

Before the
MAHARASHTRA ELECTRICITY REGULATORY COMMISSION
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CASE No. 180 of 2024

In the matter of

Case of Jaigad Power Transco Ltd. for approval of Truing-up of Aggregate Revenue Requirement (ARR) FY 2022-23 and FY 2023-24, Provisional Truing-up of FY 2024-25, and ARR for 5th Control Period from FY 2025-26 to FY 2029-30

Coram

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

ORDER

Date: 28 March 2025

M/s Jaigad Power Transco Limited (JPTL), JSW Centre, Bandra Kurla Complex, Bandra (East), Mumbai, has filed a Petition for approval of Truing-up of Aggregate Revenue Requirement (**ARR**) for FY 2022-23 & FY 2023-24 and Provisional Truing-up of ARR for FY 2024-25, and determination of ARR for 5th Control Period from FY 2025-26 to FY 2029-30. The original Petition was filed by JPTL on 30 October 2024 and after incorporating various comments and issues raised by the Commission, JPTL filed the revised Petition on 25 November 2024.

The Petition has been submitted in accordance with the MERC (Multi Year Tariff) Regulations 2019 (“**MYT Regulations, 2019**”) as amended from time to time for approval of Truing-up of ARR for FY 2022-23 and 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 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, 2003 and all other powers enabling it in this behalf, and after taking into

MERC MYT Order for JPTL for Truing-up of ARR for FY 2022-23 and FY 2023-24, Provisional Truing-up of ARR for FY 2024-25 and determination of ARR for 5th Control Period from FY 2025-26 to FY 2029-30

consideration all the submissions made by JPTL and issues discussed during the public consultation process, and all other relevant material placed on record by JPTL, has approved the Truing-up of ARR for FY 2022-23 and FY 2023-24, Provisional Truing-up of ARR for FY 2024-25, and ARR for 5th Control Period from FY 2025-26 to FY 2029-30 in this Order.

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LIST OF ABBREVIATIONS

A&G	Administrative & General Expenses
ARR	Aggregate Revenue Requirement
APTEL/ATE	Appellate Tribunal for Electricity
AV	Audio Visual
BoQ	Bill of Quantity
Capex	Capital Expenditure
CB	Circuit Breakers
Ckt-km	Circuit kilometre
CSD	Controlled Switching Device
Commission/MERC	Maharashtra Electricity Regulatory Commission
CSR	Corporate Social Responsibility
D/C	Double Circuit
DCRM	Dynamic Contact Resistance Measurement
DPC	Delayed Payment Charges
DPR	Detailed Project Report
EA, 2003	Electricity Act, 2003
ERS	Emergency Restoration System
FY	Financial Year
GFA	Gross Fixed Assets
H1	Half Year 1 of FY 2024-25, i.e., April to September 2024
H2	Half Year 2 of FY 2024-25, i.e., October 2024 to March 2025
InSTS	Intra-State Transmission System
IoWC	Interest on Working Capital
JPTL	Jaigad Power Transco Limited
km	Kilometre
kV	kilo Volt
MCLR	Marginal Cost of Funds-based Lending rate
MSETCL	Maharashtra State Electricity Transmission Company Limited
MTR	Mid Term Review
MYT	Multi Year Tariff
NTI	Non-Tariff Income

MERC MYT Order for JPTL for Truing-up of ARR for FY 2022-23 and FY 2023-24, Provisional Truing-up of ARR for FY 2024-25 and determination of ARR for 5th Control Period from FY 2025-26 to FY 2029-30

O&M	Operation and Maintenance
R&M	Repair and Maintenance
RBI	Reserve Bank of India
RoE	Return on Equity
SBI	State Bank of India
Sq. ft	Square Feet
TSU	Transmission System User
TTSC	Total Transmission System Cost

1 INTRODUCTION

1.1 Background

- 1.1.1 Jaigad Power Transco Limited (JPTL) is a Joint Venture Company between JSW Energy Limited (JSWEL) and Maharashtra State Electricity Transmission Company Limited (MSETCL), set up for developing, operating, and maintaining a Transmission System consisting of two Transmission Lines along with associated equipment and terminal Bays at MSETCL's New Koyna and Karad Sub-stations.

Table 1: Transmission System of JPTL

Name of the Line	Line length and Capacity	District	Interface Point
Jaigad-New Koyna Transmission Line	55 km – 400 kV Double Circuit (Quad) Transmission Line	Ratnagiri, Maharashtra	MSETCL Sub-station, New Koyna
Jaigad-Karad Transmission Line	110 km – 400 kV Double Circuit (Quad) Transmission Line	Ratnagiri /Satara, Maharashtra	MSETCL Sub-station, Karad

- 1.1.2 The Commission had granted a Transmission Licence to JPTL (No. 1 of 2009) on 8 February 2009 for the Transmission System mentioned in Table 1 above for a period of 25 years.
- 1.1.3 The Commission in its Multi Year Tariff (MYT) Order dated 30 March, 2020 in Case No. 294 of 2019, had approved the Truing-up of ARR of JPTL for FY 2017-18 and FY 2018-19, Provisional Truing-up of ARR for FY 2019-20 and ARR for the Control Period from FY 2020-21 to FY 2024-25.
- 1.1.4 JPTL filed a Review Petition seeking Review of the MYT Order dated 30 March, 2020, wherein JPTL prayed to correct the consideration of impact of the provisional surplus amounting to Rs. 1.95 Crore for FY 2017-18. JPTL submitted that the said surplus ought to be adjusted in the ARR of FY 2020-21. JPTL also prayed to allow carrying cost on the financial impact of the said Review Petition.
- 1.1.5 The Commission, vide Order dated 06 June, 2020 in Case No. 83 of 2020, dismissed the Review Petition of JPTL citing no error in the ARR computation.
- 1.1.6 Subsequently, JPTL filed an Appeal before the Hon'ble Appellate Tribunal for Electricity (APTEL) vide Appeal No. 108 of 2022 against the Review Order in Case No. 83 of 2020.

- 1.1.7 The APTEL, vide its Judgment dated 31 October, 2022, allowed the claims made by JPTL and directed the Commission to accord the claims in due priority.
- 1.1.8 The Commission in its Mid-Term Review (MTR) Order dated 31 March, 2023 in Case No. 213 of 2022, approved the Truing-up of ARR of JPTL for FY 2018-19, FY 2019-20 and FY 2021-22, Provisional Truing-up of ARR for FY 2022-23 and Revised ARR for FY 2023-24 and FY 2024-25. In this MTR Order, the Commission gave effect to the above-said APTEL Judgment dated 31 October, 2022.
- 1.1.9 JPTL filed a Review Petition seeking review of the MTR Order dated 31 March, 2023, on the following six issues:
- (i) Wrong interest reset date considered for Canara Bank loan in FY 2020-21;
 - (ii) Wrong additional overhauling amount considered in the provisional ARR for FY 2022-23;
 - (iii) Disallowed capex towards Office-cum-Guest House works;
 - (iv) Disallowance of Interest on Loan and Return on Equity (RoE) on Capitalisation of Rs. 1.61 Crore towards fallen tower;
 - (v) Disallowance of insurance cover on entire transmission assets;
 - (vi) Disallowance of additional Capex proposal for FY 2024-25 related to solar roof shed for building.
- 1.1.10 The Commission vide Order dated 30 November, 2023 in Case No. 96 of 2023, dismissed the Review Petition of JPTL citing no error in the ARR computation.
- 1.1.11 JPTL has filed this Petition for approval of Truing-up of ARR for FY 2022-23 and FY 2023-24, Provisional Truing-up for FY 2024-25, and ARR for the 5th Control Period from FY 2025-26 to FY 2029-30.
- 1.1.12 In the present Order, the Commission has approved the Truing-up of ARR for FY 2022-23 and FY 2023-24, and Provisional Truing-up of ARR for FY 2024-25 in accordance with the MYT Regulations, 2019, and ARR for the 5th Control Period from FY 2025-26 to FY 2029-30 in accordance with the MYT Regulations, 2024.

1.2 MYT Regulations

- 1.2.1 The MYT Regulations, 2019 notified on 01 August 2019, were applicable for the 4th Control Period from FY 2020-21 to FY 2024-25 and were amended vide notifications dated 10 February, 2023 and 8 June, 2023.

1.2.2 Subsequently, the Commission notified the MYT Regulations, 2024 on 19 August, 2024. These Regulations are applicable for the 5th Control Period from FY 2025-26 to FY 2029-30.

1.3 Petition and Prayers of JPTL

1.3.1 Regulation 5.1(a) of the MYT Regulations, 2024 specifies that the ARR for each year of the 5th MYT Control Period under these Regulations has to be filed by 1 November 2024.

1.3.2 In adherence to the above, JPTL submitted the present Petition on 30 October, 2024. On 8 November, 2024, the Commission conveyed the preliminary data gaps. JPTL submitted the reply to the Data Gaps on 18 November, 2024. The Technical Validation Session (TVS) was held on 19 November, 2024. The list of persons who participated in the Technical Validation Session (TVS) is at **Appendix I**.

1.3.3 Thereafter, JPTL submitted a revised Petition on 26 November, 2024 incorporating all the replies to the data gaps and necessary changes to the Petition.

1.3.4 JPTL's prayers in the revised Petition are as follows: -

“

- a. *Admit the Petition for the Approval of True Up of FY 2022-23 & FY 2023-24, Provisional True-up of FY 2024-25 in accordance with the MYT Regulations 2019 and its amendments thereof and Aggregate Revenue Requirement for the 5th MYT Control Period from FY 2025-26 to FY 2029-30 in accordance with the MYT Regulations 2024;*
- b. *Approve the True-up of ARR of JPTL including past gaps and Performance based RoE for higher Transmission availability for FY 2022-23 & FY 2023-24 in accordance with the MYT Regulations 2019 and its amendments thereof;*
- c. *Approve the Provisional True Up for FY 2024-25 as presented in this Petition in accordance with the MYT Regulations 2019 and its amendments thereof;*
- d. *To allow the overhauling cost and additional OPEX of the transmission system as proposed in the Petition in addition to normative O&M Expenses;*
- e. *Approve the projected ARR for the 5th MYT Control Period FY 2025-26 to FY 2029-30 in accordance with the MYT Regulations 2024;*
- f. *To approve the CAPEX and Capitalisation as proposed in the Petition for FY 2023-24 to FY 2024-25 as per MYT Regulations 2019 and for the 5th*

MYT Control Period i.e. FY 2025-26 to FY 2029-30 as per MYT Regulations 2024;

- g. To allow to claim interest on loan for existing and new assets separately so as to fund the new capitalisation as per the norms of MYT Regulations 2024;*
- h. To allow the recovery of the past gaps in the transmission charges as submitted in the Petition;*
- i. Condone any inadvertent omissions, errors, shortcomings, rounding off and permit JPTL to add/ change/ modify/ alter this filing and make further submissions as may be required at a future date; and*
- j. Pass such other and further orders as deemed fit and proper in the facts and circumstances of the case.”*

1.4 Admission of Petition and Public Consultation process

- 1.4.1 The Commission admitted the Petition on 4 December, 2024 and directed JPTL to publish a Public Notice in accordance with Section 64 (2) of the Electricity Act, 2003 in the prescribed abridged form and manner. The Commission also directed JPTL to reply expeditiously to all the suggestions and comments received.
- 1.4.2 JPTL issued a Public Notice inviting comments/suggestions from the public on its Petition. The Notice was published in two English language newspapers, viz. The Indian Express and Free Press Journal, and two Marathi language newspapers viz. Loksatta and Navshakti on 9 December, 2024. The copies of the Petition and its summary were made available for inspection/purchase at JPTL's offices and website (<http://www.jswn.in/energy/power-transmission>). The Public Notice and executive summary of the Petition were also made available on the website of the Commission (www.merc.gov.in) in a downloadable format.
- 1.4.3 The Commission received written suggestion/objections on the Petition from MSEDCL on 31 December, 2024 to which JPTL has responded vide its reply on 3 January, 2025.
- 1.4.4 The e-Public Hearing was held on 7 January, 2025 through virtual mode on MS-Teams platform. The list of persons who participated in the Public Hearing is at **Appendix II.**

1.5 Organisation of the Order

- 1.5.1 This Order is organised in the following seven Sections:

- **Section 1** provides a brief summary of the regulatory process undertaken by the Commission;
- **Section 2** summarises the written and oral suggestions and objections raised, responses of JPTL and the rulings of the Commission;
- **Section 3** deals with the Truing-up of ARR for FY 2022-23 and FY 2023-24 as per the MYT Regulations 2019;
- **Section 4** deals with the Provisional Truing-up of ARR for FY 2024-25 as per the MYT Regulations 2019;
- **Section 5** deals with the determination of ARR for 5th Control Period from FY 2025-26 to FY 2029-30 as per MYT Regulations 2024;
- **Section 6** deals with the Recovery of Transmission Charges.
- **Section 7** deals with the Applicability of the Order.

2 SUGGESTIONS/OBJECTIONS AND COMMISSION'S RULING

2.1 Overhauling Expenses in FY 2022-23

Objections/Suggestions

- 2.1.1 MSEDCL stated that JPTL has claimed actual O&M expenses towards overhauling of the circuit breakers. The Commission in Case No. 294 of 2019 has directed JPTL to approach the Commission for recovery of such expense based on the actual expenditure incurred at the time of truing up. Therefore, MSEDCL requested the Commission to consider additional overhauling expenses after prudence check of the supporting documents.

JPTL's Replies

- 2.1.2 JPTL submitted that the Commission in its Order in Case No. 294 of 2019 has stated that recovery of overhauling expenses shall be allowed at the time of truing up based on actual overhauling expenses incurred and the same shall be treated as additional O&M expenses subjected to prudence check of (i) audited actual expenditure, (ii) Bid evaluation report along with cost benefit analysis, (iii) Board Resolution, etc. Accordingly, JPTL has submitted all relevant documents to the Commission in this regard along with the relevant Annexures. JPTL has also submitted the audited statement against the expenditure incurred against the Overhauling expenses for verification by the Commission. Hence, JPTL requested to consider overhauling expenses as additional O&M expenses as claimed in the Petition.

Commission's Analysis & Ruling

- 2.1.3 The Commission has carried out the prudence check of the overhauling expenses and accordingly approved additional O&M expenses towards the overhauling activity, in line with the approach outlined in the MTR Order.

2.2 Additional OPEX expenses towards Drone Survey and Remote Monitoring in FY 2023-24

Objections/Suggestions

- 2.2.1 MSEDCL stated that JPTL has claimed additional OPEX expenses over and above the normative O&M expenses towards Drone Survey of transmission lines and Remote Monitoring of transmission towers. MSEDCL requested the Commission to

allow such additional OPEX expenses subject to prudence check of the supporting documents.

JPTL's Replies

- 2.2.2 JPTL submitted that the Commission vide Order dated 31 March 2023 has allowed expenses of Rs 0.33 Crore as additional OPEX against drone survey. Accordingly, JPTL has undertaken drone survey for aerial patrolling of entire transmission line by capturing RGB images of all (451 nos.) towers and videography of entire line corridor (165 route km). All the supporting documents like (i) audited actual expenditure, (ii) Bid evaluation report along with cost benefit analysis, (iii) Board Resolution, etc., have been submitted to the Commission.
- 2.2.3 JPTL submitted that it has restricted drone survey expenses to Rs 0.15 Crore only against originally approved expenses of Rs. 0.33 Crore in FY 2023-24. JPTL has also submitted all relevant documents to the Commission in this regard along with the Relevant Annexures.
- 2.2.4 As regards Remote Monitoring System, JPTL submitted that additional OPEX of IT automation towards remote monitoring of transmission towers using App based software has been delayed since, JPTL has recently implemented PM module to manage all aspects of maintenance activities. After full integration of PM module with other SAP modules like Material Management (MM), Finance (FI), integration with third party application like web based/ mobile based remote monitoring shall be adapted by JPTL. Hence, JPTL has postponed the approved additional OPEX for IT automation - Remote Monitoring of Transmission Towers using software in FY 2025-26.
- 2.2.5 Hence, JPTL requested the Commission to consider drone survey related expenses as additional OPEX expenses for FY 2023-24.

Commission's Analysis & Ruling

- 2.2.6 The Commission has carried out the prudence check of the additional OPEX expenses claimed by JPTL as per the provisions of the MYT Regulations, 2019 and accordingly allowed the OPEX for Drone Survey of Transmission Lines and Remote Monitoring of transmission towers.

2.3 Capital Expenditure and Capitalisation

Objections/Suggestions

2.3.1 MSEDCL submitted that the capitalisation of freehold land should be disallowed owing to time and cost overrun.

JPTL's Replies

2.3.2 JPTL submitted that the cost of the land of Rs. 0.70 Crore was incurred and approved by the Commission in FY 2016-17 and FY 2017-18, however, the capitalisation was disallowed as the Guest House was not ready. The relevant extract from the Tariff Order dated 12 September 2018 is reproduced below:

“4.4.3 As discussed in Section 6.3 of this Order, office, guest house & shed at Chiplun will be completed in FY 2019-20 and hence land will be put to use in FY 2019-20 only.

4.4.4 The Commission does not allow partial capitalization of asset unless it is put to use and hence capitalization of Rs. 0.4630 Crore is disallowed in FY 2016-17 and the same will be allowed along with capitalization of Guest house in FY 2019-20.

...

5.3.7 The Commission does not allow partial capitalization of asset unless it is put to use and hence capitalization of Rs.0.2348 Crore claimed against purchase of freehold land for building the office building is disallowed in FY 2017-18 and capitalization will be allowed along with capitalization of office building in FY 2019-20” (emphasis added)

2.3.3 JPTL submitted that the land was bought in FY 2016-17 and FY 2017-18 and no additional cost or time over run cost has been claimed against the same. Based on the direction of the Commission, the same has been claimed at the time of capitalisation of Guest House. Hence, JPTL requested the Commission to allow the capitalisation of the land cost of Rs.0.70 Crore for FY 2022-23.

Commission's Analysis & Ruling

2.3.4 In the MTR Order dated 12 September 2018, the Commission had ruled that the capitalisation of the freehold land shall be allowed along with the capitalisation of the office building and Guest House. The Commission has hence, allowed the capitalisation of freehold land, which does not include any time and cost overrun, as the office building and Guest House have been capitalised.

2.4 Depreciation

2.4.1 MSEDCL requested the Commission to consider the depreciation after reducing the approved original cost of the retired or replaced or decapitalised assets for determination of ARR as per applicable depreciation rate specified in the MYT Regulations.

JPTL's Replies

2.4.2 JPTL submitted that it has considered the actual assets capitalised and decapitalised as per audited statement of accounts, for calculation of depreciation as per applicable depreciation rate as specified in Regulation 28.1(b) of the MYT Regulations 2019 for FY 2022-23 and FY 2023-24. Further, the de-capitalisation of the assets as per details given in the Petition has been written off from the books of accounts and accordingly, the same has been reduced from the GFA and equivalent impact has also been provided in calculation of Interest and Return on Equity.

Commission's Analysis & Ruling

2.4.3 The Commission has allowed the depreciation for FY 2022-23 and FY 2023-24, after reducing the GFA and depreciation corresponding to the decapitalised assets, as elaborated in Section 3.4 of this Order.

2.5 Interest on Loan Capital

Objections/Suggestions

2.5.1 MSEDCL submitted that the Commission has approved a debt-equity ratio of 75:25 in its Order in Case No. 97 of 2010, while granting the in-principle approval of project cost of the transmission system for JPTL. Post that, additional capitalisation has been approved in a normative debt-equity ratio of 70:30 for the respective financial years in which the capitalisation has been undertaken.

2.5.2 MSEDCL submitted that such interest on loan capital should be allowed after reducing the debt component for retired assets of JPTL with debt-equity ratio in line with the norms specified in the Regulation 27.1 of MYT Regulations, 2019.

JPTL's Replies

2.5.3 JPTL submitted that for retired assets, it has reduced the debt component by 70% of the original cost of the retired asset as per the debt-equity ratio approved at the time

of Capitalisation and adjusted the accumulated depreciation, which is equivalent to the debt paid against such capitalisation of assets and accordingly, the balance debt of the decapitalised assets has been calculated and reduced while computing Interest on Loan Capital. Further, JPTL submitted that the detailed calculation of the outstanding debt on the retired assets to be reduced from the normative loan has been provided in Table 27 of the MYT Petition. As outlined in the said table, the unpaid debt of Rs. 23,340 has been deduced from the interest on loan calculation in Form 6 of the Petition formats.

Commission's Analysis & Ruling

2.5.4 The Commission has allowed the interest on loan for FY 2022-23 and FY 2023-24, after reducing the balance debt after considering the accumulated depreciation corresponding to the decapitalised assets, as elaborated in Section 3.5 of this Order.

