expenditure	2.35	2.41	2.20	2.29	2.11	2.21	1.15	1.20	1.17	1.23
Return on Equity	1.50	1.12	1.50	1.12	1.50	1.12	1.50	1.12	1.50	1.12
Aggregate Revenue Requirement	3.84	3.53	3.69	3.41	3.60	3.33	2.65	2.31	2.67	2.35
Less: Non-Tariff Income	0.03	0.02	0.03	0.02	0.04	0.02	0.04	0.03	0.05	0.03
Net Aggregate Revenue Requirement	3.81	3.51	3.66	3.39	3.57	3.30	2.61	2.29	2.62	2.32
Incremental Revenue Gap/(Surplus) of FY 2022-23	0.48	0.08								
Revenue Gap/(Surplus) of FY 2023-24	0.55	0.16								
Provisional Revenue Gap/(Surplus) of FY 2024-25	0.36	(0.05)								
Carrying cost on Revenue Gap of FY 2022-23 and FY 2023-24	0.24	0.04								
Total Aggregate Revenue Requirement from Transmission Business	5.44	3.74	3.66	3.39	3.57	3.30	2.61	2.29	2.62	2.32

4.11.10 Accordingly, the Commission approves the ARR for the 5th MYT Control Period of FY 2025-26 to FY 2029-30 including past gaps/surplus as well as associated carrying/holding costs, as outlined in the Table above.

5 COMPLIANCE OF DIRECTIVES

5.1 Segregation of Books of Account of Transmission and Generation Business of VIPL

- 5.1.1 The Commission in its Order dated 30 March 2020, in Case No. 301 of 2019 had directed VIPL-T to maintain separate audited accounts for its Generation and Transmission business as per the requirement of Regulation (2.1) (1) of the MYT Regulations, 2015 and Regulation (2.1) (1) of the MYT Regulations, 2019 and submit it with the MTR Petition. In Case No. 301 of 2019, VIPL-T had assured that it will maintain the separate account for its Generation and Transmission Business from FY 2019-20 onwards. Since VIPL-T had not complied with the directions, the Commission in the MTR Order dated 31.03.2023 issued show cause notice on VIPL-T as to why Section 142 of EA, 2003 cannot be initiated for the said non-compliance.

VIPL-T's Submission

- 5.1.1 VIPL-T submitted that it has maintained separate accounts for its transmission business. As part of the present Petition, VIPL-T has submitted the annual accounts of VIPL as a whole and VIPL Transmission business duly audited by the auditor.

Commission's Analysis and Ruling

- 5.1.2 VIPL-T, in response to the show cause notice has submitted separate audited accounts of Transmission Business. The Commission vide order dated 21 September, 2023 in Case No 224 of 2022 has observed that VIPL-T has complied the direction within the stipulated time and revoked the show cause notice which was issued to VIPL-T under Section 142 of the EA, 2003.
- 5.1.3 The Commission notes that VIPL-T has submitted separate audited financial statement of Transmission Business in the present Petition.

New Directions

5.2 Delay in Submission of MYT Petition

- 5.2.1 VIPL-T vide its letter dated 4 November, 2024 has requested to grant one-month extension for filing the MYT Petition due to the following reasons:
- a) Hon'ble the NCLT has admitted Vidarbha Industries Power Limited (VIPL) under the Corporate Insolvency Resolution Process in terms of the Insolvency and Bankruptcy Code, 2016 (IBC, 2016) on 30 September, 2024
 - b) IRP having only recently taken over the affairs of the Corporate Debtor (VIPL), is in the process of getting acquainted with various issues related to VIPL as well as regulatory filings before various forums.
 - c) Various data including audited accounts, availability certificates etc. was required

to be collected from different sources and compiled for the purpose of filing along with the MYT Petition which would require additional time.