2.6 Interest on Working Capital

Objections/Suggestions

2.6.1 MSEDCL submitted that the Commission should approve interest on working capital at a rate equivalent to the rate approved by the Commission or actual rate of interest incurred by JPTL, whichever is lower.

JPTL's Replies

2.6.2 JPTL submitted that the Interest on Working Capital claimed in the MYT Petition is as per Regulation 32.2 of the MYT Regulations, 2019. Further, as per Regulation 32.6 of the MYT Regulations, 2019, the actual interest on working capital loan incurred has been adjusted against the normative interest on working capital. JPTL requested the Commission that, since the claim of Interest on Working Capital loan is as per the provisions specified in MYT Regulations, 2019, the same should be allowed.

Commission's Analysis & Ruling

2.6.3 The Commission has approved the normative interest on working capital for FY 2022-23 and FY 2023-24 in accordance with the provisions of the MYT Regulations, 2019. The Commission has also allowed the sharing of gains and losses between normative and actual interest on working capital, in accordance with the provisions of the MYT Regulations, 2019. The computations in this regard have been elaborated in Sections 3.6 and 3.10 of this Order.

2.7 Grossed up Return on Equity

Objections/Suggestions

2.7.1 MSEDCL submitted that JPTL has claimed grossed-up RoE for FY 2022-23 and FY 2023-24. In this regard, MSEDCL requested the Commission to allow additional RoE after prudence check of the system availability based on certification by MSLDC as per the provisions of MYT Regulations, 2019.

JPTL's Replies

2.7.2 JPTL submitted that, as per Regulation 60.1 (b) of MYT Regulations, 2019, a transmission licensee is entitled for additional Return on Equity, only if the transmission availability of AC system is 99% or more. The actual transmission system availability of JPTL transmission system is 99.62% for FY 2022-23 and 99.79% for FY 2023-24, respectively. The System Availability based on certification by Maharashtra State Load Despatch Centre (MSLDC) is enclosed as Annexure 11 to the Petition. Since, the transmission system availability for FY 2022-23 and FY 2023-24 is higher than 99%, JPTL is entitled for additional RoE, which has been claimed as per Table 32 of the MYT Petition. Therefore, JPTL requested the Commission to allow the performance-based RoE based on the certification of MSLDC for FY 2022-23 and FY 2023-24.

Commission's Analysis & Ruling

2.7.3 The Commission has verified the Transmission System availability claimed by JPTL based on the MSLDC certificate submitted by JPTL. Accordingly, the Commission has approved the additional RoE for FY 2022-23 and FY 2023-24, in accordance with the provisions of the MYT Regulations, 2019, as elaborated in Section 3.7 of this Order.

2.8 Non-Tariff Income

Objections/Suggestions

2.8.1 MSEDCL submitted that the Commission should deduct the approved Non-Tariff Income considering all rebates/incentives earned by JPTL for determination of ARR.

JPTL's Replies

2.8.2 JPTL submitted that the Non-Tariff Income claimed in the Petition is related to income from contingency reserves, the detailed calculation of which has already been submitted in Table 36 of the Petition. The balance amount of income as provided in Note 19 of the Financial Statements includes Delayed Payment Surcharge, Gain on Sale of Current Investment (earmarked from income from own funds, which have been funded from internal accruals), etc., which is not considered as per MYT Regulations, 2019. The details of the same with reconciliation of the Audited accounts are already submitted in the Petition. Accordingly, JPTL requested the Commission to approve the Non-Tariff Income as submitted in the Petition.

Commission's Analysis & Ruling

2.8.3 The Commission has considered the interest income on the Contingency Reserve investments as Non-Tariff Income, as elaborated in Section 3.9 of this Order.

2.9 Revenue Gap of Past Years

Objections/Suggestions

2.9.1 MSEDCL submitted that JPTL has claimed the Cumulative Past Gaps including Carrying Cost of Rs. 1.22 Crore each for FY 2023-24 and FY 2023-24, respectively, with annual recovery of Rs. 1.16 Crore. However, the Commission in its MTR Order dated 31 March, 2023 in Case No. 213 of 2022 has allowed the recovery of Rs. 1.75 Crore towards past gaps in FY 2023-24. Further, with respect to APTEL Judgment dated 31 October, 2022, JPTL has claimed the revised recovery of Rs. 2.33 Crore towards past gaps in FY 2023-24. In this regard, MSEDCL requested the Commission that recovery of such revenue gaps of past years should be done after verifying the supporting documents.

JPTL's Replies

2.9.2 JPTL submitted that the detailed computation of the Revenue Gap claimed in Table 42 of the Petition is in line with the approach as adopted by the Commission in the past Order and as per direction of the Hon'ble APTEL. Also, the supporting documents for the expenses, wherever required have been submitted for due verification by the Commission. Hence, JPTL requested the Commission to approve the Revenue Gap as submitted in the Petition.

Commission's Analysis & Ruling

2.9.3 The Commission has approved the Revenue Gap/(Surplus) after true-up of FY 2022-23 and FY 2023-24 in accordance with the provisions of the MYT Regulations, 2019 and applicable APTEL Judgment, as elaborated in Section 3.11 of this Order.

2.10 Insurance Policy

Objections/Suggestions

2.10.1 MSEDCL submitted that JPTL has claimed the additional insurance cost towards purchasing of new insurance policy for transmission assets of Rs. 0.25 Crore. Further, JPTL submitted that the additional insurance cost needs to be considered over and above the normative O&M expenses. However, the Commission vide MTR Order dated 31 March, 2023 has disallowed the insurance cost as additional O&M expenses and directed JPTL to claim the same under normative O&M expenses. Therefore, MSEDCL requested the Commission to disallow the additional insurance cost in line with the MTR Order dated 31 March, 2023 in Case No. 213 of 2022.

JPTL's Replies

2.10.2 JPTL submitted that there is an error in the submission of MSEDCL whereby it has stated that JPTL has claimed the Insurance cost of Rs. 0.25 Crore. However, JPTL would like to submit that as per para 4.4.16 of the MYT Petition, it has claimed Rs. 2.50 Crore as additional insurance cost.

2.10.3 JPTL submitted that the additional insurance cost disallowed by the Commission was for 4th MYT Control Period. However, the additional insurance claimed by JPTL is for 5th MYT Control period as the same cost is not included in the base O&M expenses on the basis of which O&M norm for JPTL has been specified in MYT Regulations, 2024.

2.10.4 JPTL submitted that as per as per Statement of Reasons, the Commission has determined the O&M norms by escalating the actual approved O&M expenses of FY 2021-22 (post sharing of gains and losses) with actual 5 years average of CPI: WPI having the ratio of 70:30 up to the Base Year, i.e., FY 2024-25. Such derived value is normalised for base year O&M and then further escalated over the 5th Control Period with the inflation rate of 5.33% post adjustment of the 1% efficiency factor. In the said methodology, the Commission has considered the actual

approved O&M expenses of FY 2021-22, which does not include the insurance expenses and hence, the O&M norms are understated to that extent.

2.10.5 Therefore, JPTL requested the Commission to approve the O&M Expenses as per the norms specified in the MYT Regulations, 2024 and allow insurance expenses in addition to normative O&M expenses, as the same is not included in the normative cost. However, without prejudice to the outcome of the Appeal No. 123 of 2024 filed by JPTL, JPTL has incurred an additional expenditure of Rs. 1.79 Crore by way of insurance expenses in the month of November, 2024, to cover the operational and financial risk associated with all the towers of JPTL and the same will be claimed at the time of True-up of FY 2024-25 as per the outcome of the Judgement of the Hon'ble APTEL. In view of the aforesaid, JPTL requested the Commission to allow the ARR for True-up of FY 2022-23 and FY 2023-24, Provisional True-up of FY 2024-25 and ARR for 5th MYT Control Period for FY 2025-26 to FY 2029-30 as prayed for in the Petition.

Commission's Analysis & Ruling

2.10.6 The Commission has dealt with the issue of cost of insurance premium in Section 4.2 of this Order.

3 TRUING-UP OF ARR FOR FY 2022-23 and FY 2023-24

3.1 Background

- 3.1.1 JPTL has sought Truing-up of ARR for FY 2022-23 and FY 2023-24 based on the actual expenditure and revenue as per the Audited Accounts for FY 2022-23 and FY 2023-24, in accordance with the provisions of the MYT Regulations, 2019. JPTL has submitted the True-Up Petition comparing the actual performance of JPTL during FY 2022-23 and FY 2023-24 with the expenses approved in the MTR Order dated 31 March, 2023 in Case No. 213 of 2022.
- 3.1.2 The Commission notes that there has been no asset addition by JPTL in FY 2022-23 and FY 2023-24 and it continues to operate 55 ckt km of 400 kV transmission line in Jaigad-New Koyna transmission line and 110 ckt km in Jaigad Karad transmission line and 4 no. of 400 kV bays for which Licence is granted. MSLDC has certified the transmission availability of JPTL for FY 2022-23 and FY 2023-24 and the same has been taken into consideration by the Commission for calculation of the additional Return on Equity, as discussed in subsequent part of this Order. The aforesaid MSLDC certificate confirms that the assets are in use and are part of the InSTS system.
- 3.1.3 The detailed analysis underlying the Commission's approval of Truing-up of ARR for FY 2022-23 and FY 2023-24 is set out as below.

3.2 Operation and Maintenance Expenses

JPTL's Submission

- 3.2.1 Regulation 61 of the MYT Regulations, 2019, specifies the Operation and Maintenance (O&M) norms applicable for calculating the O&M expenses for JPTL, for each year of the Control Period from FY 2020-21 to FY 2024-25. Accordingly, the Commission had approved normative O&M expenses of Rs. 4.87 Crore and Rs. 5.07 Crore for FY 2022-23 and FY 2023-24, respectively, in Case No. 213 of 2022.
- 3.2.2 JPTL submitted that there is no increase in ckt km of the Transmission Lines, and the number of Bays and they remain same as approved in the MTR Order dated 31 March, 2023. Therefore, in line with the norms specified in the MYT Regulations, 2019 for JPTL, the normative O&M expenses for FY 2022-23 and FY 2023-24 are shown in the Table below:

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

Particulars	Unit	Normative O&M	
		FY 2022-23	FY 2023-24
Length of Line of 400 kV(A)	ckt km	330.00	330.00
Norms as per Regulations (B)	Rs. lakh/ckt km	0.47	0.49
Cost (C = A * B)	Rs. Crore	1.55	1.62
No of bays (D)	No.	4.00	4.00
Norms as per Regulations (E)	Rs. lakh/ bay	83.09	86.29
Cost (F = D * E)	Rs. Crore	3.32	3.45
Total O&M expenses (G = C + F)	Rs. Crore	4.87	5.07

3.2.3 JPTL submitted that the actual O&M expenses for FY 2022-23 and FY 2023-24 are higher than the norms specified in the MYT Regulations, 2019. The actual O&M expenses for FY 2022-23 and FY 2023-24 are shown in the Table below:

Table 3: Actual O&M Expenses for FY 2022-23 and FY 2023-24, as submitted by JPTL (Rs. Crore)

Particulars	FY 2022-23		FY 2023-24	
	As per norms	Actual	As per norms	Actual
Employee expenses	1.55	1.73	1.62	1.81
Administrative and General expenses		1.59		1.17
Repairs and Maintenance expenses		1.68		1.90
O&M expenses for lines		5.00		4.88
O&M expenses for terminal bays as per the contract with MSETCL	3.32	0.64	3.45	0.71
Total O&M expenses	4.87	5.64	5.07	5.59

3.2.4 JPTL submitted that with reference to Terminal Bay expenses, only the amount payable to MSETCL as per existing O&M arrangement between MSETCL and JPTL is considered. However, there are certain common costs in relation to maintenance of Bays, which cannot be segregated between Lines and Bay and hence, have been included in the respective head of O&M Expenses.

3.2.5 JPTL submitted that all bay equipment have completed around 10 years of service in harsh weather conditions in the Konkan region and may require major servicing/overhauling works.

3.2.6 JPTL submitted the communication received from MSETCL regarding the overhauling of all the circuit breakers and isolators. Further, during inspection,

OEM vendor (G.E.) has recommended overhauling of Poles and mechanism of the breakers. Therefore, JPTL initiated circuit breaker overhauling works in FY 2020-21 and carried out the same till FY 2022-23.

3.2.7 Based on Dynamic Contact Resistance Measurement (**DCRM**) Report findings,

- 400 kV Jaigad-Karad ckt-1 overhauling works carried out under supervision of OEM engineer in **FY 2020-21**.
- Based on first overhauling experience, JPTL procured spares required for other two breakers in FY 2021-22. However, the actual overhauling works were carried out in **May 2022** for two bays namely 400 kV Jaigad-Karad ckt-2 and Jaigad-New Koyna ckt-1.
- The balance breaker of Jaigad-New Koyna ckt-2 was undertaken in the month of **February and March 2023**.
- During H-2 of FY 2022-23, M/s. Venkatesh regretted to deploy OEM engineer manpower for overhauling works in March 2023. Hence, JPTL requested OEM directly to deploy manpower considering outage applied for March 2023 for balance Pole overhauling of Jaigad-Karad ckt-1 (B pole) along with Jaigad-New Koyna ckt-2. Since, M/s. Venkatesh Electricals denied providing OEM supervision manpower, JPTL had no option but to undertake overhauling of complete set of Jaigad-New Koyna ckt-2 as per approved outage in balance available outage slot and had to postpone B-pole overhauling. Accordingly, the balance pole overhauling cost of Rs. 0.11 Crore has been claimed under Additional OPEX in FY 2024-25.

3.2.8 JPTL has submitted supporting documents of overhauling expenses, Board Resolution, Bid evaluation report, and copy of Cost-Benefit-Analysis (CBA).

3.2.9 JPTL submitted that the Commission has provisionally approved the overhauling cost in its MTR Order in Case No. 213 of 2022, as reproduced below:

“In this context, it is noteworthy that mere inventory build-up of spares for overhauling of circuit breakers has not led to any benefits and it does not satisfy the criteria meant for OPEX scheme as claimed by JPTL under Regulation 61.8 of MYT Regulations 2019. Therefore, the Commission has considered the overhauling cost of other two breakers in FY 2022-23 along with the balance breaker of Jaigad-New koyna ckt-2 as has been undertaken. The Commission notes that, JPTL has submitted the necessary details as directed in the para 4.2.12 and 4.2.13 of MYT

Order dated 30 March 2020 for the expenses incurred towards overhauling and has claimed the same as additional OPEX. However, the Commission is provisionally approving the overhauling expenses to that extent as an additional O&M Expense for FY 2022-23. The Commission grants liberty to JPTL to approach the Commission for recovery of expenses for overhauling based on the actual expenditure incurred per the provisions of the MYT Regulations, 2019 at the time of final Truing up of FY 2022-23 subject to prudence check.

.....”

Accordingly, JPTL has claimed Rs. 0.55 Crore as actual expenditure related to overhauling as an additional O&M expense for FY 2022-23.

3.2.10 JPTL submitted that it has undertaken the drone survey of transmission line using android-based software as per Regulation 61.8 of MYT Regulations, 2019 under additional OPEX during FY 2023-24. Regarding this expense, JPTL has submitted the Bid evaluation report, actual expenditure incurred, management approval and CBA for the drone survey of transmission line.

3.2.11 JPTL submitted that the conventional methods of surveying include walkover surveys, prior surveys, and detailed surveys, all of which take a considerable amount of time and manpower. These are manual methods and there is always a risk that the results may not accurately reflect the issues. On the other hand, modern surveying techniques leverage the latest technologies for mapping and aerial monitoring and reduce the possibility of error. Further, such new and emerging technology and patrolling techniques enhances the operational efficiency of transmission assets and minimise the downtime. JPTL submitted the key benefits of drone surveying as under:

- (i) Aerial tower patrolling of entire tower locations (451 nos) undertaken in 2 months, which otherwise would have to be planned as 9 towers per week as per conventional tower top patrolling by using two dedicated line technicians. All overhead line defect data has thus, been made available to maintenance engineer to plan preventive maintenance.
- (ii) Work site human risk also reduced since, tower top patrolling avoided to identify overhead defects, as continuous Tower climbing by linemen for 451 towers on daily basis was practically difficult considering human fatigue and physical limitations.
- (iii) All high quality RGB images of towers available, which clearly showed minor defects like missing of split pin in line hardware, rusted bolts, missing

of copper bond, etc., in addition to missing/bucked members, bird nest, ACD missing and vegetation around leg, etc.

3.2.12 JPTL submitted that Additional OPEX claimed towards drone survey for aerial patrolling (RGB images + videography) has been executed in FY 2023-24 and completed in FY 2024-25 after compliance of pending/correction in survey reports, raw data by executing agency. Accordingly, JPTL has claimed Rs. 0.15 Crore in FY 2023-24 and Rs. 0.25 Crore in FY 2024-25.

3.2.13 JPTL has submitted reconciliation of the O&M cost with the audited financial statements. JPTL further submitted that other expenses as mentioned in Note 23 of the Audited Accounts include A&G cost, R&M cost and Corporate Social Responsibility (CSR) expenses, wherein JPTL has not claimed CSR expenses in the Petition. The reconciliation of the same is provided below:

Table 4: Reconciliation of O&M cost with Audited Accounts for FY 2022-23 and FY 2023-24, as submitted by JPTL (Rs. Crore)

Particulars	FY 2022-23	FY 2023-24
Other Expenses as per Financial Statement	5.13	4.65
Less: CSR expenses not claimed in this Petition	0.67	0.71
Net Other expenses	4.46	3.94
A&G expenses as claimed in Form 2.4	1.59	1.17
R&M expenses as claimed in Form 2.5 (includes R&M expenses of Line + O&M expenses of terminal Bay as per MSETCL contract)	2.32	2.61
Additional Overhauling expenses included in Form 2	0.55	0.15
Total Expenses claimed in Petition	4.46	3.94

3.2.14 JPTL submitted that due to attrition of Grade 1 employee in previous year which was filled in FY 2022-23, the employee cost for FY 2022-23 has been lower. Further, JPTL submitted that the employee cost for FY 2023-24 reflects the full period cost for all employees including the Grade 1 employee recruited in the middle of FY 2022-23. The employee cost increase in FY 2023-24 also reflects the yearly increment of the salary.

3.2.15 The A&G expenses have also increased in FY 2022-23 due to the expenses related to filing of Petition. Other expense increase is reflective of the normal inflation increase in the A&G expenses.

3.2.16 With respect to R&M expenses, in FY 2022-23, other than circuit breaker overhauling expenses, routine repairs & maintenance expenses were carried out.

However, in FY 2023-24, around Rs. 0.45 Crore additional expenditure was incurred due to following reasons and balance expenditure were routine in nature, as elaborated below:

- Around Rs. 16 Lakh incurred for sale of non-usable spares under RPT, whereby the Cost was mainly on account of goods freight, material packing, loading etc.
- Around Rs. 18 Lakh was incurred on two no. of civil works undertaken namely, 1) strengthening of existing outdoor store premises as an existing GI wire mesh fencing were damaged at multiple locations and security concern arisen for high value inventory, due to which JPTL decided to strengthen existing compound wall of outdoor yard by replacing with powder coated wire mesh. 2) Due to result of climate change, western ghat (in Sahyadri Mountains) experienced frequent land sliding incidents. JPTL's Jaigad-Karad transmission line also passes through Western Ghats and during site visit, Tower no 165 found vulnerable to land sliding from adjacent hillock. Hence for tower leg protection, retaining wall constructed at tower no 165. Since such expenses are considered under O&M as per Capex regulation 2022 and therefore both civil works have been executed under R&M expenses. Further, JPTL requested the Commission to consider Rs. 18 Lakh as additional O&M cost and may not be considered for sharing purposes.
- Around Rs. 8.26 Lakh incurred against RCA for failure of silicon composite rod insulators by ERDA. JPTL had witnessed failure of silicon rubber composite insulators in the Western Ghats, which highly impacted on transmission system availability in FY 2021-22, 2022-23. Hence it has been decided to undertake RCA study from well recognised institutions like CPRI, ERDA etc. Accordingly, M/s. ERDA has been awarded for conducting RCA on failed insulators in the western ghat section. The study begins in FY 2022-23 by ERDA team and concluded in FY 2023-24.
- Additional Rs. 2.58 Lakh incurred for store upgradation work, whereby expenses towards purchase of heavy-duty racks been made as the existing racks became non usable. Also, for easy identification of store new inventory (mandatory spares), a material tags been procured and fixed with spares. All these expenses were one time in nature/ repeated after completing of its useful life, hence procured under R&M expenses.

3.2.17 The details of R&M expenses on Plant & Machinery and other expenses are shown in the Table below:

Table 5: Details of R&M expenses for FY 2022-23 and FY 2023-24, as submitted by JPTL (Rs. Crore)

Plant & Machinery – Repair Expenses	FY 2022-23	FY 2023-24
Overhauling Expenses / Drone implementation	0.55	0.15
Insulator / Battery Replacement, earthing, Jumper fixing, etc	0.47	0.52
Expenses related to SLA agreement for predictive, preventive and breakdown maintenance including condition monitoring of transmission line	1.07	1.16
Terminal Bay Expenses payable to MSETCL	0.64	0.71
Total R&M expenses related to Plant & Machinery	2.73	2.54
Total R&M expenses related to Buildings	0.05	0.05
Total R&M expenses related to Civil works	0.09	0.17
Total R&M Expenses claimed	2.87	2.76
Less: R&M expenses related to overhauling claimed separately	0.55	0.15
R&M expenses part of O&M contract	2.32	2.61

3.2.18 Comparison of O&M Expenses approved by the Commission, revised normative O&M expenses and actual O&M Expenses for FY 2022-23 and FY 2023-24 is provided below:

Table 6: Actual O&M Expenses for FY 2022-23 and FY 2023-24, as submitted by JPTL (Rs. Crore)

Particulars	FY 2022-23			FY 2023-24		
	MTR Order	Normative	Actual	MTR Order	Normative	Actual
O & M Expenses for line	4.87	1.55	5.64	5.07	1.62	5.59
O & M Expenses for terminal bays		3.32			3.45	
Total O & M Expenses	4.87	4.87	5.64	5.07	5.07	5.59
Additional OPEX	0.52	0.55	0.55	0.58	0.15	0.15
Total O&M	5.39	5.42	6.19	5.65	5.22	5.74

Commission's Analysis and Ruling

3.2.19 The Commission has analysed the trend of actual O&M expenses as submitted by JPTL in the present Petition for true-up of FY 2022-23 and FY 2023-24 and compared it with the actual O&M expenses approved by the Commission for FY 2020-21 and FY 2021-22 in MTR Order dated 31 March 2023.

Table 7: Trend of O&M expenses incurred by JPTL (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
	As approved in MTR Order 213 of 2022		Submitted by JPTL in this Petition	
Employee Expense	1.06	1.46	1.73	1.81
A&G Expenses	1.63	1.04	1.59	1.17
R&M Expenses	1.60	2.10	2.32	2.61
Total	4.28	4.59	5.64	5.59

3.2.20 The Commission has scrutinised the rationale and submission of JPTL for increase in such expense in FY 2022-23 and FY 2023-24 and found it in order. The details of such increase in O&M expenses are provided in the table below:

Table 8: O&M Components in FY 2022-23 and FY 2023-24

O&M Components	FY 2022-23 and FY 2023-24		
Employee Expenses	Due to attrition of a Grade 1 employee in previous year, which was filled in FY 2022-23, the employee cost for FY 2022-23 is lower. The employee cost for FY 2023-24 reflects the full period cost for all employees including the Grade 1 employee recruited in the middle of FY 2022-23. The number of Employees in FY 2022-23 and FY 2023-24 is shown in the table below:		
	Particulars	FY 2022-23	FY 2023-24
	Technical Officer/Managerial Cadre	6	6
	Accounts and Finance Officer/Managerial Cadre	1	1
	Technical Grade I	1*	1
	Technical Grade II	2	2
	Technical Grade III	3	3
	Accounts and Finance Grade II	1	1
	Total	14	14
	* Added in middle of the year		
A&G Expenses	Increase in A&G expenses during FY 2022-23 is due to the ARR Petition filing expenses.		
R&M Expenses	The net actual R&M expenses for FY 2022-23 shows an increase of 20.4% considering 2-year CAGR from FY 2020-21.		

3.2.21 Further, the Commission has specified norms for O&M expenses (applicable for JPTL) for FY 2022-23 and FY 2023-24 in the MYT Regulations, 2019. Accordingly, for the purpose of truing-up, the O&M expenses are to be allowed as

per the norms specified under MYT Regulations, 2019 along with sharing of efficiency gains / losses with respect to variation between actual O&M expenses and normative O&M expenses.

3.2.22 It is noted that there is no increase in ckt km of the Transmission Lines and the number of Bays and they remain same as approved in the MTR Order.

3.2.23 The Commission, for the purpose of true-up has computed the revised normative O&M expenses for FY 2022-23 and FY 2023-24 by applying the O&M norms prescribed in the MYT Regulations, 2019 considering the actual number of bays and actual length of lines, as shown below:

Table 9: Revised Normative Operation and Maintenance Expenses for FY 2022-23 and FY 2023-24 as approved by the Commission

Particular	Unit	Normative O&M	
		FY 2022-23	FY 2023-24
Transmission Lines			
Length of Line (A)	ckt km	330	330
Norms as per Regulations (B)	Rs. Lakh/ckt km	0.47	0.49
Cost (C = A * B)	Rs. Crore	1.55	1.62
Bays			
No of bays (D)	No.	4	4
Norms as per Regulation (E)	Rs. Lakh/bay	83.09	86.29
Cost (F = D * E)	Rs. Crore	3.32	3.45
Total O&M expenses (G= C + F)	Rs. Crore	4.87	5.07

3.2.24 The Commission notes that JPTL has requested to allow overhauling expenses under additional OPEX for four 400 kV Circuit Breakers. In this regard, the extract from the MYT Order in Case No. 294 of 2019 is as reproduced below:

“4.2.9 After scrutiny of documents submitted by JPTL for overhauling, the Commission finds that the additional expenditure of around Rs. 2.20 Crore spread over three years claimed by the JPTL mainly consist of spares for pole overhauling for circuit breakers and isolators, Service engineer charge, some miscellaneous charges and GST. JPTL has also highlighted that harsh weather condition prevailing in Konkan region has resulted in the need for carrying out major servicing/overhauling works.

4.2.10 The electrical switchgear such as circuit breakers and isolators have both mechanical and electrical life, and the number of times these assets have operated determines the electrical life. The OEM recommendations provided

along with the Petition justifies the possibility of reduction in electrical life of these assets and thus necessitates requirement of overhauling. Thus, the requirement of carrying out overhauling of these assets considering the weather conditions, degradation of these assets and the recommendation of the OEM requires consideration of the Commission.

4.2.11 Further it is also noted that such overhauling activity is being proposed to be undertaken by JPTL for the first time and that O&M norms specified for FY 2020-21 to FY 2024-25 set based on past trend of actual O&M expenses and inflation factors would not have factored in such expenses while setting O&M norms. This is unlike for other existing utilities of which such expenses are already factored in while deriving the O&M norms. Thus, the present claim to consider such expenses as additional O&M expenses appears prudent. However, the estimation of the overhauling expenses claimed by JPTL is based on the estimation and selection of vendor, award of contract, etc., is yet to be finalised by JPTL. Such expense being specific in nature may have to be assessed based on actual expenses, subject to necessary prudence check.

4.2.12 Thus, Commission finds it appropriate to grant liberty to JPTL to approach the Commission for recovery of expense for overhauling based on the actual expenditure incurred and the same can be considered at the time of Truing Up subject to necessary prudence check. This is however subject to Petitioner filing certain additional information on the affidavit namely (i) Audited actual expenditure incurred for overhauling (ii) Bid evaluation Report with cost benefit analysis (iii) Board Resolutions, etc.

4.2.13 In view of the foregoing, the Commission approves normative O&M Expenses and JPTL to approach the Commission for recovery of expense for overhauling based on the actual expenditure incurred at the time of Truing up.”(emphasis added)

3.2.25 For scrutiny of overhauling expenses under additional O&M Expenses, the Commission had verified the Auditor’s Certificate for overhauling expenses, Board Resolution copy, bid evaluation report, cost benefit analysis and reconciliation of overhauling expenses with the audited accounts of FY 2022-23 and FY 2023-24. After examining the documents submitted by JPTL, the Commission finds them in order.

3.2.26 Hence, the Commission is approving the overhauling expenses as additional O&M expenses for FY 2022-23 over and above the normative O&M expenses, after prudence check.

3.2.27 As regards the additional OPEX expenses for Drone Survey of JPTL Transmission lines, the same was recognised in the MTR Order dated 31 March, 2023 in Case No. 213 of 2022. The extract from the MTR Order is reproduced below:

“6.2.11 With regards to Drone Survey of transmission Lines, the Commission vide data gaps, sought additional information and details of budgetary proposals for the drone survey. The Commission observes that JPTL has taken drone survey for the entire towers which includes Videography / RGB and Thermal Inspection / Survey of its two Transmission lines of 110 km and 55 km each.

6.2.12 The Commission during public hearing directed JPTL to submit the Cost benefit analysis. In reply, JPTL submitted that, implementation of new technology will not result in reduction in man-power but will help in fault identification with a reasonably less time as compared to existing conventional practices. Therefore, quantifying the value of a system can be difficult as the same relates to grid reliability, system availability and proactive maintenance, etc.

6.2.13 Further, JPTL submitted that, there may be a marginal decrease in R&M expenses due to proactive maintenance and in A&G cost due to resultant lower travelling and conveyance cost of the patrolling of lines. However, at present, the same is difficult to quantify.

6.2.14 In view of the above rationale, the Commission allows, the expense of Rs.0.33 Crore (revised submission in the reply to data gaps) for drone survey during FY 2023-24 as per Regulation 61.8 of MYT Regulation, 2019 subject to necessary prudence check at the time of Turing Up. JPTL at the time of truing up need to submit the information namely (i) Audited actual expenditure incurred for Drone survey of Transmission Lines (ii) Bid evaluation Report with cost benefit analysis (iii) Board Resolutions, (iv) Short note on of outages avoided due to drone survey etc. In case of non-submission of documents as above, the Commission may consider these expenses under actual O&M expenses instead of additional OPEX, at the time of Truing Up of FY 2023-24. Further, depending on the actual cost

benefit due to this activity the Commission, subject to prudence check may allow partial OPEX.”(emphasis added)

3.2.28 For the scrutiny of Additional OPEX towards Drone Survey of Transmission lines, the Commission has reviewed the Auditor’s certificate, Board Resolutions, cost benefit analysis, bid evaluation report, etc., and found them to be in order. Accordingly, the Commission approves the additional OPEX of Rs. 15 Lakh towards Drone Surveying for FY 2023-24 as claimed by JPTL.

3.2.29 Further, JPTL submitted that the Commission in its MTR Order dated 31 March 2023 has provisionally approved the cost of Spares under O&M Expenses and had directed JPTL to approach the Commission for recovery of expenses for additional spares, which are not covered in allowable spares with appropriate justification and supporting documents at the time of final Truing Up of FY 2022-23. JPTL submitted that the said spares need to be considered as CAPEX expenses as same has been procured based on CEA Guidelines dated July 2020, which was post the commissioning of the transmission lines. Of the total procurement of spares of Rs. 0.89 Crore, Rs. 0.73 Crore has been carried in inventory as project spares and the balance of Rs. 0.15 Crore has been procured and capitalised in books of accounts.

3.2.30 The relevant extract from CEA Guidelines for Availability of Spares and Inventories for Power Transmission System (Transmission Lines & Substation/ Switchyard) Assets is reproduced below:

“Annexure – A

Mandatory Spares for Transmission Lines

*Following quantities of spares shall be applicable to transmission lines in all areas including cyclone/whirlwind/tornado prone areas. However, higher quantity for some spare items (as indicated with ** in Table-1, 2 & 3) shall be kept for cyclone/whirlwind/ tornado prone areas.*

1.0 Mandatory spare towers for 66 kV upto 400 kV voltage level transmission lines

.....

Table 1

Type of Normal tower (same/ standard design)	Quantity of Tower	Quantity of Extensions for towers						
		+3 M	+6 M	+9 M	+18 M	+25 M	+30 M	Special type (negative,

								<i>unequal etc.)</i>
A/DA	<i>5 Nos/ 8 Nos. **</i>	<i>1 No.</i>	<i>1 No.</i>	<i>1 No.</i>	<i>1 No.</i>	<i>1 No.</i>	<i>-</i>	<i>1 No.</i>
B/DB	<i>1 No.</i>	<i>1 No.</i>	<i>1 No.</i>	<i>1 No.</i>	<i>1 No.</i>	<i>1 No.</i>	<i>-</i>	<i>1 No.</i>
C/DC	<i>1 No.</i>	<i>1 No.</i>	<i>1 No.</i>	<i>1 No.</i>	<i>1 No.</i>	<i>1 No.</i>	<i>-</i>	<i>1 No.</i>
D/DD	<i>1 No.</i>	<i>1 No.</i>	<i>1 No.</i>	<i>1 No.</i>	<i>1 No.</i>	<i>1 No.</i>	<i>1 No.</i>	<i>1 No.</i>

**** For transmission lines located in cyclone/ whirlwind/ tornado prone areas,**

.....

Table 2

<i>Type of Normal tower (same/ standard design)</i>	<i>Quantity of Tower</i>	<i>Quantity of Extensions for towers</i>						<i>Special type (negative, unequal etc.)</i>
		<i>+3 M</i>	<i>+6 M</i>	<i>+9 M</i>	<i>+18 M</i>	<i>+25 M</i>		
<i>Suspension towers with stub and cleats</i>	<i>5 Nos/ 8 Nos. **</i>	<i>1 No.</i>	<i>1 No.</i>	<i>1 No.</i>	<i>1 No.</i>	<i>1 No.</i>		<i>1 No.</i>
<i>Tension towers with stub and cleats</i>	<i>1 No.</i>	<i>1 No.</i>	<i>1 No.</i>	<i>1 No.</i>	<i>1 No.</i>	<i>1 No.</i>		<i>1 No.</i>
<i>Stub setting Template for each type suspension towers – 2 sets#</i>								
<i>Stub setting Template for each type tension towers – 1 set each#</i>								

**** For transmission lines located in cyclone/ whirlwind/ tornado prone areas**

Not required if already available with the utility

.....”

3.2.31 The Commission has examined the submission of JPTL for the expense regarding the purchase of spares to comply with the guidelines issued by CEA in July 2020 for availability of spares and inventories for power transmission system assets.

3.2.32 Regulation 25.1 (iii) of the MYT Regulations, 2019 provides for capitalisation of spares to be allowed. The relevant extract from the Regulations is reproduced below:

“25.1 The capital expenditure, actually incurred or projected to be incurred, on the following counts within the original scope of work, after the date of commercial

operation and up to the cut-off date, may be admitted by the Commission subject to prudence check:

(i).....

(ii).....

(iii) *Procurement of initial capital spares within the original scope of work, in accordance with the provisions of Regulation 24;*”

3.2.33 Hence, capital spares can be allowed only within the original scope of work, in accordance with the MYT Regulations, 2019, and the claim of JPTL for consideration of purchase of spares under capital cost cannot be allowed. However, considering the significance of spares in case of natural disasters and the recommendation of CEA, the Commission has allowed expenses of Rs. 0.89 Crore and Rs. 0.01 Crore for purchase of spares as additional O&M expenses for FY 2022-23 and FY 2023-24, respectively. The relevant extract from the Regulations is as below:

“2(63) **“Operation and Maintenance expenses”** (or **“O&M expenses”**) ...and, in respect of a Licensee, means the expenditure incurred on operation and maintenance by a Transmission Licensee or Distribution Licensee, or part thereof, and includes the expenditure on manpower, repairs, spares, consumables, insurance and overheads;”

Table 10: Additional O&M Expenses and OPEX approved by the Commission for FY 2022-23 and FY 2023-24 (Rs. Crore)

Particulars	FY 2022-23		FY 2023-24	
	JPTL Petition	Approved in this Order	JPTL Petition	Approved in this Order
Additional O&M Expenses				
Overhauling expenses	0.55	0.55	-	-
Purchase of Spares as per CEA Guidelines	-	0.89*	-	0.01*
OPEX				
Drone Survey			0.15	0.15

*JPTL has claimed Purchase of Spares under CAPEX

3.2.34 As regards JPTL’s claim of actual R&M expenses against Plant & Machinery in FY 2023-24, it is observed that JPTL has claimed expenses of Rs. 0.16 Crore against loss incurred due to sale of non-usable spares. The Commission is of the view that such loss incurred by the Petitioner cannot be passed on to the consumers, as the maintenance of the spares is the responsibility of the Petitioner. Hence, the

Commission has disallowed R&M expenses Rs. 0.16 Crore in FY 2023-24 against the loss incurred due to sale of non-usable spares.

3.2.35 The Commission has approved the actual R&M expenses after prudence check for FY 2022-23 and FY 2023-24, as shown in the Table below:

Table 11: Details of R&M expenses for FY 2022-23 and FY 2023-24 approved by the Commission (Rs. Crore)

Particulars	FY 2022-23	FY 2023-24
Total R&M expenses related to Plant & Machinery	2.73	2.38
Total R&M expenses related to Buildings	0.05	0.05
Total R&M expenses related to Civil works	0.09	0.17
Total R&M expenses allowable	2.87	2.60
Less: approved R&M expenses related to overhauling and Drone Survey allowed separately under normative O&M expenses without sharing	0.55	0.15
Net Actual R&M expenses	2.32	2.45

3.2.36 The Commission notes the submission of JPTL regarding the increase in A&G expenses and employee expenses for FY 2022-23 and FY 2023-24 and approves the actual A&G expenses and employee expenses based on the audited accounts.

3.2.37 The actual O&M expenses approved for FY 2022-23 and FY 2023-24 are as shown below:

Table 12: Actual O&M Expenses for FY 2022-23 and FY 2023-24, as approved by Commission (Rs. Crore)

Particulars	FY 2022-23		FY 2023-24	
	JPTL Petition	Approved in this Order	JPTL Petition	Approved in this Order
Employee Expenses	1.73	1.73	1.81	1.81
A&G Expenses	1.59	1.59	1.17	1.17
R&M Expenses	2.32	2.32	2.61	2.45
Total O&M Expenses	5.64	5.64	5.59	5.43

3.2.38 As stated earlier, the Commission has approved revised normative O&M expenses of Rs. 4.87 Crore and Rs. 5.07 Crore after Truing-up of ARR for FY 2022-23 and FY 2023-24, respectively.

3.3 Capital Expenditure and Capitalisation

JPTL's Submission

3.3.1 JPTL submitted that the Commission vide its MTR Order dated September 12, 2018 has approved the capitalisation of Guest House, office and shed at Chiplun for Rs. 2.77 Crore for FY 2019-20.

3.3.2 JPTL submitted that the CAPEX as incurred till FY 2022-23 for Guest House and office has been capitalised in second half of FY 2022-23. Also, the capitalisation of freehold land of Rs. 0.70 Crore, incurred in FY 2016-17 and FY 2017-18, was disallowed by the Commission as the asset was not put in use. Same is proposed for capitalisation in FY 2022-23 along with the other cost related to establishment of offices and Guest House.

3.3.3 JPTL submitted that the capitalisation for the Guest House cum office for FY 2022-23 has been higher due to cost overrun, time overrun, revision of scope of work after detailed architectural engineering and additional expenses that were not envisaged during estimation. The increase in capitalisation from Rs. 2.77 Crore to Rs. 3.95 Crore is detailed as below:

Table 13: Increase in cost of Guest house for FY 2022-23, as submitted by JPTL (Rs. Crore)

Guest House Capitalisation	FY 2022-23
Original Cost approved in MTR Order dated 12 September, 2018	2.77
Add: Increase in Cost due to increase in built-up area by 577 Sq. ft	0.15
Add: Increase in Cost due to increase in Cost	0.23

Guest House Capitalisation	FY 2022-23
Total Actual cost against the approval	3.15
Additional Cost incurred for Guest House/office not included in estimates	0.80
Total Capitalisation claimed	3.95

3.3.4 The approved and actual asset block-wise capitalisation against Guest House details of the additional cost compare to block of assets is outlined in the following table:

Table 14: Comparison between approved and actual capitalisation for Guest House in FY 2022-23, as submitted by JPTL (Rs. Crore)

Asset Block	Approved	Actual
Buildings	1.82	3.01
Furniture	0.20	0.18
Office Equipment	0.05	0.06
Land	0.70	0.70
Guest House / Office capitalisation	2.77	3.95

3.3.5 JPTL submitted that it had claimed the above additional capitalisation in the MTR Order. However, the Commission in its MTR Order dated 31 March, 2023 in Case No. 213 of 2022 has disallowed the additional cost and allowed the original cost of Rs. 2.77 Crore as approved in MTR Order dated 12 September 2018.

3.3.6 JPTL submitted that it had filed for review of such disallowance of additional capital cost on Guest House, which was rejected by the Commission vide Order dated 30 November 2023 in Case No. 96 of 2023. JPTL has filed an Appeal before the Hon'ble APTEL, being aggrieved by such disallowance vide DFR No. 123 of 2024, which is pending and the matter is sub-judice. However, without prejudice to the outcome of the Appeal filed by JPTL, in the present Petition, JPTL has again requested the Commission to allow the additional cost related to cost overrun and time over run due to delay in the project, Rs.0.15 Crore for increase in the scope of work and Rs. 0.80 Crore against the items, which were inadvertently missed while preparing the detailed estimates at the time of original approval of the Commission.