- 5.2.2 The Commission, vide its letter dated 14 November 2024 has not accepted the request for an extension of one month for filing of MYT Petition. However, VIPL-T, with non-compliance to the provisions as specified in Regulations 5.1 of MYT Regulations 2024 and non-acceptance of the request for an extension, still it has filed the MYT Petition on 3 December 2024 resulting in an overall delay of 32 days and has requested to condone the delay in filing the present MYT Petition. It has also submitted that imposition of penalty will have a grave impact on the resolution of the company and hence requested for not to take strong actions at the present juncture and condone the delay as requested in the present Petition
- 5.2.3 The Commission is of the view that the MYT Regulations, 2024 were issued in August 2024 and Hon'ble the NCLT has admitted Vidarbha Industries Power Limited (VIPL) under Corporate Insolvency Resolution Process on 30 September, 2024, whereby VIPL still had time for data collection for filing of MYT Petition which is a regular practice for regulated entities and VIPL-T being a transmission licensee has to abide by the timelines specified in the Regulations and hence such request of extension was not allowed by the Commission vide letter dated 14 November, 2024.
- 5.2.4 The Regulation 5.1 of MYT Regulations 2019 and MYT Regulations, 2024 clearly states that if the Petition is not filed within the specified timelines, then the corresponding revenue loss and associated carrying cost due to consequential delay in issue of the Order, shall not be allowed to the Licensee. Since the MYT Order of the instant petition has been issued within the timeline stipulated in Section 64 of the Electricity Act 2023 i.e. within 120 days from 30 November 2024, the Commission has allowed the carrying cost, though there was a delay in filing the Petition by 32 days.
- 5.2.5 Further, as per Regulation 5.2 of the MYT Regulations 2024, any non-compliance non-adherence to the prevailing Regulations and/ or directives of the Commission, with unsatisfactory justification, the Commission may consider applying a disincentive of Rs. One Crore per default at the time of approval of the ARR. It has been quite obvious that there has been non-adherence to the direction of the Commission to file MYT Petition as per the said timeline and the MYT Petition was filed with a delay of 32 days. However, considering that Hon'ble the NCLT has admitted Vidarbha Industries Power Limited (VIPL) under Corporate Insolvency Resolution Process in terms of the Insolvency and Bankruptcy Code, 2016 (IBC, 2016) and the matter is ongoing. Any penalty may affect the viability of the transmission business, which is not the intent of the Commission while framing the MYT Regulations. Hence, the Commission condones the delay in filing the MYT

Petition with a strict warning that such delay will not be condoned in future and VIPL-T shall comply with all the directions issued by the Commission from time to time.

5.3 O&M Contract through competitive bidding

- 5.3.1 It has been observed that VIPL-T has extended the ongoing O&M contract under same terms and conditions without undertaking any fresh competitive bidding process. The Commission feels that mere extension of the contract without undertaking the competitive bidding process may not result in competitive prices and may not provide the least cost option to the consumers. Therefore, the Commission directs VIPL-T to ensure that for all future O&M contracts are entered through a transparent process of competitive bidding with publication of open tender inquiries and to submit the details along with the bid evaluation reports. All the documents relating to such competitive bidding should be submitted to the Commission along with the Tariff Petition in future, as the basic intention to carry out the competitive bidding process is to explore the option to provide least cost to the consumers by encouraging competition. Also, the Commission directs VIPL-T to initiate the steps for more participation from the bidders in competitive bidding. This will ensure more competitive rates resulting in the lower burden on the consumers.

5.4 Outcome of NCLT Process

- 5.4.1 As stated hereinabove, VIPL, currently, is undergoing the Corporate Insolvency Resolution Process ("CIRP") pursuant to order dated 30 September, 2024 issued by the Hon'ble the NCLT. In line with the IBC process, the RP has requested EOI from prospective applicants ("PRA") and pursuant to receipt of 10 EOI's, the PRA's are currently carrying out their due diligence. The outcome of this process is yet to come. The Commission directs VIPL-T to provide the details of the outcome of the resolution process within three months of the issuance of such Order from Hon'ble NCLT and follow the Regulatory process as specified in the Transmission License No. 1 of 2015 issued to VIPL-T on 5 January, 2015.

6 RECOVERY OF ARR AND TRANSMISSION CHARGES

- 6.1.1 As the Transmission System of VIPL-T forms a part of the InSTS, the approved ARR for VIPL-T for 5th MYT Control Period of FY 2025-26 to FY 2029-30 shall be allowed to be recovered through the Commission's InSTS Transmission Tariff Order in terms of the Intra- State Transmission pricing framework and as specified in the MYT Regulations, 2024.

7 APPLICABILITY OF THE ORDER


- 7.1.1 This Order on approval for Truing-up of Aggregate Revenue Requirement (ARR) for FY 2022-23 and FY 2023-24, Provisional Truing-up of ARR for FY 2024-25 and determination of ARR for 5th MYT Control Period of FY 2025-26 to FY 2029-30 shall come into force from **1 April, 2025**.

The Petition of the Vidarbha Industries Power Ltd.-Transmission in Case No. 220 of 2024 stands disposed of accordingly.

Sd/-
(Surendra J. Biyani)
Member

Sd/-
(Anand M. Limaye)
Member

Sd/-
(Sanjay Kumar)
Chairperson


(Dr. Rajendra G. Ambekar)
Secretary



Appendix – 1

List of persons who attended the TVS on 09 December 2024

Sr. No.	Name of the Participant	Institution
1.	Rajendra Kale	VIPL-T
2.	Yash Punwani	E&Y

Appendix – 2

List of persons who attended the e-Public Hearing on 8 January, 2025

Sr. No.	Name of the Participant	Institution
1.	Rajendra Kale	VIPL-T
2.	Yash Punwani	E&Y