3.3.7 Further, JPTL requested the Commission to treat the additional capitalisation at the Guest House, which were not considered during the original approval, as Non-DPR capex under Regulation 24.6 and 24.7 of MYT Regulations 2019, as reproduced below:

“24.6 The Commission may approve, for each year of the Control Period, an additional amount equivalent to 20% of the total capital expenditure approved for that year, towards planned or unplanned capital expenditure that is yet to be approved by the Commission.

24.7 The amount of capitalisation against non-DPR schemes for any Year shall not exceed 20% or such other limit as may be stipulated by the Commission through an Order, of the amount of capitalisation approved against DPR schemes for that Year:

Provided that the Commission may allow capitalisation against non-DPR schemes for any Year in excess of 20% or such other limit as may have been stipulated by the Commission through Order, on a request made by the Generating Company or Licensee or MSLDC.”

3.3.8 JPTL submitted that it is hence, claiming the following additional capitalisation related to the Guest House, shown as "Additional Cost incurred for Guest House/office not included in estimates" in Table 14 above, as Non-DPR capex under Regulations 24.6 and 24.7 of the MYT Regulations, 2019, as shown in the following table.

**Table 15: Additional Capitalisation related to Guest house, as submitted by JPTL
(Rs. Crore)**

Head	Amount
D G Set	0.05
Transformer 25 kVA	0.04
Detailed Architect services	0.02
Fortnet Firewall 51E With 3 Years Care Pack	0.02
Furniture, compactors, electronics goods	0.25
Exterior works (Gate, pathway, Cross Drainage works etc)	0.42
Total Capitalisation in FY 2022-23	0.80

3.3.9 JPTL submitted that apart from the capitalisation of the Office cum Guest house along with the additional capitalisation related to Guest House, JPTL has also capitalised amount equivalent to Rs. 1.03 Crore and Rs. 0.46 Crore in FY 2022-23 and FY 2023-24, respectively. The details of such capitalisation are given in the Table below:

Table 16: Additional Capitalisation for FY 2022-23 and FY 2023-24, as submitted by JPTL (Rs. Crore)

Assets	FY 2022-23	FY 2023-24
Office Equipment		0.41
Purchase of spares (Tower parts-DC & DD, bay spares) as per CEA guidelines	0.89	0.01
Laptop and printer	0.01	0.03
Watch Tower	0.13	0.00
Total CAPEX / Capitalisation	1.03	0.46

3.3.10 JPTL submitted that the Commission in its MTR Order dated 31 March, 2023 has opined that minor expenses like watch tower, laptops and printers, can be covered under allowable Non-DPR and hence, provisionally approved the capitalisation for normal business activities.

3.3.11 JPTL submitted that the Central Electricity Authority (CEA) had issued a Guideline dated July 2020, for availability of spares and inventories for power transmission system assets. JPTL had re-assessed available mandatory spares and decided to procure shortage quantity of spares with respect to the Guidelines laid by CEA and accordingly the same has been procured equivalent to Rs. 0.89 Crore in FY 2022-23 and Rs. 0.01 Crore in FY 2023-24.

3.3.12 JPTL submitted the details of assorted tower parts procured under mandatory spares, as shown in the Table below:

Table 17: Summary of Mandatory Spares procured by JPTL

BOQ for Assorted Shortage of Tower Material (kg)					
Type of Tower	PO	PO AMOUNT (INR)	Mild Steel	High Tensile Steel	Total weight
DA	1860000051	15,36,041.00	8541.162	3849.625	12390.787
DB	1860000053	15,44,758.00	3029.72	9174.319	12204.039
DC	1860000054	13,63,179.00	4909.586	5964.114	10873.7
DD	1860000055	45,31,975.00	19303.897	16835.749	36139.646
Total		89,75,953.00	35784.365	35823.807	71608.172

3.3.13 Further, JPTL submitted that the Commission in its MTR Order dated 31 March 2023 has provisionally approved the cost of Spares under O&M Expenses and had directed JPTL to approach the Commission for recovery of expenses for additional

spares, which are not covered in allowable spares with appropriate justification and supporting documents at the time of final Truing Up of FY 2022-23. JPTL submitted that the said spares need to be considered as CAPEX expenses as same have been procured based on CEA Guidelines dated July 2020, which was post the commissioning of the transmission lines. Of the total procurement of spares of Rs. 0.89 Crore, Rs. 0.73 Crore has been carried in inventory as project spares and the balance of Rs. 0.15 Crore has been procured and capitalised in books of accounts.

3.3.14 JPTL submitted that the set-up of IT infrastructure, which had a very high lead time of delivering IT products (almost 8-10 months), has been completed in FY 2023-24. The total cost of implementation of IT Infrastructure of Rs. 0.41 Crore includes AV solutions (excluding VC system), Visitor management system, Surveillance system, Fire alarm system with UPS, Compatible Networking system including CISCO router, Network switches, Aruba controller, IP phones, etc., (with support care packs and licence). Based on the above, JPTL requested the Commission to allow the capitalisation related to IT work in FY 2023-24.

3.3.15 JPTL submitted the reconciliation of the Capitalisation with Accounts in FY 2022-23 and FY 2023-24, as shown in the Table below:

Table 18: Reconciliation of Capitalisation of assets in FY 2022-23 and FY 2023-24, as submitted by JPTL (Rs. Crore)

Particulars	FY 2022-23	FY 2023-24
Capitalisation as per Accounts	3.54	0.46
Amount Claimed in Petition (3.95 + 1.03)	4.97	0.46
Difference	1.43	-
Capitalisation of Land capitalised in the books of accounts in FY 2016-17 and 2017-18 but disallowed; now claimed in FY 2022-23 due to capitalisation of Guest House	0.70	-
Purchase of Spares (as per CEA Guidelines) – As per Accounting Standards, the same is considered as inventory in Accounts but capitalised as per Regulations.	0.73	-

3.3.16 JPTL submitted that certain marginal assets were decapitalised as some of the assets have either completed their useful life or are not useful at present for their required purpose as most of the items are non-repairable. The details of the other assets decapitalised are shown in the Table below:

Table 19: Decapitalisation of Other assets in FY 2022-23 and FY 2023-24, as submitted by JPTL (Rs. Crore)

Class Description	Put to Use Date	Gross Block	Accumulated Depreciation	Balance W/off
Office Equipment	9-Feb-11	15,351	(13,816)	1,535
Office Equipment	8-Feb-14	43,050	(38,745)	4,305
Total – FY 2022-23		58,401	(52,561)	5,840
Office Equipment	6-Jun-20	48,152	(10,367)	37,785
Computers	7-Nov-09	17,400	(15,660)	1,740
Computers	30-Jul-15	39,558	(35,602)	3,956
Furniture & Fixture-Others	24-Oct-08	8,100	(7,290)	810
Furniture & Fixture-Others	1-Oct-08	3,262	(3,262)	-
Furniture & Fixture-Others	1-Oct-08	47,250	(47,250)	-
Furniture & Fixture-Others	1-Oct-08	30,375	(30,375)	-
Furniture & Fixture-Others	1-Oct-08	3,746	(3,746)	-
Furniture & Fixture-Others	1-Jul-09	2,450	(2,450)	-
Furniture & Fixture-Others	1-Jul-09	2,200	(2,200)	-
Furniture & Fixture-Others	25-Sep-09	13,386	(11,943)	1,443
Furniture & Fixture-Others	25-Sep-09	6,014	(5,364)	650
Furniture & Fixture-Others	25-Sep-09	24,444	(21,810)	2,634
Furniture & Fixture-Others	25-Sep-09	14,123	(12,598)	1,525
Furniture & Fixture-Others	1-Sep-09	3,967	(3,967)	-
Total – FY 2023-24		2,64,427	(2,13,884)	50,543

3.3.17 JPTL claimed the following amounts as CAPEX, Capitalisation and De-capitalisation for FY 2022-23 and FY 2023-24:

Table 20: CAPEX, Capitalisation and De-Capitalisation for FY 2022-23 and FY 2023-24, as submitted by JPTL (Rs. Crore)

Particulars	CAPEX	Capitalisation	Decapitalisation	Loss of Assets
FY 2022-23	1.98	4.97	(0.01)	0.00
FY 2023-24	0.46	0.46	(0.03)	0.01

3.3.18 Based on the above, JPTL requested the Commission to approve the actual capital expenditure and addition to the GFA for FY 2022-23 and FY 2023-24.

Commission's Analysis and Ruling

3.3.19 JPTL had proposed the capital expenditure of Guest House and office work in FY 2020-21 and the Commission had approved the same at the time of

MYT Order dated 30 March 2020. However, the same was delayed and now JPTL has included it in the capitalisation for FY 2022-23.

3.3.20 The Commission notes that JPTL has claimed Rs. 0.23 Crore for cost overrun and time over run due to delay in the project, Rs. 0.15 Crore for increase in the scope of work, and Rs. 0.80 Crore against the items which were missed while preparing the detailed estimates at the time of original approval of the Commission. Further, the Commission also notes that the work was initially envisaged to be completed in FY 2019-20, which was further delayed till FY 2020-21 as approved in MYT Order in Case No. 294 of 2019 and same was further delayed and finally completed in FY 2022-23.

3.3.21 Further, the Commission also notes that JPTL has now claimed Rs. 0.80 Crore against the items which were missed while preparing the Scheme under Non-DPR Capex as per Regulations 24.6 and 24.7 of the MYT Regulations, 2019. However, the Commission is of the view that a part of the capitalisation, which has already been rejected by the Commission cannot be again claimed under Non-DPR just because it was missed while preparing the original Scheme. Moreover, disallowance of this capex is already sub-judice before the Hon'ble APTEL. Hence, the Commission disallows the claim of Rs. 0.80 Crore claimed by JPTL under Non-DPR scheme.

3.3.22 Further, the Commission is of the view that the justification submitted by JPTL does not substantiate the claim of cost over run, and hence, additional capitalisation of Rs. 1.18 Crore claimed by JPTL (Rs. 0.15 Cr +Rs. 0.23+ Rs. 0.80 Cr) for Guest House cum office during FY 2022-23 has been disallowed.

3.3.23 Accordingly, the detailed comparison between actual capitalisation approved by the Commission and capitalisation claimed by JPTL against Guest House cum office for FY 2022-23 is shown in the Table below:

Table 21: Comparison between approved capitalisation and capitalisation claimed by JPTL for Guest house (Rs. Crore)

Asset Block	Approved in Provisional True-up	Claimed by JPTL	Approved in this Order
Buildings	1.82	3.01	1.82
Furniture	0.20	0.18	0.18
Office Equipment	0.05	0.06	0.05
Land	0.70	0.70	0.70

Asset Block	Approved in Provisional True-up	Claimed by JPTL	Approved in this Order
Guest House / Office capitalisation	2.77	3.95	2.75

3.3.24 As stated earlier, the Commission has examined the claim of JPTL for capex towards the purchase of spares to comply with the guidelines issued by CEA in July 2020, and has ruled that the claim of JPTL for consideration of purchase of spares under capital cost cannot be allowed. However, the Commission has allowed expenses of Rs. 0.89 Crore and Rs. 0.01 Crore for purchase of spares as additional O&M expenses for FY 2022-23 and FY 2023-24, respectively, as stated earlier.

3.3.25 As regards other Capex claimed Watch Tower, the Commission is of the view that minor expenses like watch tower can be covered under allowable Non-DPR limit. Accordingly, the Commission has allowed the capitalisation of Rs. 0.13 Crore for watch tower in FY 2022-23.

3.3.26 The Commission notes that for FY 2023-24, JPTL has sought approval of capitalisation of Rs. 0.41 Crore for implementation of IT Infrastructure. In this regard, the Commission observes that capex against the same items were originally claimed under additional capitalisation in Guest House cum Office in the MTR Petition. The same was disallowed in the MTR Order dated 31 March, 2023 in Case No. 213 of 2022. The relevant extract of the MTR Order is reproduced below:

“IT Infrastructure in Guest House cum Office:

6.3.5 The Commission has examined the submission of JPTL regarding the CAPEX for setting up IT infrastructure in the guest house cum office which is approved to be capitalised in FY 2022-23 as discussed in Para 5.3.6. The CAPEX for IT products includes AV solutions (excluding VC system), Visitor management system, Surveillance system, Fire alarm system with UPS, Compatible Networking system includes CISCO router, Network switches, Aruba controller, IP phones etc(with support care packs & license), etc.

6.3.6 The Commission notes that, the majority of the equipment proposed by JPTL in the guest house cum office building are expected to be planned at the time of planning stage of office building. The Commission has taken its view in Para 5.3.7 of this Order on such inadvertently missing equipment at the time of planning. Further, the capex for guest house cum office building was considered by JPTL in MYT Petition. JPTL would have planned for the routine

equipment like fire alarm system with UPS, network equipment etc. Accordingly, the Commission has disallowed the additional capital expenditure of Rs. 0.40 Crore for IT products for guest house cum office building.”(emphasis added)

3.3.27 Accordingly, the Commission has disallowed the capital expenditure of Rs. 0.41 Crore for implementation of IT infrastructure in the final true-up for FY 2023-24, as the same has already been disallowed in the MTR Order against Guest House capitalisation.

3.3.28 As regards the capitalisation related to laptops, the Commission is of the view that minor expenses like laptop can be covered under allowable Non-DPR limit. Accordingly, the Commission has allowed the capitalisation of Rs. 0.01 Crore and Rs. 0.03 Crore for laptop and printer in FY 2022-23 and FY 2023-24, respectively.

3.3.29 The details of capitalisation approved by the Commission against the relevant block of assets for FY 2022-23 are shown in the Table below:

Table 22: Capitalisation Approved for FY 2022-23 (Rs. Crore)

Particulars	Asset Block	MTR Order	JPTL Petition	Approved in this Order
Guest House cum Office	Buildings	1.82	3.01	1.82
Guest House cum Office	Furniture	0.20	0.18	0.18
Guest House cum Office	Office Equipment	0.05	0.06	0.05
Guest House cum Office	Land	0.70	0.70	0.70
Total Guest House cum Office		2.77	3.95	2.75
Purchase of Spares (as per CEA guidelines)	P&M	-	0.89	-
Watch Tower at JPTL outdoor storage	Buildings	0.15	0.13	0.13
New Portacabin for storage	Buildings	0.05	-	-
Laptop & Printer	Computers	0.04	0.01	0.01
Total		3.01	4.97	2.89

3.3.30 **The Commission approves the Capitalisation of Rs. 2.89 Crore for FY 2022-23.**

3.3.31 The details of capitalisation approved by the Commission against the relevant block of assets for FY 2023-24 are shown in the Table below:

Table 23: Capitalisation Approved for FY 2023-24 (Rs. Crore)

Assets	MTR Order	JPTL Petition	Approved in this Order
Office Equipment	-	0.41	-
Purchase of Spares (As per CEA guidelines)	-	0.01	-
Laptop and Printer	-	0.03	0.03
PLCC unit upgradation	0.60		
Total Capitalisation	0.60	0.46	0.03

3.3.32 Therefore, the Commission approves capitalisation of Rs. 0.03 Crore for FY 2023-24.

3.4 Depreciation

JPTL's Submission

- 3.4.1 Regulation 28 of MYT Regulations, 2019 provides for computation of depreciation based on capital cost of assets approved by the Commission and rates of depreciation applicable as per Annexure I, as specified in Regulation 28.1 (b) of MYT Regulations, 2019. Also, the proviso of the Regulations specifies that if the asset is depreciated to the extent of 70%, then remaining depreciable value as on 31st March of the year is to be spread over the balance Useful Life of the asset.
- 3.4.2 Regulation 28.4 of MYT Regulations, 2019 also provides for depreciation to be calculated based on average of opening and closing value of assets for assets having achieved commercial operation for only part of the financial year.
- 3.4.3 JPTL submitted that it has considered actual addition of assets capitalised and decapitalised as per audited statement of accounts for calculation of depreciation as per applicable depreciation rate as specified in Regulation 28.1(b) of the MYT Regulations 2019 for FY 2022-23 and FY 2023-24.
- 3.4.4 JPTL submitted that de-capitalisation of the assets has been written off from the books of accounts and accordingly, the same has been reduced from the GFA and equivalent impact has been provided in calculation of depreciation, Interest and Return on Equity.
- 3.4.5 JPTL submitted the computation of depreciation as shown in the Table below:

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

Particulars	FY 2022-23		FY 2023-24	
	MTR Order	Actual	MTR Order	Actual
Opening GFA	551.73	551.73	554.74	556.71
Addition of GFA	3.01	4.97	0.60	0.457
Retirement of GFA	0.00	-0.01	0.00	-0.026
Closing GFA	554.74	556.71	555.34	557.19
Depreciation	29.18	29.22	29.25	29.32
Average Depn. Rate	5.27%	5.27%	5.27%	5.26%

Commission's Analysis and Ruling

3.4.6 The Commission has considered the capitalisation of Rs. 2.89 Crore and decapitalisation of Rs. 0.001 Crore for FY 2022-23. Similarly, the Commission has considered capitalisation of Rs. 0.03 Crore and decapitalisation of Rs. 0.01 Crore for FY 2023-24. In accordance with Regulation 28 of the MYT Regulations, 2019, the Commission has computed the depreciation for FY 2022-23 and FY 2023-24 as shown in the Table below:

Table 25 : Approved Depreciation Expenses for FY 2022-23 and FY 2023-24 (Rs. Crore)

Particulars	FY 2022-23			FY 2023-24		
	MTR Order	JPTL Petition	Approved in this Order	MTR Order	JPTL Petition	Approved in this Order
Opening GFA	551.73	551.73	551.73	554.74	556.71	554.62
Addition of GFA	3.01	4.97	2.89	0.60	0.457	0.03
Asset Retirement	-	-0.01	-0.001	-	-0.026	-0.01
Closing GFA	554.74	556.71	554.62	555.34	557.19	554.64
Depreciation	29.18	29.22	29.17	29.25	29.32	29.22
Average Depreciation Rate	5.27%	5.27%	5.27%	5.27%	5.26%	5.27%

3.4.7 **The Commission approves Depreciation of Rs. 29.17 Crore and Rs. 29.22 Crore for FY 2022-23 and FY 2023-24, respectively.**

3.5 Interest on Loan Capital

JPTL's Submission

3.5.1 The Commission has approved a debt equity ratio of 75:25 in its Order in Case No.

97 of 2010, during the in-principle approval of project cost of the transmission system of JPTL. However, now a Debt-Equity ratio of 70:30 has been considered for additional capital expenditure undertaken by JPTL in line with Regulation 27.1 of the MYT Regulations, 2019.

3.5.2 JPTL submitted that for retired assets, it has reduced the debt component by 70% of the original cost of the retired asset as per the debt equity ratio approved at the time of Capitalisation and adjusted the accumulated depreciation, which is equivalent to the debt repaid against such capitalisation of assets and accordingly the balance debt of the decapitalised assets has been calculated as shown in the Table below:

Table 26: Balance debt of the decapitalised assets for FY 2022-23 and FY 2023-24, as submitted by JPTL (Rs. Crore)

Class Description	Put to Use Date	Gross Block	Accumulated Depreciation	Debt	Debt Claimed	Balance Debt Written off
FY 2022-23						
Office Equipment	9-Feb-11	15,351	(13,816)	10,746	10,746	-
Office Equipment	8-Feb-14	43,050	(38,745)	30,135	30,135	-
Total		58,401	(52,561)	40,881	40,881	-
FY 2023-24						
Office Equipment	6-Jun-20	48,152	(10,367)	33,707	10,367	23,340
Computers	7-Nov-09	17,400	(15,660)	12,180	12,180	-
Computers	30-Jul-15	39,558	(35,602)	27,691	27,691	-
Furniture & Fixture-Others	24-Oct-08	8,100	(7,290)	5,670	5,670	-
	1-Oct-08	3,262	(3,262)	2,283	2,283	-
	1-Oct-08	47,250	(47,250)	33,075	33,075	-
	1-Oct-08	30,375	(30,375)	21,263	21,263	-
	1-Oct-08	3,746	(3,746)	2,622	2,622	-
	1-Jul-09	2,450	(2,450)	1,715	1,715	-
	1-Jul-09	2,200	(2,200)	1,540	1,540	-
	25-Sep-09	13,386	(11,943)	9,370	9,370	-
	25-Sep-09	6,014	(5,364)	4,210	4,210	-
	25-Sep-09	24,444	(21,810)	17,111	17,111	-
	25-Sep-09	14,123	(12,598)	9,886	9,886	-
	1-Sep-09	3,967	(3,967)	2,777	2,777	-
Total		2,64,427	(2,13,884)	1,85,099	1,61,759	23,340

3.5.3 JPTL submitted that the repayment for FY 2022-23 and FY 2023-24 is considered equal to the depreciation for that year as specified in Regulation 30 of the MYT Regulations, 2019.

3.5.4 JPTL submitted that the opening loan balance for FY 2022-23 is considered equivalent to the closing loan balance for FY 2021-22 as approved in the MTR Order dated 31 March 2023. Further, JPTL submitted that it has squared off the loan liability through early repayment in FY 2021-22 and hence, no actual loan exists in FY 2022-23 and FY 2023-24. Therefore, in line with proviso of Regulations 30.5 of MYT Regulations, 2019, the weighted average interest rate on loan for FY 2021-22 has been considered for the calculation of interest on normative loan.

3.5.5 Furthermore, JPTL submitted that in addition to the interest claimed on the normative loan, it has also incurred financial charges related to certain bank charges. The details of the Financial Charges claimed are shown in the Table below:

Table 27: Details of Finance Charges for FY 2022-23 and FY 2023-24, as submitted by JPTL (Rs. Crore)

Interest Expense	FY 2022-23	FY 2023-24	Remarks
Bank Charges	28,487	16,355	Claimed
Interest on Cash Credit	1,02,87,230	76,71,703	Claimed under IoWC
Interest on Income Tax		2,13,715	Not claimed
Total as per Accounts	1,03,15,717	79,01,773	

3.5.6 JPTL submitted the computation of Interest on Loan and Finance Charges for FY 2022-23 and FY 2023-24 as shown in the Table below:

Table 28: Interest on Loan and Finance Charges for FY 2022-23 and FY 2023-24, as submitted by JPTL (Rs. Crore)

Particulars	FY 2022-23		FY 2023-24	
	MTR Order	Actual	MTR Order	Actual
Opening balance of Debt	107.65	107.65	82.04	81.91
Addition	3.57	3.48	0.42	0.32
Repayment	29.18	29.22	29.25	29.33
Retirement		0.00		0.002
Closing Debt	82.04	81.91	53.23	52.90
Interest Rate (%)	8.23%	8.23%	8.23%	8.23%
Interest on the Loan	7.80	7.80	5.56	5.55
Finance Charges	0.00	0.00	0.00	0.00

MERC MYT Order for JPTL for Truing-up of ARR for FY 2022-23 and FY 2023-24, Provisional Truing-up of ARR for FY 2024-25 and determination of ARR for 5th Control Period from FY 2025-26 to FY 2029-30

Particulars	FY 2022-23		FY 2023-24	
	MTR Order	Actual	MTR Order	Actual
Total Interest and Finance charges	7.80	7.80	5.56	5.55

3.5.7 JPTL requested the Commission to approve the Interest on Loan along with the finance charges as shown in the Table above for FY 2022-23 and FY 2023-24.

Commission's Analysis and Ruling

3.5.8 The Commission has considered the normative opening loan balance for FY 2022-23 equal to closing loan balance for FY 2021-22 as approved in the MTR Order dated 31 March 2023 in Case No. 213 of 2022.

3.5.9 The Commission has approved the capitalisation of Rs. 2.89 Crore and Rs. 0.03 Crore for FY 2022-23 and FY 2023-24, respectively. The normative loan addition during the year has been considered as 70% of the capitalisation approved, in accordance with the normative Debt:Equity ratio of 70:30. The normative repayment of loan has been considered equal to Depreciation approved for FY 2022-23 and FY 2023-24 in the present Order.

3.5.10 The Commission notes that JPTL has squared off the actual loan liability through early repayment in FY 2021-22 and hence, no actual loan exists in FY 2022-23 and FY 2023-24. Therefore, in line with proviso of Regulation 30.5 of MYT Regulations, 2019, the Commission has considered the weighted average interest rate on loan for FY 2021-22 for the computation of interest on normative loan.

3.5.11 Accordingly, the interest expenses approved by the Commission for FY 2022-23 and FY 2023-24 are summarised in the Table below:

Table 29: Interest on Loan and Finance Charges Approved for FY 2022-23 and FY 2023-24 (Rs. Crore)

Particulars	FY 2022-23			FY 2023-24		
	MTR Order	JPTL Petition	Approved in this Order	MTR Order	JPTL Petition	Approved in this Order
Opening balance of debt	107.65	107.65	107.65	82.04	81.91	80.50
Addition	3.57	3.48	2.02	0.42	0.32	0.02
Repayment	29.18	29.22	29.17	29.25	29.33	29.22
Retirement		0.00	0.00		0.002	0.002
Closing balance	82.04	81.91	80.50	53.23	52.90	51.30

Particulars	FY 2022-23			FY 2023-24		
	MTR Order	JPTL Petition	Approved in this Order	MTR Order	JPTL Petition	Approved in this Order
Interest rate (%)	8.23%	8.23%	8.23%	8.23%	8.23%	8.23%
Interest on the loan	7.80	7.80	7.74	5.56	5.55	5.42
Finance Charges	0.00	0.003	0.003	0.00	0.002	0.002
Total Interest and Finance charges	7.80	7.80	7.75	5.56	5.55	5.42

3.5.12 The Commission approves Interest on Long Term Loan and Finance Charges of Rs 7.75 Crore and Rs. 5.42 Crore for FY 2022-23 and FY 2023-24, respectively.

3.6 Interest on Working Capital

JPTL's Submission

3.6.1 JPTL submitted that it has computed the working capital requirement in accordance with Regulation 32 of the MYT Regulations, 2019, as under:

- *normative O&M expenses for 1 month have been considered;*
- *Maintenance Spares have been considered as 1% of opening GFA;*
- *Actual Revenue has been considered.*

3.6.2 JPTL has considered the weighted average interest rate on Working Capital equal to SBI 1-year MCLR plus 150 basis points, i.e., 9.30% and 10.07% for FY 2022-23 and FY 2023-24, respectively.

3.6.3 JPTL has submitted the calculation of normative Interest on Working Capital as shown in the table below:

Table 30: Interest on Working Capital for FY 2022-23 and FY 2023-24, as submitted by JPTL (Rs. Crore)

Particulars	FY 2022-23		FY 2023-24	
	MTR Order	Actual	MTR Order	Actual
O&M for one month	0.45	0.45	0.47	0.44
Maintenance Spares @ 1% of Op. GFA	5.52	5.52	5.55	5.57
Receivables equal to 1.5 months of Revenue from Transmission Tariff	8.52	8.51	8.32	8.46
Total Working Capital Requirement	14.48	14.48	14.34	14.46

MERC MYT Order for JPTL for Truing-up of ARR for FY 2022-23 and FY 2023-24, Provisional Truing-up of ARR for FY 2024-25 and determination of ARR for 5th Control Period from FY 2025-26 to FY 2029-30

Particulars	FY 2022-23		FY 2023-24	
	MTR Order	Actual	MTR Order	Actual
Rate of Interest on Working Capital	9.45%	9.30%	9.45%	10.07%
Interest on Working Capital	1.37	1.35	1.35	1.46

3.6.4 JPTL requested the Commission to approve the Interest on working Capital as shown in the Table above.

Commission's Analysis and Ruling

3.6.5 Regulation 32.2(a) and (b) of the MYT Regulations, 2019 specifies the methodology for assessment of Working Capital requirement for a Transmission Licensee:

“32.2 Transmission

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

i. 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-month equivalent of the expected revenue from transmission charges at the prevailing Tariff;

Minus

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

...”

3.6.6 Accordingly, the Commission has computed the normative working capital requirement and considered interest rate equivalent to weighted average SBI MCLR rate during the year of 7.80% p.a. and 8.57% p.a. for FY 2022-23 and FY 2023-24, respectively, plus 150 basis points for computation of Interest on Working Capital.

3.6.7 The Interest on Working Capital approved for FY 2022-23 and FY 2023-24 is shown in the Table below:

Table 31: Interest on Working Capital for FY 2022-23 and FY 2023-24, as approved by Commission (Rs. Crore)

Particulars	FY 2022-23			FY 2023-24		
	MTR Order	JPTL Petition	Approved in this Order	MTR Order	JPTL Petition	Approved in this Order
O&M expenses for one month	0.45	0.45	0.41	0.47	0.44	0.42
Maintenance Spares @ 1% of Op. GFA	5.52	5.52	5.52	5.55	5.57	5.55
Receivables equal to 1.5 months of Revenue from Transmission Tariff	8.52	8.51	8.51	8.32	8.46	8.46
Total Working Capital	14.48	14.48	14.43	14.34	14.46	14.43
Rate of Interest on Working Capital	9.45%	9.30%	9.30%	9.45%	10.07%	10.07%
Interest on Working Capital	1.37	1.35	1.34	1.35	1.46	1.45

3.6.8 The Commission approves normative Interest on Working Capital of Rs 1.34 Crore and Rs. 1.45 Crore for Truing-up of ARR for FY 2022-23 and FY 2023-24, respectively.

3.7 Return on Equity

JPTL's Submission

3.7.1 As per Regulation 29.1 of the MYT Regulations, 2019, RoE for Transmission Licensee shall be allowed @15.5% for the assets put to use. However, the RoE is allowed in 2 parts, i.e., Base Return on Equity (14% as per Regulation 29.2 of MYT Regulations, 2019) and Additional Return on Equity (1.5%) linked to actual performance, i.e., transmission availability, whereby Additional RoE will be allowed at the time of truing up of respective year.

3.7.2 Further, as per the Regulation 34 of the MYT Regulations, 2019, the Income Tax for Transmission Licensee is required to be considered while calculation of Return on Equity and Regulations 34.2 and 34.4 allows the grossing up of RoE with the effective tax rate of the respective financial year or on the basis of actual tax paid as per latest available audited accounts.

3.7.3 Furthermore, as per Regulation 60.1 (b) of MYT Regulations, 2019, a Transmission Licensee is entitled for additional Return on Equity, only if the transmission availability of AC system is 99% or more. JPTL submitted that the actual transmission system availability is 99.62% for FY 2022-23 and 99.79% for FY

2023-24, respectively. Accordingly, as the transmission system availability for FY 2022-23 and FY 2023-24 is higher than 99%, JPTL is entitled for additional RoE, as shown in the Table below:

Table 32: Additional RoE for FY 2022-23 and FY 2023-24, as submitted by JPTL (%)

Particulars	FY 2022-23	FY 2023-24
Target Availability	99.00%	99.00%
Actual Availability Achieved	99.62%	99.79%
Additional rate of return on equity*	1.11%	1.50%
Base Rate of Return on Equity	14%	14%
Entitled Return on Equity	15.11%	15.50%

** Calculated as per Regulation 29.7 of MYT Regulations, 2019*

3.7.4 JPTL submitted that accordingly, it is entitled to RoE of 15.11% and 15.50% for FY 2022-23 and FY 2023-24, respectively.

3.7.5 Further, JPTL has submitted that based on the above referred Regulations, it has computed the grossed-up RoE rate for FY 2022-23 and FY 2023-24, as shown in the Table below:

Table 33: Calculation of Grossed-up Return on Equity for FY 2022-23 and FY 2023-24, as submitted by JPTL (%)

Particular	FY 2022-23	FY 2023-24
Total Gross Income of Regulated Entity	39.76	39.07
Actual Income Tax paid by the Entity	6.95	6.83
Effective Income Tax Rate	17.47%	17.47%
Base + Additional Rate of RoE Entitled	15.11%	15.50%
Grossed up Rate of RoE	18.31%	18.78%

3.7.6 JPTL submitted that the impact of decapitalisation of assets in FY 2022-23 and FY 2023-24 has been considered by reducing Equity @ 30% in accordance with the approved debt:equity ratio of 70:30.

3.7.7 JPTL submitted that it has computed the Return on Equity for FY 2022-23 and FY 2023-24, as shown in the Table below:

Table 34: Return on Equity for FY 2022-23 and FY 2023-24, as submitted by JPTL (Rs. Crore)

Particulars	FY 2022-23		FY 2023-24	
	MTR Order	JPTL Petition	MTR Order	JPTL Petition
Opening Equity	138.16	138.16	139.06	139.65
Equity Addition due to GFA addition	0.90	1.49	0.18	0.14
Equity Reduction due to GFA Retirement	-	0.002	-	0.01
Closing balance of Equity	139.06	139.65	139.24	139.78
Pre-tax rate of RoE	16.95%	18.31%	16.95%	18.78%
Grossed up RoE on the average balance	23.49	25.44	23.58	26.24

3.7.8 Accordingly, JPTL has requested the Commission to approve the RoE for FY 2022-23 and FY 203-24 as shown in the Table above.

Commission's Analysis and Ruling

3.7.9 For the computation of RoE, the Commission has considered the closing equity for FY 2021-22 approved by the Commission in the MTR Order dated 31 March, 2023 in Case No. 213 of 2022, as the opening equity for FY 2022-23.

3.7.10 The Commission has approved the capitalisation of Rs. 2.89 Crore and Rs. 0.03 Crore for FY 2022-23 and FY 2023-24, respectively. The normative equity addition during the year has been considered as 30% of the capitalisation approved, in accordance with the normative Debt:Equity ratio of 70:30. Further, the impact of decapitalisation has been considered by reducing Equity @30% in accordance with the approved Debt-Equity ratio of 70:30.

3.7.11 The Commission has scrutinised the actual Income Tax payment challan and ITR acknowledgement for FY 2022-23 and FY 2023-24. Accordingly, the RoE rate has been grossed up by the Minimum Alternate Tax (MAT) rate of 17.472% for FY 2022-23 and FY 2023-24. The Base Rate of RoE thus, works out to 16.96% for FY 2022-23 and FY 2023-24.

3.7.12 The computation of Base RoE approved by the Commission for FY 2022-23 and FY 2023-24 is shown in the following Table:

Table 35: Base Return on Equity for FY 2022-23 and FY 2023-24 approved by Commission (Rs. Crore)

Particulars	FY 2022-23			FY 2023-24		
	MTR Order	JPTL Petition	Approved in this Order	MTR Order	JPTL Petition	Approved in this Order
Opening Equity	138.16	138.16	138.16	139.06	139.65	139.03
Equity Addition due to GFA addition	0.90	1.49	0.87	0.18	0.14	0.01
Equity Reduction due to GFA Retirement	-	0.002	0.0002	-	0.01	0.002
Closing balance of Equity	139.06	139.65	139.03	139.24	139.78	139.03
Pre-Tax RoE	16.95%	18.31%	16.96%	16.95%	18.78%	16.96%
RoE on the average balance	23.49	25.44	23.51	23.58	26.24	23.58

3.7.13 The Commission has scrutinised the Transmission System Availability certification provided by MSLDC. JPTL is entitled to additional RoE for Transmission Availability in excess of 99%, up to a ceiling of 1.50% additional RoE for Transmission Availability above 99.75%. Accordingly, the Commission has computed the additional RoE for FY 2022-23 and FY 2023-24 as shown in the Table below:

Table 36: Additional RoE for FY 2022-23 and FY 2023-24, as approved by the Commission (Rs. Crore)

Particulars	FY 2022-23		FY 2023-24	
	JPTL Petition	Approved in this Order	JPTL Petition	Approved in this Order
Target Availability	99.00%	99.00%	99.00%	99.00%
Actual Availability Achieved	99.62%	99.62%	99.79%	99.79%
Additional rate of return on equity		1.11%		1.50%
Pre-tax rate of RoE		1.34%		1.82%
RoE on the average balance		1.86		2.53

Note: JPTL has claimed combined Base + Additional RoE in its Petition as shown in the previous Table, hence, not shown separately under this Table

3.7.14 The sum of Base RoE and Additional RoE approved by the Commission for FY 2022-23 and FY 2023-24 is shown in the Table below:

Table 37: Total RoE for FY 2022-23 and FY 2023-24, as approved by the Commission (Rs. Crore)

Particulars	FY 2022-23		FY 2023-24	
	JPTL Petition	Approved in this Order	JPTL Petition	Approved in this Order
Base RoE	23.56	23.51	23.70	23.58
Additional RoE	1.88	1.86	2.54	2.53
Total RoE	25.44	25.37	26.24	26.11

3.7.15 The Commission approves the RoE of Rs 25.37 Crore and Rs. 26.11 Crore after Truing-up of ARR for FY 2022-23 and FY 2023-24, respectively.

3.8 Contribution to Contingency Reserves

JPTL's Submission

3.8.1 JPTL submitted that it has made provision for Contingency Reserve in the Audited Accounts and has invested the amounts as per the MYT Regulations, 2019, estimated on the basis of 0.25% of the Opening GFA. The documentary proof for the amount invested has been submitted along with the Petition. The Contribution to Contingency Reserve claimed by JPTL for FY 2022-23 and FY 2023-24 is shown in the Table below:

Table 38: Contribution to Contingency Reserves for FY 2022-23 and FY 2023-24, as submitted by JPTL (Rs. Crore)

Particulars	FY 2022-23		FY 2023-24	
	MYT Order	JPTL Petition	MYT Order	JPTL Petition
GFA	551.73	551.73	554.74	556.71
Contribution to Contingency Reserves	1.38	1.38	1.39	1.39

Commission's Analysis and Ruling

3.8.2 Regulation 34.1 of the MYT Regulations, 2019 specifies as under:

“34.1 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: ...”

3.8.3 Accordingly, the Commission has verified the actual contribution to Contingency Reserves during FY 2022-23 and FY 2023-24 as per audited annual accounts, which is equal to 0.25% of the approved opening GFA of the respective years.

3.8.4 Hence, the Commission has considered the contribution to contingency reserves for FY 2022-23 and FY 2023-24, as shown in the Table below:

Table 39: Contribution to Contingency Reserves for FY 2022-23 and FY 2023-24, as approved by Commission (Rs. Crore)

Particulars	FY 2022-23			FY 2023-24		
	MTR Order	JPTL Petition	Approved in this Order	MTR Order	JPTL Petition	Approved in this Order
Contribution to Contingency reserves	1.38	1.38	1.38	1.39	1.39	1.39

3.8.5 **The Commission approves contribution to Contingency Reserves of Rs. 1.38 Crore and Rs. 1.39 Crore after Truing up of ARR for FY 2022-23 and FY 2023-24, respectively.**

3.9 Non-Tariff Income

JPTL's Submission

3.9.1 As per Regulation 35.1 of MYT Regulations, 2019, out of the revenue recovered, the amount accumulated against the contribution to contingency reserve is required to be invested in securities authorized under Indian Trusts Act, 1882 within six months of the close of the financial year, and the income from such investment shall be treated as Non-Tariff Income.

3.9.2 Also, as per Regulation 62.1 of MYT Regulations 2019, the Non-Tariff Income shall be deducted from Aggregate Revenue Requirement in determining the Annual Transmission Charges of the Transmission Licensee. However, the first Proviso of Regulation 62.2 of MYT Regulations, 2019 clearly specifies that interest earned from investments made out of Return on Equity shall not be included in Non-Tariff Income, as reproduced below:

“Provided that the interest earned from investments made out of Return on Equity corresponding to the regulated Business of the Transmission Licensee shall not be included in Non-Tariff Income”.

3.9.3 Accordingly, JPTL submitted that it has claimed the Non-Tariff Income in the Petition related to income from Contingency Reserves. The computation of Income on Contingency Reserves is shown in the Table below:

Table 40: Calculation of Income on Contingency Investment for FY 2022-23 and FY 2023-24, as submitted by JPTL (Rs. Crore)

Financial Year	Purchase Date	Int Rate	Cont. Reserve	FY 2022-23	FY 2023-24
FY 2010-11 to FY 2012-13	6-Aug-14	8.28%	3.22	0.27	0.27
FY 2013-14	29-Sep-14	8.33%	1.39	0.12	0.12
FY 2014-15	30-Sep-15	8.28%	1.39	0.12	0.12
FY 2015-16	7-Dec-16	9.23%	1.39	0.13	0.13
FY 2016-17	25-Sep-17	8.28%	1.38	0.11	0.11
FY 2017-18	25-Sep-18	8.32%	1.38	0.11	0.11
FY 2018-19	30-Sep-19	7.73%	1.38	0.11	0.11
FY 2019-20	21-Sep-20	6.57%	1.38	0.09	0.09
FY 2020-21	22-Sep-21	6.68%	1.38	0.09	0.09
Less: Reduction for restoration of tower	Case No. 213 of 2022	8.01%	-1.61	-0.13	-0.13
FY 2021-22	21-Sep-22	7.26%	1.38	0.05	0.10
FY 2022-23	11-Sep-23	7.28%	1.38		0.05
Total			15.44	1.07	1.17

3.9.4 Further, JPTL submitted that the balance amount of income as provided in Note 19 of the Financial Statements includes Delayed Payment Surcharge, Gain on Sale of Current Investment (ear-marked from income from own funds, which have been funded from internal accruals), etc., which are not considered as Non-Tariff Income as per MYT Regulations, 2019. The details of the Other Income as accounted in Note 19 of the Audited Accounts are given in the Table below:

Table 41: Details of Other Income as per Audited Accounts for FY 2022-23 and FY 2023-24, as submitted by JPTL (Rs. Crore)

Other Income	FY 2022-23	FY 2023-24
Delayed Payment Surcharge	2.72	-
Interest on Government Securities	1.20	1.27
Profit on Sale of Investment	2.09	2.99
Miscellaneous Income	0.07	2.56
MTM Gain on Financial assets	0.01	0.01

Other Income	FY 2022-23	FY 2023-24
Total	6.08	6.83
Less: Income considered under Non-Tariff Income		
Income from Contingency Reserve Investment	1.07	1.17
Income from Other Sources	5.01	5.66

3.9.5 As regards the revenue from sale of scrap booked in FY 2022-23, the same are related to the retirement of the insulator, which was written off in FY 2012-13 and FY 2013-14 equivalent to Rs. 6.44 Crore under Regulation 27.10 of MYT Regulations 2011. Under the said Regulations, any expenditure on replacement, renovation and modernization or extension of life of old fixed assets, as applicable shall be considered after writing off the **net value of such replaced assets from the original capital cost**. Hence, vide Order dated 26 June 2015 in Case No. 208 of 2014, the Commission has approved the replacement of insulators by way of retirement of assets at Rs. 4.92 Crore for FY 2012-13. However, the said insulator was in the inventory and was scrapped in FY 2022-23 and FY 2023-24 for Rs. 6.84 Lakh and Rs. 13.74 Lakh, respectively. Since the said amount has been totally been replaced and nullified under replacement cost method in FY 2012-13 resulting in being not a part of Regulatory Fixed Assets, the revenue from sale of scrap from the said asset has not been claimed under Non-Tariff Income.

3.9.6 The Non-Tariff Income claimed for FY 2022-23 and FY 2023-24 is shown in the Table below:

Table 42: Non-Tariff Income for FY 2022-23 and FY 2023-24, as submitted by JPTL (Rs. Crore)

Particulars	FY 2022-23		FY 2023-24	
	MTR Order	JPTL Petition	MTR Order	JPTL Petition
Non-Tariff Income	1.07	1.07	1.17	1.17

Commission's Analysis and Ruling

3.9.7 The Commission has verified the details of Non-Tariff Income from the Audited Accounts for FY 2022-23 and FY 2023-24.

3.9.8 JPTL has submitted details of the investment of contribution to Contingency Reserves along with the quantum and period of such investments.

3.9.9 Accordingly, the Non-Tariff Income claimed in the Petition is related to income from contingency reserves, the detailed calculation of which is provided below:

Table 43: Calculation of Income on Contingency Investment for FY 2022-23 and FY 2023-24 (Rs. Crore)

Financial Year	Purchase Date	Int Rate	Cont. Reserve	FY 2022-23	FY 2023-24
FY 2010-11 to FY 2012-13	6-Aug-14	8.28%	3.22	0.27	0.27
FY 2013-14	29-Sep-14	8.33%	1.39	0.12	0.12
FY 2014-15	30-Sep-15	8.28%	1.39	0.12	0.12
FY 2015-16	7-Dec-16	9.23%	1.39	0.13	0.13
FY 2016-17	25-Sep-17	8.28%	1.38	0.11	0.11
FY 2017-18	25-Sep-18	8.32%	1.38	0.11	0.11
FY 2018-19	30-Sep-19	7.73%	1.38	0.11	0.11
FY 2019-20	21-Sep-20	6.57%	1.38	0.09	0.09
FY 2020-21	22-Sep-21	6.68%	1.38	0.09	0.09
Less: Reduction for restoration of tower	Case No. 213 of 2022	8.01%	-1.61	-0.13	-0.13
FY 2021-22	21-Sep-22	7.26%	1.38	0.05	0.10
FY 2022-23	11-Sep-23	7.28%	1.38		0.05
Total			15.44	1.07	1.17

3.9.10 Further, the Commission notes that the balance amount of income provided in Note 19 of the Audited Accounts, includes delayed payment surcharge, gain on sale of current investment funded from internal accruals, and income on incremental investment in G-Sec, etc., which has not been considered as Non-Tariff Income as per MYT Regulations, 2019.

3.9.11 Accordingly, the Non-Tariff Income approved by the Commission for FY 2022-23 and FY 2023-24 is shown in the Table below:

Table 44: 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	JPTL Petition	Approved in this Order	MTR Order	JPTL Petition	Approved in this Order
Non-Tariff Income	1.07	1.07	1.07	1.17	1.17	1.17

3.9.12 The Commission approves Non-Tariff Income of Rs. 1.07 Crore and Rs. 1.17 Crore after Truing-up of ARR for FY 2022-23 and FY 2023-24 as shown in the Table above.

3.10 Sharing of Gains and Losses

JPTL's Submission

O&M Expenses

3.10.1 JPTL submitted that the actual O&M expenses of JPTL for the said transmission system is higher than the normative O&M expenses. As specified in the MYT Regulations, 2019, JPTL submits that the O&M expenses incurred were controllable due to various efficiency measures implemented by JPTL for optimising and managing the O&M expenses.

3.10.2 In accordance with Regulation 11 of the MYT Regulations, 2019, the difference between the actual O&M expenses as claimed by JPTL and the normative O&M expenses have been shared with the beneficiaries.

Interest on Working Capital

3.10.3 JPTL submitted that it has availed actual working capital loan in FY 2022-23 and FY 2023-24 and accordingly, the actual interest on working capital loan incurred has been adjusted against the normative interest on working capital arrived as per MYT Regulations, 2019.

3.10.4 As per Regulation 32.6 of MYT Regulations, 2019, variation between normative interest on working capital computed at the time of True-up and actual interest on working capital is considered as an efficiency gain/loss and shared between JPTL and the respective Beneficiaries.

3.10.5 JPTL submitted the net entitlement after sharing of gains and losses, as shown in the Table below:

Table 45: Sharing of Gains and Losses for FY 2022-23 and FY 2023-24, as submitted by JPTL (Rs. Crore)

Particulars	Normative	Actual	Entitlement as per Regulations	Variation	1/3rd of efficiency gain/(loss)	Net entitlement after sharing of gains/(losses)
FY 2022-23						

Particulars	Normative	Actual	Entitlement as per Regulations	Variation	1/3rd of efficiency gain/(loss)	Net entitlement after sharing of gains/(losses)
O&M Expenses	4.87	5.64	4.87	(0.76)	(0.25)	5.13
IoWC	1.35	1.03	1.35	0.32	0.11	1.13
Total	6.22	6.67	6.22	(0.45)	(0.15)	6.26
FY 2023-24						
O&M Expenses	5.07	5.41	5.07	(0.34)	(0.11)	5.18
IoWC	1.45	0.77	1.45	0.69	0.23	1.00
Total	6.52	6.18	6.52	0.34	0.11	6.18

3.10.6 Based on the above submission, JPTL requested the Commission to approve the net entitlement for O&M expenses and IoWC Expenses after Truing-up of ARR for FY 2022-23 and FY 2023-24 after sharing of gains/ (losses) as per Regulations 11 and 32.6 of the MYT Regulations, 2019.

Commission's Analysis and Ruling

3.10.7 The relevant provisions of MYT Regulations, 2019 specifying the sharing of gains/losses due to controllable factors is reproduced below:

“11. Mechanism for sharing of gains or losses on account of controllable factors

11.1 The approved aggregate gain to the Generating Company or Licensee or MSLDC on account of controllable factors shall be dealt with in the following manner:

(a) Two-third of the amount of such gain shall be passed on as a rebate in Tariff over such period as may be stipulated in the Order of the Commission under Regulation 8.4;

(b) The balance amount of such gain shall be retained by the Generating Company or Licensee or MSLDC.

11.2 The approved aggregate loss to the Generating Company or Licensee or MSLDC on account of controllable factors shall be dealt with in the following manner:

(a) One-third of the amount of such loss may be passed on as an additional charge in Tariff over such period as may be stipulated in the Order of the Commission under Regulation 8.4;

(b) The balance amount of such loss shall be absorbed by the Generating Company or Licensee or MSLDC.”

3.10.8 As per the provisions of the Regulation 11 of the MYT Regulations, 2019, the O&M expenses of the Licensee are controllable in nature. Accordingly, the difference between the actual O&M expenses approved by the Commission in this Order and the revised normative O&M expenses of JPTL have been shared with the beneficiaries in line with the MYT Regulations, 2019. Further, while sharing the O&M expenses, O&M expenses amounting to Rs. 0.18 Crore have been considered as uncontrollable in accordance with the 2nd Amendment to the MYT Regulations, 2019, on account of consideration of civil work as O&M expenses, which were earlier treated as capex.

3.10.9 As regards sharing of gains/loss on the interest on working capital, MYT Regulations, 2019 specifies as under:

“32.6 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/ies or consumer as the case may be, in accordance with Regulation 11:

Provided that the Delayed Payment Surcharge and Interest on Delayed Payment as per books of accounts of the Generating Company or Licensee or MSLDC shall be deducted from the actual interest on working capital, before sharing of the efficiency gain or efficiency loss, as the case may be:...”(emphasis added)

3.10.10 Hence, the Commission has deducted the actual DPS as reported in the Audited Accounts of FY 2022-23 and FY 2023-24, from the actual IoWC. The actual DPC is Rs. 2.72 Crore in FY 2022-23, which is much higher than the actual IoWC of Rs. 1.03 Crore, hence, the actual IoWC to be considered for the purpose of sharing of gains and losses has been considered as Nil. For FY 2023-24, as the actual DPC is

Nil, the actual IoWC has been considered as Rs. 0.77 Crore from the Audited Accounts.

3.10.11 In accordance with the MYT Regulations, 2019, the Commission has computed the net entitlement of O&M expenses and IoWC after sharing of gain/(loss) as shown in the Table below:

Table 46: Sharing of Gains/(Losses) for FY 2022-23 and FY 2023-24, as approved by the Commission (Rs. Crore)

Particulars	Normative	Actual	Variation	1/3rd of efficiency gain and 2/3 of Efficiency (loss) retained by JPTL	Net entitlement after sharing of gains /losses
FY 2022-23					
O&M Expenses	4.87	5.64	(0.76)	(0.51)	5.13
IoWC	1.34	0.00	1.34	0.45	0.45
Total	6.22	5.64	0.58	(0.06)	5.58
FY 2023-24					
O & M Expenses	5.07	5.43	(0.18)	(0.12)	5.31
IoWC	1.45	0.77	0.68	0.23	1.00
Total	6.52	6.20	0.50	0.11	6.31

3.10.12 The Commission approves the net entitlement for O&M expenses of Rs. 5.13 Crore and Rs. 5.31 Crore after Truing up of ARR for FY 2022-23 and FY 2023-24, respectively, after sharing of gains/(losses). Further, the Commission approves the net entitlement for IoWC expenses of Rs. 0.45 Crore and Rs. 1.00 Crore after Truing up of ARR for FY 2022-23 and FY 2023-24, respectively, after sharing of gains/(losses).

3.11 Revenue Gap of Past Years

3.11.1 JPTL has submitted that the Commission as per Para 6.11.3 to 6.11.5 of its Order dated 31 March, 2023 in Case No. 213 of 2022 has approved the recovery of following Gap / (Surplus) of past years in FY 2023-24:

Table 47: Approved Recovery of Past Gap/ (Surplus) in FY 2023-24 as per the MTR Order dated 31 March, 2023 in Case No. 213 of 2022 (Rs. Crore)

Sr. No.	Particulars	Rs. Crore
1.	Add: Gap / (Surplus) for True-up FY 2019-20	(0.73)
2.	Add: Gap / (Surplus) for True-up FY 2020-21	2.48

Sr. No.	Particulars	Rs. Crore
3.	Add: Gap / (Surplus) for True-up FY 2021-22	0.00
4.	Add: Gap / (Surplus) for Provisional True-up FY 2022-23	(0.57)
5.	Carrying Cost/ (Holding Cost) of above Revenue Gap/ (Surplus)	0.21
6.	Total Past Gap allowed to be recovered in FY 2023-24	1.75

3.11.2 JPTL submitted that the past Revenue Gap of Rs. 1.75 Crore approved by the Commission in Case No. 213 of 2022 included the Revenue Surplus of Rs. (0.57) Crore after provisional truing up of FY 2022-23, which has been now revised to Revenue Gap of Rs. 1.39 Crore after final truing up for FY 2022-23.

3.11.3 JPTL submitted that the Hon'ble APTEL in its Order dated 31st October 2022, has ruled as under:

“6. We find that the Commission has directed recovery of actual revenue gap of 0.77 crore in FY 2020-21 and, in this view, the revenue gap / surplus for FY 2017-18 should have been considered as “Nil” for purposes of truing-up of ARR for FY 2018-19. However, while finally truing-up the ARR for FY 2018-19 the provisional revenue surplus of Rs.1.95 crore for FY 2017-18 has been carried forward, this being reflected by the following tables (first being summary of approval for recovery of past revenue gap in FY 2018-19 accorded vide order dated 12.09.2018 and the second to reflect the net ARR approved for FY 2017-18 and 2018-19 in the impugned order):

...

7. We find that the appellant is rightly aggrieved in that the above has resulted in an erroneous calculation of trued-up ARR in the sum of Rs.69.02 crore as against Rs.70.97 crore, and consequentially the ARR determined for FY 2020-21 is deficient of Rs.1.95 crore, the appellant having been unjustly burdened with additional carrying cost of Rs.0.28 crore, as reflected in the following table forming part of the impugned order:

...

9. We are not impressed with the above explanation. In the provisional true-up order dated 12.09.2018 for FY 2017-18, the Commission had determined the provisional revenue surplus of Rs. 1.95 crore. This has been revised to a revenue gap of Rs. 0.77 crore for the same period by

the impugned order, meant to be recovered in FY 2020-21. Yet, in the true-up for FY 2018-19 by the same very order, the provisional revenue surplus of Rs. 1.95 crore for FY 2017-18 has been deducted bringing out in an inherent contraction. While carrying forward the revenue gap/surplus for past years up to FY 2018-19, the Commission having determined the revenue gap of Rs. 0.77 crore, it could not have deducted the provisional revenue surplus of Rs. 1.95 crore for FY 2017-18. The method adopted results in impermissible under-recovery for the transmission licensee unduly burdening it with excess carrying cost. The impugned decision does not give any reasoning, much less sufficient, for such treatment.

10. For the above reasons, the impugned order to the extent challenged by the appeal at hand cannot be sustained. It is accordingly set aside. The matter is remitted for fresh decision on the issue by the Commission in light of the observation recorded above.”(**emphasis added**)

3.11.4 JPTL submitted that in the MTR Order dated 30th March 2023, the Commission allowed the Revenue Surplus of Rs. 0.57 Crore after provisional True-up for FY 2022-23. 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. Based on the above ruling in the said Appeal, JPTL has revised the computation of the claim whereby the Revenue Gap of FY 2023-24 has been revised considering the Revenue Gap/(Surplus) for FY 2022-23 as NIL, as the final true-up of the same is being undertaken along with the present MYT Petition. Thus, the cumulative Revenue Gap allowed to be recovered in FY 2023-24 has been revised as shown in the Table below:

Table 48: Revised Cumulative Gap claimed in FY 2023-24, as submitted by JPTL (Rs. Crore)

Particulars	Approved	Revised
Add: Gap / (Surplus) for True-up FY 2019-20	(0.73)	(0.73)
Add: Gap / (Surplus) for True-up FY 2020-21	2.85	2.85
Add: Gap / (Surplus) for True-up FY 2021-22	0.00	0.00
Add: Gap / (Surplus) for Provisional True-up FY 2022-23*	(0.57)	-
Carrying Cost/ (Holding Cost) of above Revenue Gap/ (Surplus)	0.21	0.21
Total Past Gap allowed to be recovered in FY 2023-24	1.75	2.33

* As per the Hon'ble APTEL Order, since the final true-up of FY 2022-23 has been undertaken, the final gap / (surplus) is claimed in FY 2025-26

3.11.5 JPTL submitted that the Commission has amortised the Revenue Gap in two years to smoothen the recovery with the carrying cost. The relevant extract from the MTR Order dated 30 March 2023 is reproduced below:

“6.12.3 In addition to the above, the Commission has also approved the Revenue Gap after truing up of FY 2019-20, FY 2020-21 and FY 2021-22 along with associated Carrying cost, and the Revenue Gap after Provisional Truing up for FY 2022-23 which amounts to Rs. 1.75 Crore. This revenue gap is normally added to the standalone Revenue Requirement of FY 2023-24 for recovery through Transmission Tariff when the recovery is envisaged in a single year. However, this approved consolidated revenue requirement (including stand alone and past revenue gap) in FY 2023-24 will be significantly higher compared to FY 2024-25.

6.12.4 Hence, the Commission has decided to smoothen the recovery of the intra State Transmission Charges, by spreading the Revenue Requirement of JPTL in two years in such a manner that the intra-State Transmission Charges are around the same level for the entire Control Period, in terms of Rs/kWh. The associated Carrying Cost on account of spread of recovery over the Control Period has also been included in the overall recovery. The rate of interest considered for computing the Carrying Cost is the same rate considered for computing IoWC for the respective years in this order. The following table provides the details of Carrying Cost over the FY 2023-24 and FY 2024-25:

Table 176: Computation of Carrying cost for on account of Phasing of Gap in FY 2023-24 and FY 2024-25, as approved by the Commission (Rs. Crore)

Particular	FY 2022-23	FY 2023-24
Opening Balance	-	0.88
Gap during the year excluding incentive	1.75	-
Recovery During the Year	0.88	0.88
Closing Balance	0.88	-
Average Balance	0.44	0.44
Wtg. Average rate of Interest	9.45%	9.45%
Carrying/(Holding) cost	0.04	0.04
Past Gaps including Carrying Cost	0.92	0.92

- *Accordingly, considering the above, the approved cumulative Revenue Requirement of JPTL for FY 2023-24 and FY 2024-25 after spreading the revenue gap over the Control Period is shown in the Table below....”*

3.11.6 JPTL submitted that based on the judgment of the Hon’ble APTEL in its Order dated 31 October 2022, it has revised the cumulative Revenue Gap by considering the provisional true-up gap of FY 2022-23 as NIL and the recovery of the final True-up Gap in FY 2025-26. Therefore, the associated carrying cost and the cumulative past Revenue Gap has also been revised, on the same principle as adopted by the Commission in MTR Order dated 31st March 2023 as shown in the Table below:

Table 49: Revised Computation of Carrying cost on account of Phasing of Gap in FY 2023-24 and FY 2024-25, as submitted by JPTL (Rs. Crore)

Particulars	FY 2023-24	FY 2024-25
Opening Balance	0	1.16
Gap during the year excluding incentive	2.33	0
Recovery during the year	1.16	1.16
Closing Balance	1.16	-
Average Balance	0.58	0.58
Weighted Average Rate of Interest	9.45%	9.45%
Carrying/(Holding) cost	0.05	0.05
Cumulative past gap incl. carrying cost	1.22	1.22

Commission’s Analysis and Ruling`

3.11.7 In the MTR Order of JPTL, the Commission had passed through a Revenue Surplus of Rs. (0.57) Crore after provisional true-up of FY 2022-23, which was adjusted in the Revenue Gap/(Surplus) of FY 2023-24. In its Petition, JPTL has considered the amount of Revenue Surplus after provisional true-up of FY 2022-23 as NIL, and restated the Cumulative Revenue Gap allowed to be recovered in FY 2023-24.

3.11.8 In this regard, the Hon’ble APTEL in its Order dated 31 October 2022, has directed to consider the amount passed through after provisional true-up as Nil. The Commission has accordingly passed through the entire amount of Revenue Gap/(Surplus) after final truing up of FY 2022-23 through this Order, without adjusting against the amount passed through after provisional true-up, and has thus, complied with the Hon’ble APTEL’s direction in this regard.

3.11.9 However, the amount of Cumulative Revenue Gap/(Surplus) approved for FY

2023-24, which included the amount of Revenue Gap/(Surplus) after provisional true-up of FY 2022-23, has not been revised, as the true-up of the ARR for FY 2023-24 has to be based on the comparison of the actual ARR after true-up including Past Revenue Gap/(Surplus) with the actual approved ARR at the time of issue of Tariff Order for FY 2023-24. The amount of Past Revenue Gap/(Surplus) approved in the original Order for any year has to be considered same as approved, in order to have appropriate comparison, else, the analysis will be skewed. Any adjustment after final truing up for FY 2022-23 has to be adjusted in the ARR being approved for FY 2025-26, and the ARR already approved for FY 2023-24 cannot be revised. Hence, the cumulative Revenue Gap/(Surplus) allowed to be recovered in FY 2023-24 has been considered the same as that approved in the MTR Order, as shown in the Table below:

Table 50: Cumulative Gap allowed to be recovered in FY 2023-24, as approved by the Commission (Rs. Crore)

Particulars	Approved	Petition	Approved in this Order
Add: Gap / (Surplus) for True-up FY 2019-20	(0.73)	(0.73)	(0.73)
Add: Gap / (Surplus) for True-up FY 2020-21	2.85	2.85	2.85
Add: Gap / (Surplus) for True-up FY 2021-22	0.00	0.00	0.00
Add: Gap / (Surplus) for Provisional True-up FY 2022-23	(0.57)	-	(0.57)
Carrying Cost/ (Holding Cost) of above Revenue Gap/ (Surplus)	0.21	0.21	0.21
Total Past Gap allowed to be recovered in FY 2023-24	1.75	2.33	1.75

3.11.10As the cumulative Revenue Gap/(Surplus) allowed to be recovered in FY 2023-24 has been considered at the same level as approved in the MTR Order, there is no change in the Cumulative Gap including Carrying Cost.

3.12 Summary of True-up, including Sharing of Gains and Losses, for FY 2022-23 and FY 2023-24

JPTL's Submission

3.12.1 The summary of the ARR as submitted by JPTL for FY 2022-23 and FY 2023-24 is given in the following Tables:

Table 51: Summary of True-up for FY 2022-23, as submitted by JPTL (Rs. Crore)

Sl. No.	Particulars	Approved	Actual	Net Entitlement after sharing of gains / (losses)	Deviation
1.	O&M Expenses	4.87	5.64	5.13	0.25
2.	Additional OPEX	0.52	0.55	0.55	
3.	Depreciation	29.18	29.22	29.22	0.04
4.	Interest on Loan	7.80	7.80	7.80	0.01
5.	Interest on Working Capital	1.37	1.35	1.13	(0.23)
6.	Contribution to Contingency Reserves	1.38	1.38	1.38	0.00
7.	Total Revenue Expenditure	45.12	45.94	45.22	0.10
8.	Return on Equity	23.49	25.44	25.44	1.95
9.	Gross ARR	68.61	71.38	70.66	2.04
10.	Less: Non-Tariff Income	1.07	1.07	1.07	0.00
11.	Net ARR	67.54	70.31	69.59	2.05

Table 52: Summary of True-up for FY 2023-24, as submitted by JPTL (Rs. Crore)

Sl. No.	Particulars	Approved	Actual	Net Entitlement after sharing of gains / (losses)	Deviation
	O&M Expenses	5.07	5.59	5.36	0.30
	Additional OPEX	0.58	0.15	0.15	(0.43)
	Depreciation	29.25	29.32	29.32	0.07
	Interest on Loan	5.56	5.55	5.55	(0.01)
	Interest on Working Capital	1.35	1.46	1.00	(0.36)
	Contribution to Contingency Reserves	1.39	1.39	1.39	0.00
	Total Revenue Expenditure	43.20	43.46	42.78	(0.42)
	Return on Equity	23.58	26.24	26.24	2.67
	Gross ARR	66.78	69.70	69.02	2.24
	Less: Non-Tariff Income	1.17	1.17	1.17	0.00
	Net ARR	65.61	68.54	67.85	2.24
	Past Gap for FY 2019-20 to FY 2022-23 including Carrying cost - as approved in Case No.213 of 2022	0.92	1.22	1.22	0.30
	Annual Revenue Requirement including past gaps	66.54	69.76	69.07	2.54

Commission's Analysis and Ruling`

3.12.2 Based on the analysis set out above, the net ARR approved by the Commission after final truing up for FY 2022-23 and FY 2023-24 is summarised in the following Tables:

Table 53: Summary of ARR Truing-up of ARR for FY 2022-23, as approved by the Commission (Rs. Crore)

Sr. No.	Particulars	MTR Order	Petition	Approved in this Order
1	Operation & Maintenance Expenses	4.87	5.64	4.87
2	Additional OPEX/Additional O&M Expenses	0.52	0.55	1.44
3	Depreciation Expenses	29.18	29.22	29.17
4	Interest on Long-term Loan Capital	7.80	7.80	7.75
5	Interest on Working Capital	1.37	1.35	1.34
6	Contribution to Contingency reserves	1.38	1.38	1.38
7	Total Revenue Expenditure	45.12	45.94	45.95
8	Return on Equity Capital	23.49	25.44	25.37
9	Aggregate Revenue Requirement	68.61	71.38	71.33
10	Less: Non-Tariff Income	1.07	1.07	1.07
11	Add: Sharing of Efficiency Gains/(Losses)		(0.72)	(0.64)
1 2	Aggregate Revenue Requirement from Transmission Tariff	67.54	69.59	69.62

3.12.3 Accordingly, the Commission approves the Aggregate Revenue Requirement of Rs. 69.62 Crore after Truing-up of ARR for FY 2022-23 as against Rs. 69.59 Crore claimed by JPTL.

Table 54: Summary of ARR Truing-up of ARR for FY 2023-24, as approved by the Commission (Rs. Crore)

Sr. No.	Particulars	MTR Order	Petition	Approved in this Order
1	Operation & Maintenance Expenses	5.07	5.59	5.07
2	Additional OPEX/Additional O&M Expenses	0.58	0.15	0.16
3	Depreciation Expenses	29.25	29.32	29.22
4	Interest on Long-term Loan Capital	5.56	5.55	5.42
5	Interest on Working Capital	1.35	1.46	1.45
6	Contribution to Contingency reserves	1.39	1.39	1.39
7	Total Revenue Expenditure	43.20	43.46	42.72

MERC MYT Order for JPTL for Truing-up of ARR for FY 2022-23 and FY 2023-24, Provisional Truing-up of ARR for FY 2024-25 and determination of ARR for 5th Control Period from FY 2025-26 to FY 2029-30

Sr. No.	Particulars	MTR Order	Petition	Approved in this Order
8	Return on Equity Capital	23.58	26.24	26.11
9	Aggregate Revenue Requirement	66.78	69.70	68.83
10	Less: Non-Tariff Income	1.17	1.17	1.17
11	Add: Sharing of Efficiency Gains/(Losses)		(0.69)	(0.22)
12	Past Gap for FY 2019-20 to FY 2022-23 including Carrying cost - as approved in Case No.213 of 2022	0.92	1.22	0.92
13	Aggregate Revenue Requirement from Transmission Tariff	66.54	69.07	68.37

3.12.4 Accordingly, the Commission approves the Aggregate Revenue Requirement of Rs. 68.37 Crore after Truing-up of ARR for FY 2023-24 as against Rs. 69.07 Crore claimed by JPTL.

3.13 Revenue Gap/ (Surplus) for FY 2022-23 and FY 2023-24

JPTL's Submission

3.13.1 JPTL submitted that the ARR allowed to be recovered through Transmission Tariff was Rs. 68.12 Crore and Rs. 66.54 Crore for FY 2022-23 and FY 2023-24, respectively.

3.13.2 JPTL submitted the actual revenue recovered in FY 2022-23 and FY 2023-24 as shown in the following table:

Table 55: Revenue recovered in FY 2022-23 and FY 2023-24, as submitted by JPTL (Rs. Crore)

Revenue Reconciliation	FY 2022-23	FY 2023-24
As per MYT Order in Case No. 294 of 2019	68.12	
As per MTR Order in Case No. 213 of 2022		66.54
Additional Transmission Charges	0.03	1.19
Less: Rebate	(0.07)	(0.06)
Revenue recovered for the year	68.08	67.67

3.13.3 JPTL submitted that the Additional Transmission Charges were billed by MSETCL (STU) to the Transmission System Users based on the usage of the transmission lines and accordingly the additional Transmission Charges were passed to the Transmission Licencees.

3.13.4 JPTL submitted that the rebate has been provided to the beneficiaries as per Regulation 36.1 of the MYT Regulations, 2019, whereby 1% rebate is allowed on billed amount, if paid within 7 days of presentation of bills and the same is claimed as expenses in line with Regulation 36.4 of MYT Regulations, 2019, as reproduced below:

“36.1 For payment of bills of generation Tariff or transmission charges or MSLDC Fees and Charges within 7 days of presentation of bills, through Letter of Credit or otherwise or through NEFT/RTGS, a rebate of 1% on billed amount, excluding the taxes, cess, duties, etc., shall be allowed”.

36.4 All rebates or incentives earned by the Generating Company or Licensee or MSLDC shall be considered under its Non-Tariff Income, while all rebates or incentives given by the Generating Company or Licensee or MSLDC shall be allowed as an expense for the Generating Company or Licensee or MSLDC.”

3.13.5 JPTL submitted that revenue recognition in the Audited Accounts is in line with the principle of accrual basis of accounting. However, the revenue considered in the Petition for calculation of Revenue Gap/(Surplus) is as per the recovery allowed by the Commission in the relevant Order. Considering the past Revenue Gap and the revenue recovered during FY 2022-23 and FY 2023-24, the revenue gap claimed by JPTL is outlined below:

Table 56: Revenue Gap for FY 2022-23 and FY 2023-24, as submitted by JPTL (Rs. Crore)

Sr. No.	Particulars	FY 2022-23	FY 2023-24
1	Total ARR	69.59	69.07
2	ARR recovered through Transmission Tariff	68.08	67.67
3	Revenue Gap/(Surplus)	1.51	1.40

Commission’s Analysis and Ruling

3.13.6 The Commission notes that JPTL is entitled to recover revenue from Transmission Charges for FY 2022-23 and FY 2023-24 as per the relevant Order. Hence, the revenue has been considered as per the Orders in Case No. 294 of 2020 and Case No. 213 of 2023 excluding the rebate as shown in the Table below:

Table 57: Revenue recovered for FY 2022-23 and FY 2023-24, as approved by Commission (Rs. Crore)

Revenue Reconciliation	FY 2022-23	FY 2023-24
As per MYT Order in Case No. 294 of 2019	68.12	
As per MTR Order in Case No. 213 of 2022		66.54
Additional Transmission Charges	0.03	1.19
Less: Rebate	-0.07	-0.06
Revenue recovered for the year	68.08	67.67

3.13.7 The Revenue Gap/(Surplus) approved by the Commission after final true-up for FY 2022-23 and FY 2023-24 is shown in the table below:

Table 58: Revenue Gap/(Surplus) for FY 2022-23 and FY 2023-24, as approved by Commission (Rs. Crore)

Particulars	FY 2022-23	FY 2023-24
Total ARR Approved in this Order	69.62	68.37
Revenue Recovered	68.08	67.67
Gap/ (Surplus)	1.54	0.69

3.13.8 As can be seen from the above Tables, there is very minor variation between the Revenue Gap claimed by JPTL and approved by the Commission for FY 2022-23, which is attributable to the difference in treatment of O&M expenses and rebate given in revenue. As regards FY 2023-24, the variation between the Revenue Gap claimed by JPTL and approved by the Commission for FY 2023-24 is attributable to the difference in treatment of O&M expenses, and lower depreciation, interest on loan, and RoE approved on account of disallowance of the Guest House related additional capitalisation. The balance difference in Revenue Gap approved for FY 2023-24 is on account of the disallowance of additional Revenue Gap and associated Carrying Cost claimed by JPTL by restating the same, as the amount of Past Revenue Gap/(Surplus) approved in the original Order for FY 2023-24 has been considered same as approved in the original MTR Order, in order to have appropriate comparison.

3.13.9 It may be noted that in accordance with the Judgment of the Hon'ble APTEL, the Commission has not considered the amount of Revenue Gap/(Surplus) passed through after provisional true-up of FY 2022-23, while computing the Revenue Gap/(Surplus) after final true-up for FY 2022-23.

3.13.10 Accordingly, the Commission approves the Revenue Gap of Rs. 1.54 Crore and Rs. 0.69 Crore after final Truing-up of ARR for FY 2022-23 and FY 2023-

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

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

4.1 Background

- 4.1.1 JPTL has sought provisional Truing-up of ARR for FY 2024-25 based on the actual expenditure in the first half of the year (H1) and estimation for the second half (H2), as per the provisions of the MYT Regulations, 2019.
- 4.1.2 The analysis underlying the provisional True-up of FY 2024-25 by the Commission is detailed in the following paragraphs of this Section.

4.2 Operation and Maintenance expenses

JPTL's Submission

- 4.2.1 The O&M expenses for FY 2024-25 were approved by the Commission as Rs. 5.27 Crore in the MTR Order dated 31 March, 2023 in Case No. 213 of 2022, based on the norms specified in MYT Regulations, 2019.
- 4.2.2 The revised normative O&M expenses for FY 2024-25 based on the O&M norms specified in the MYT Regulations, 2019 for JPTL, are shown in the Table below:

Table 59: O&M Expenses for FY 2024-25, as submitted by JPTL (Rs. Crore)

Particulars	Unit	Approved	FY 2024-25 (Estimated)
Length of Line (A)	ckt km	330	330
Norms as per Regulations (B)	Rs. lakh/ckt km	0.51	0.51
Cost (C = A * B)	Rs. Crore	1.68	1.68
No of bays (D)	No.	4.00	4.00
Norms as per Regulations (E)	Rs. lakh/bay	89.61	89.61
Cost (F = D * E)	Rs. Crore	3.58	3.58
Total O&M expenses (G = C + F)	Rs. Crore	5.27	5.27

- 4.2.3 JPTL submitted that the estimated O&M expenses for FY 2024-25 are higher than the normative O&M expenses due to the following reasons:

Employee Expenses

- 4.2.4 During FY 2024-25, there has been an attrition of one Grade 1 employee and the vacancy is estimated to be filled by H2 of FY 2024-25 and hence the employee expenses of FY 2024-25 are estimated to be lower.

A&G Expenses

- 4.2.5 A&G expenses have been increased in FY 2024-25 as compared to earlier year, as the Tariff Petition is to be filed as per MYT Regulations, 2019 / 2024. Accordingly, the related expenses such as Tariff Petition fees, advertisement cost, etc., will be incurred and have been considered. There has been normal inflation-based increase for other A&G expenses.

R&M Expenses

- 4.2.6 Under R&M expenses, around Rs. 0.21 Crore is an additional expenditure and balance expenditure is routine in nature. The details of such additional expenditure are outlined below:
- 4.2.7 Since Tower No. 282 of Jaigad Karad line is located on Koyna river bank and farmer having land adjoining to Tower 282 and river, had excavated soil for farming purpose, the Tower 282 becomes vulnerable especially during monsoon peak. River flooding may erode tower base and existing protection wall. Since, MERC (Approval of Capital Investment Schemes) Regulations, 2022 specifically restricted tower protection civil activities from capex, JPTL has to undertake tower footing protection works under R&M in FY 2024-25 in order to protect tower base in a timely manner to prevent any incident due to present vulnerability. The Purchase Order (PO) has been placed on the agency, which is waiting for post monsoon to begin work.
- 4.2.8 Due to notification of MERC (Approval of Capital Investment Schemes) Regulations, 2022, the civil work of Rs. 21 Lakh is included under R&M Cost and hence, this amount is presently not considered in normative O&M expenses. Hence, Rs. 21 Lakh may be considered as additional O&M cost and not be considered for sharing purposes.
- 4.2.9 Based on the above submission, the estimated O&M Expenses as compared to normative O&M Expenses for FY 2024-25 is outlined in the Table below, whereby the expenses are claimed equivalent to normative O&M expenses and additional OPEX and civil expenses are claimed separately:

Table 60: Estimated O&M Expenses for FY 2024-25, as submitted by JPTL (Rs. Crore)

Particulars	As per norms	H1 (Actual)	H2 (Projected)	Estimated
Employee expense	1.68	0.88	0.88	1.76

Particulars	As per norms	H1 (Actual)	H2 (Projected)	Estimated
Administrative and General expense		0.58	1.13	1.72
Repairs and Maintenance expense		0.45	0.56	1.01
O&M expenses for lines		1.92	2.58	4.50
O&M expenses for terminal bays as per the contract with MSETCL	3.58	0.39	0.39	0.78
Total O&M expenses	5.27	2.30	2.97	5.27
Additional OPEX / Civil Expenses	0.73	0.26	0.47	0.58
Total O&M Expenses	6.00	2.57	3.43	5.84

4.2.10 JPTL submitted that as regards Terminal Bay expenses, only the amount payable to MSETCL as per existing O&M arrangement between MSETCL and JPTL is considered. However, there are certain common costs in relation to maintenance of Bay, which cannot be segregated between Lines and Bay and hence, have been included in the respective head of O&M Expenses. Also, as per the O&M arrangement between JPTL and MSETCL, all major spares and maintenance work along with OEM services are under JPTL scope.

4.2.11 JPTL submitted that as approved by the Commission in the MTR Order, it has undertaken the Drone Survey of JPTL transmission line using AI. The additional OPEX expenses approved by the Commission is Rs. 0.33 Crore, however, based on the budgetary offer, JPTL has claimed Rs. 0.25 Crore in FY 2024-25.

4.2.12 JPTL submitted that as regards Overhauling expenses, part of the amount, i.e., Rs. 0.11 Crore, has not been incurred in FY 2023-24 and has been claimed under Additional OPEX in FY 2024-25.

4.2.13 Furthermore, JPTL submitted that at present, there is no insurance policy for the transmission assets as the cost of the insurance seems to be on a higher side. However, considering the terrain area with the risk of landslide and continuous rains in Sahyadri hills of Koyna Region, JPTL is exploring the option of purchasing new insurance policy for transmission assets, which may cost around Rs. 2.50 Crore.

4.2.14 JPTL submitted that while filing the MTR Petition, JPTL had requested the Commission that since this cost is over and above the normative O&M expenses, the Commission may allow the same as an additional expense. However, the Commission has disallowed the insurance cost as additional O&M expenses and directed to claim the same under normative O&M Expenses. JPTL filed the Review Petition to reconsider the insurance expenses as additional O&M expenses. The

Commission, vide its Order dated 30 November 2023 in Case No. 96 of 2023 ruled as under:

“JPTL has reiterated its submission from the MTR Petition without any new facts on record which were not available or could not have been produced at the time of proceeding in the MTR Petition. The decision of the Commission is considered decision. There is no error apparent on the face of record and no additional facts have been submitted by the Petitioner. Hence, the review is not allowed.”

4.2.15 JPTL submitted that being aggrieved by such disallowance, it has filed Appeal No. 123 of 2024 before Hon’ble APTEL, which is pending and the matter is sub-judice. However, without prejudice to the outcome of the Appeal filed by JPTL, in the said Petition, JPTL will be incurring an additional expenditure in FY 2024-25 by way of insurance expenses based on the best budgetary quote to reduce the risk and the same will be claimed at the time of True-up of FY 2024-25 as per the outcome of the Judgment of the Hon’ble APTEL.

4.2.16 JPTL submitted that in the current MYT Petition, it is claiming the O&M expenses as per the norms specified in the MYT Regulations, 2019. The details of the estimated O&M Expenses for FY 2024-25 as submitted by JPTL is shown in the Table below:

Table 61: Estimated O&M Expenses for FY 2024-25, as submitted by JPTL (Rs. Crore)

Particulars	Unit	FY 2024-25
Normative O & M Expenses for line	Rs. Crore	1.68
Normative O & M Expenses for terminal bays	Rs. Crore	3.58
Normative O&M Expenses	Rs. Crore	5.27
Additional OPEX		
New Technology – Drone Survey	Rs. Crore	0.25
Balance Overhauling expenses	Rs. Crore	0.11
Civil work – not considered under normative O&M	Rs. Crore	0.21
Total O & M Expenses	Rs. Crore	5.84

Commission’s Analysis and Ruling

4.2.17 There is no increase in ckt km of Transmission Lines and the number of Bays in FY 2024-25, as compared to the approval in the MTR Order. Accordingly, the Commission has computed the revised normative O&M expenses as under:

Table 62: Normative Operation and Maintenance Expenses for FY 2024-25 as approved by Commission (Rs. Crore)

Particulars	Unit	Normative O&M
Transmission Lines		
Length of Line (A)	ckt km	330
Norms as per Regulations (B)	Rs. lakh/ckt km	0.51
Cost (C = A * B)	Rs. Crore	1.68
Bays		
No of bays (D)	No.	4
Norms as per Regulations (E)	Rs. lakh/ bay	89.61
Cost (F = D * E)	Rs. Crore	3.58
Total O&M expenses (G = C + F)	Rs. Crore	5.27

4.2.18 Accordingly, the Commission approves normative O&M Expenses of Rs. 5.27 Crore after provisional Truing-up of ARR for FY 2024-25.

4.2.19 The Commission notes that in addition to normative O&M expenses, JPTL has requested to allow remaining overhauling expenses under additional OPEX. The Commission directs JPTL to claim the balance overhauling expenses of Rs. 11 Lakh under additional O&M Expenses at the time of final true-up for FY 2024-25, which shall be allowed after prudence check.

4.2.20 As regards additional OPEX expenses for Drone Survey of JPTL Transmission lines, the Commission has reviewed the documents submitted by JPTL and found them in order. Accordingly, the Commission approves the additional OPEX of Rs. 25 Lakh towards Drone Survey for FY 2024-25 as claimed by JPTL subject to necessary prudence check at the time of True-up. JPTL at the time of truing up needs to submit the necessary information, viz., (i) Audited actual expenditure incurred for Drone survey of Transmission Lines; (ii) Bid evaluation Report with cost benefit analysis; (iii) Board Resolutions, (iv) Short note on outages avoided due to drone survey, etc. **In case of non-submission of documents as above, the Commission may consider these expenses under actual O&M expenses instead of additional OPEX, at the time of Truing Up of FY 2024-25. Further, depending on the actual cost-benefit due to this activity, the Commission, subject to prudence check may allow OPEX as appropriate.**

4.2.21 JPTL has also requested to consider the civil works of Rs. 21 Lakh as additional O&M cost. JPTL has not elaborated on the scope of civil work. At this stage, the Commission is not in a position to come to any conclusion with regards to qualifying it under additional O&M expenses. Hence, the Commission directs JPTL

to justify the same in the next tariff filings, which will be subjected to prudence check.

4.2.22 As regards the additional expenses against insurance of its transmission lines, the Commission sought details from JPTL regarding the coverage of the proposed insurance policy. Based on the quotations submitted by JPTL, it is observed that JPTL intends to cover its entire transmission assets under the Insurance Policy and the projected expenses against insurance premium are Rs. 2.50 Crore for FY 2024-25. The Commission is of the view that as the Commission is already allowing Contribution to Contingency Reserve for the same purpose, expenses against premium for the insurance policy would amount to be a duplication of expenses for the same objective. The Commission has separately approved Contribution to Contingency Reserve of Rs. 1.39 Crore for FY 2024-25, and the balance funds in the Contingency Reserve are Rs. 18.44 Crore at the beginning of FY 2024-25. The advantage of investment in Contingency Reserves vis-à-vis taking an insurance policy is that the funds in the Contingency Reserve remain with the Utility and also earn interest, whereas the insurance policy premium is a pure expense.

4.2.23 Hence, the Commission does not find merit in JPTL's proposal in this regard. Further, the matter is sub-judice before the Hon'ble APTEL. Hence, the Commission has not considered additional O&M expenses against insurance policy premium in the provisional true-up for FY 2024-25.

4.2.24 With respect to additional O&M Expenses/ additional OPEX, the Commission approved expenses of overhauling expenses and Drone surveying as shown in the Table below:

Table 63: Additional O&M Expenses/OPEX for FY 2024-25 as approved by the Commission (Rs. Crore)

Particulars	MTR Order	JPTL Petition	Approved in this Order
Balance Overhauling expenses	-	0.11	-
Drone Survey (OPEX)	0.33	0.25	0.25
Civil Works	-	0.21	-

4.2.25 Accordingly, the Commission approves Rs. 0.25 Crore under OPEX after provisional Truing-up of ARR for FY 2024-25.

4.3 Capital Expenditure and Capitalisation

JPTL's Submission

4.3.1 JPTL submitted that the Commission in the MTR Order dated Order dated 31 March, 2023 has approved the capitalisation of Rs. 3.54 Crore for FY 2024-25, which includes the Emergency Restoration System (ERS) of Rs. 3.50 Crore and Office equipment and Computers of Rs. 0.04 Crore. Against the approved capitalisation of Rs. 3.54 Crore, JPTL has estimated to capitalise assets of Rs. 0.60 Crore related to PLCC Upgradation at New Koyna and Karad Substation. The said cost has been provisionally approved by the Commission in the MTR Order dated 31 March, 2023. JPTL submitted that the cost was approved to be capitalised in FY 2023-24 as proposed by JPTL in its MTR Petition, however, the same is expected to be capitalised in FY 2024-25 as currently technical clearance from Karad Circle (PAC) is under progress. Therefore, JPTL requested the Commission to approve the estimated capital expenditure in FY 204-25, as shown in the Table below:

Table 64: Capital expenditure and Capitalisation for FY 2024-25, as submitted by JPTL (Rs. Crore)

Sr. No.	Particulars	MTR Approved	Estimated
1	CAPEX and Capitalisation	3.54	0.60
A	Laptop and printer	0.04	0.00
B	Emergency Restoration System (ERS)	3.50	0.00
C	PLCC Upgradation at New Koyna and Karad Substation	0.00	0.60

Commission's Analysis and Ruling

4.3.2 As regards Capital expenditure for PLCC upgradation, the Commission has recognised the same in the MTR Order dated 31 March, 2023 in Case No. 213 of 2022. The relevant extract of the MTR Order is as under:

“The Commission has examined the submission of JPTL regarding the CAPEX for PLCC unit upgradation. It is noted that MSETCL's 400 kV New Koyna and 400 kV Karad receiving stations are already connected by MSETCL OPGW network. Hence, JPTL has proposed to upgrade PLCC panel for better grid communication either on Jaigad-New Koyna line or Jaigad-Karad line.

In view of the above, the Commission scrutinised the letter from MSETCL for upgradation of communication network as enclosed in annexure 12 of the petition and observed that MSETCL has requested JPTL to arrange 1 No. of Digital PLCC link between 400 kV Jaigad & 400 kV New Koyna or 400 kV Jaigad & 400 kV Karad receiving stations. Hence, JPTL has proposed Rs. 0.60 Crore for such PLCC upgradation.”

4.3.3 Installation or upgradation of communication and/or control equipment and/or protection is allowed under Regulation 3.6 (i) of the MERC Capex Approval Regulations, 2022. Relevant provisions of the Regulations are reproduced below:

“The indicative list of various categories under which Transmission Business/Licensees may file Capital Investment Schemes for approval are:

....

(i) Installation or Upgradation of communication and/or control equipment and/or protection”

4.3.4 Accordingly, the Commission has approved the Capital expenses of Rs. 0.60 Crore towards PLCC Upgradation for FY 2024-25.

Table 65: Capitalisation during FY 2024-25 as approved by the Commission (Rs. Crore)

Particulars	MTR Order	Approved in this Order
PLCC Upgradation at New Koyna and Karad Substation*	-	0.60
Office equipment and Computer	-	-
Laptop and printer	0.04	-
Solar roof shed for JPTL office building	-	-
Testing instruments such as corona camera, Drone	-	-
Emergency Restoration System (ERS)	3.50	-
Total Capitalisation	3.54	0.60

* Commission has approved CAPEX against PLCC upgradation for FY 2023-24 in its MTR Order dated 31 March 2023 in Case No. 213 of 2022.

4.3.5 **The Commission provisionally approves the capitalisation of assets of Rs. 0.60 Crore for FY 2024-25.**

4.4 Depreciation

JPTL's Submission

4.4.1 Regulation 28 of the MYT Regulations, 2019 provides for depreciation on capital cost of assets approved by the Commission and the rates of Depreciation applicable as per Annexure I as per Regulation 28.1 (b). Also, the Regulation specifies that if the asset is depreciated to the extent of 70%, then remaining depreciable value as on 31st March of the year has to be spread over the balance Useful Life of the asset.

4.4.2 JPTL has considered estimated addition of assets as elaborated above and computed depreciation as per applicable depreciation rates as per Regulation 28.1 (b) of the MYT Regulations, 2019. Also, the accumulated depreciation for Computers exceeds 70% of GFA, therefore, in line with Regulation 28.1.(b) of the MYT Regulations, 2019, the depreciation is calculated by spreading the remaining depreciable value over the balance Useful Life of the asset. The calculation of depreciation for FY 2024-25 is given in the following table:

Table 66: Depreciation Expenses for FY 2024-25, as submitted by JPTL (Rs. Crore)

Particulars	MTR Order	JPTL Petition
Opening GFA	555.34	557.19
Addition of GFA	3.54	0.60
Retirement of GFA	0.00	0.00
Closing GFA	558.88	557.79
Depreciation	29.36	29.36
Average Depreciation Rate	5.27%	5.27%

Commission's Analysis and Ruling

4.4.3 The Commission notes that the accumulated depreciation for Computers exceeds 70% of GFA and therefore, in line with proviso of Regulation 28.1.(b) of MYT Regulations, 2019, the depreciation has been calculated by spreading the remaining depreciable value over the balance Useful Life of the asset.

4.4.4 As stated earlier, the Commission has approved Capitalisation of Rs. 0.60 Crore for FY 2024-25.

4.4.5 The Depreciation has been computed for FY 2024-25 using the Straight-Line Method and the Depreciation rates as specified in Annexure I of the MYT Regulations, 2019, as shown in the Table below:

Table 67: Depreciation expenses for FY 2024-25 approved by the Commission (Rs. Crore)

Particulars	MTR Order	JPTL Petition	Approved in this Order
Opening GFA	555.34	557.19	554.64
Addition of Gross Fixed Asset	3.54	0.60	0.60
Retirement of GFA	0.00	0.00	0.00
Closing GFA	558.88	557.79	555.24
Depreciation	29.36	29.36	29.24
Average Depreciation Rate	5.27%	5.27%	5.27%

4.4.6 The Commission approves Depreciation of Rs. 29.24 Crore after provisional Truing-up of ARR for FY 2024-25.

4.5 Interest on Loan Capital

JPTL's Submission

4.5.1 JPTL has considered debt:equity ratio of 70:30 for additional capitalisation estimated for FY 2024-25 as per the Regulation 27.1 of MYT Regulations, 2019. As per Regulation 30.3 of the MYT Regulations 2019, the repayment has been considered equal to the depreciation for the year.

4.5.2 JPTL submitted that the opening balance of loans for FY 2024-25 has been considered equivalent to the closing balance of FY 2023-24 as submitted in the true-up for FY 2023-24.

4.5.3 JPTL submitted that it has squared off the loan liability through early repayment in FY 2021-22 and hence, no actual loans exist in FY 2024-25. Therefore, in line with proviso of Regulation 30.5 of the MYT Regulations, 2019, the weighted average interest rate on loan for FY 2021-22 has been considered for the calculation of interest on normative loan.

4.5.4 The Interest on Loan estimated for FY 2024- 25 is shown in the Table below:

Table 68: Interest on Loan and Finance Charges for FY 2024-25, as submitted by JPTL (Rs. Crore)

Particulars	MTR Order	JPTL Petition
Opening balance of Debt	53.23	52.90
Addition	2.48	0.42
Repayment	29.36	29.36
Retirement	0.00	0.00
Closing Debt	26.36	23.96
Interest Rate (%)	8.23%	8.23%
Interest on the Debt Capital operation	3.27	3.16

Commission's Analysis and Ruling

4.5.5 The Commission has considered the opening loan balance for FY 2024-25 equal to the closing loan balance for FY 2023-24 as approved by the Commission in this Order. The loan addition during the year has been considered as 70% of the GFA addition, based on the normative debt:equity ratio of 70:30. The depreciation for the year has been considered as normative loan repayment during the year.

4.5.6 The Commission notes that JPTL has squared off the loan liability through early repayment in FY 2021-22 and hence, no actual loan exists in FY 2024-25. Therefore, in line with proviso of Regulation 30.5 of MYT Regulations, 2019, the Commission has considered the weighted average interest rate on loan for FY 2021-22 for the calculation of interest on normative loan.

4.5.7 Accordingly, the interest expenses approved by the Commission after provisional true-up for FY 2024-25 is summarised in the following table:

Table 69: Interest on Long Term Loans for FY 2024-25, as approved by Commission (Rs. Crore)

Particulars	MTR Order	JPTL Petition	Approved in this Order
Opening balance of Debt	53.23	52.90	51.30
Addition	2.48	0.42	0.42
Repayment	29.36	29.36	29.24
Retirement	0.00	0.00	0.00
Closing Debt	26.36	23.96	22.48
Interest Rate (%)	8.23%	8.23%	8.23%
Interest on the Debt Capital operation	3.27	3.16	3.04

4.5.8 The Commission approves Interest on Long Term Loans of Rs. 3.04 Crore after provisional Truing-up of ARR for FY 2024-25.

4.6 Interest on Working Capital

JPTL's Submission

4.6.1 JPTL submitted that the IoWC has been computed as specified in Regulation 32 of the MYT Regulations, 2019. Accordingly, the Rate of Interest on working capital has been considered equal to 1-year SBI MCLR as on 1st November 2024, which is 8.95 % plus 150 basis points.

Table 70: Interest on Working Capital for FY 2024-25, as submitted by JPTL (Rs. Crore)

Particulars	MTR Order	JPTL Petition
O&M expenses for one month	0.47	0.49
Maintenance Spares @1% of Op. GFA	5.55	5.57
Receivables equal to 1.5 months of Revenue from Transmission Tariff	8.04	8.04
Total Working Capital requirement	14.05	14.09
Rate of Interest on Working Capital	9.45%	10.45%
Interest on Working Capital	1.33	1.47

Commission's Analysis and Ruling

- 4.6.2 Regulation 32 of the MYT Regulations, 2019 specifies the methodology for assessment of Working Capital requirement by a Transmission Licensee. The Commission has considered normative O&M expenses approved in this Order for the purpose of computation of the working capital requirement.
- 4.6.3 The Commission has considered the expected revenue as per the Order for determination of ARR for JPTL in Case No. 213 of 2022 dated 31 March, 2023.
- 4.6.4 The Commission has considered the Rate of Interest on working capital equal to the one-year SBI MCLR as on 1st November 2024, i.e., 8.95 % plus 150 basis points. The approved IoWC for FY 2024-25 is given in the following table:

Table 71: Interest on Working Capital for FY 2024-25 as approved by Commission (Rs. Crore)

Particulars	MTR Order	JPTL Petition	Approved in this Order
O&M expenses for one month	0.47	0.49	0.44
Maintenance Spares @1% of Op. GFA	5.55	5.57	5.55
Receivables equal to 1.5 months of Revenue from Transmission Tariff	8.04	8.04	8.04
Total Working Capital requirement	14.05	14.09	14.02
Rate of Interest on Working Capital	9.45%	10.45%	10.45%
Interest on Working Capital	1.33	1.47	1.47

- 4.6.5 **The Commission approves normative Interest on Working Capital of Rs. 1.47 Crore after provisional truing up for FY 2024-25.**

4.7 Return on Equity

JPTL's Submission

- 4.7.1 JPTL submitted that as per Regulation 29.1 of the MYT Regulations, 2019, RoE for Transmission Licensee is allowed @15.5% for the assets put to use. However, the RoE is allowed in 2 parts, i.e., Base Return on Equity @14% as per Regulation 29.2 of MYT Regulations, 2019 and additional Return on Equity @1.5% linked to actual performance whereby additional Return on Equity will be allowed at the time of truing up.
- 4.7.2 Also, as per Regulation 29.3 of MYT Regulations, 2019, full RoE is allowed on the opening balance of equity and 50% RoE is allowed on the equity addition during the year.

4.7.3 Also, as per Regulation 34 of the MYT Regulations, 2019, the RoE is to be grossed up by the effective Income Tax rate of the Transmission Licensee of the respective financial year or on the basis of actual Tax paid as per latest available audited accounts.

4.7.4 Accordingly, for FY 2024-25, the actual effective Tax rate of FY 2023-24 has been considered for grossing up of Base RoE, as shown in the Table below:

Table 72: Effective Rate of Pre-tax Return on Equity, as submitted by JPTL (Rs. Crore)

Particulars	FY 2023-24
Total Gross Income of Regulated Entity (Rs. Crore)	39.07
Total Gross Income of Regulated Entity (Rs. Crore)	6.83
Effective Tax Rate of the Company (%)	17.38%
Base Rate of Return on Equity (%)	14%
Rate of Pre-Tax Return on Equity (%)	16.96%

4.7.5 Further, JPTL submitted that it had considered addition to equity capital at 30% of proposed GFA addition during FY 2024-25 and computed the RoE for FY 2024-25 as below:

Table 73: Return on Equity for FY 2024-25, as submitted by JPTL (Rs. Crore)

Particulars	MTR Order	JPTL Petition
Opening Equity	139.24	139.78
Additions to equity towards capital investments	1.06	0.18
Retirement	0.00	0.00
Closing balance of equity	140.31	139.96
Pre-tax Rate of Return on Equity	16.95%	16.96%
Pre-Tax ROE on the average balance	23.69	23.73

Commission's Analysis and Ruling

4.7.6 The Commission has considered the closing equity for FY 2023-24 approved in this Order as the opening equity for FY 2024-25. The grossed-up rate of Base RoE for FY 2024-25 has been computed based on the actual effective Tax rate of FY 2023-24. The actual effective Tax rate and grossed-up Base Rate of RoE applicable for FY 2024-25 are shown in the Table below:

Table 74: Effective Rate of Pre-tax Return on Equity (%)

Particulars	Rate (%)
Effective Income Tax Rate	17.472%
Base Rate of RoE	14.00%
Grossed up Rate of RoE	16.96%

4.7.7 The computation of RoE approved by the Commission after provisional true-up for FY 2024-25 is shown in the following Table:

Table 75: Return on Equity for FY 2024-25, as approved by the Commission (Rs. Crore)

Particulars	MTR Order	JPTL Petition	Approved in this Order
Opening Equity	139.24	139.78	139.03
Equity Addition during the year	1.06	0.18	0.18
Equity reduction due to asset retirement	0.00	0.00	0.00
Closing balance of equity	140.31	139.96	139.21
Pre-tax Rate of Return on Equity	16.95%	16.96%	16.96%
Pre-Tax ROE on the average balance	23.69	23.73	23.60

4.7.8 The Commission approves the RoE of Rs. 23.60 Crore after provisional Truing-up of ARR for FY 2024-25.

4.8 Contribution to Contingency Reserves

JPTL's Submission

4.8.1 JPTL claimed the contribution to contingency reserves at the rate of 0.25% of the Opening GFA in accordance with Regulation 35.1 of the MYT Regulations, 2019. The contribution to Contingency Reserves as proposed by JPTL for FY 2024-25 is given in the following Table:

Table 76: Contribution towards Contingency Reserves for FY 2024-25, as submitted by JPTL (Rs. Crore)

Particulars	MTR Order	JPTL Petition
GFA	555.34	557.19
Contribution to Contingency Reserves	1.39	1.39

Commission's Analysis and Ruling

4.8.2 The Commission has approved the contribution to Contingency Reserves at 0.25% of the opening GFA, as per the MYT Regulations, 2019, as shown in the Table below:

Table 77: Contribution to Contingency Reserves for FY 2024-25 approved by Commission (Rs. Crore)

Particulars	MTR Order	JPTL Petition	Approved in this Order
GFA	555.34	557.19	554.64
Contribution to Contingency Reserves	1.39	1.39	1.39

4.8.3 The Commission approves the contribution to Contingency Reserves of Rs. 1.39 Crore after provisional Truing-up of ARR for FY 2024-25.

4.9 Non-Tariff Income

JPTL's Submission

4.9.1 JPTL has estimated Non-Tariff Income for FY 2024-25 related to income from contingency reserve investment as shown in the Table below:

Table 78: Expected Income on Contingency Investment for FY 2024-25 (Rs. Crore)

Financial Year	Purchase Date	Int Rate	Cont. Reserve	FY 2024-25
FY 2010-11 to FY 2012-13	6-Aug-14	8.28%	3.22	0.27
FY 2013-14	29-Sep-14	8.33%	1.39	0.12
FY 2014-15	30-Sep-15	8.28%	1.39	0.12
FY 2015-16	7-Dec-16	9.23%	1.39	0.13
FY 2016-17	25-Sep-17	8.28%	1.38	0.11
FY 2017-18	25-Sep-18	8.32%	1.38	0.11
FY 2018-19	30-Sep-19	7.73%	1.38	0.11
FY 2019-20	21-Sep-20	6.57%	1.38	0.09
FY 2020-21	22-Sep-21	6.68%	1.38	0.09
Less: Reduction for restoration of Tower	Case No. 213 of 2022	8.01%	(1.61)	(0.13)
FY 2021-22	21-Sep-22	7.26%	1.38	0.10
FY 2022-23	11-Sep-23	7.28%	1.38	0.10
FY 2023-24	24-Sep-24	6.96%	1.39	0.05
Total			16.83	1.26

4.9.2 The Non-Tariff Income as submitted by JPTL is as given in the following Table:

Table 79: Non-Tariff Income for FY 2024-25, as submitted by JPTL (Rs. Crore)

Particulars	MTR Order	JPTL Petition
Non-Tariff Income	1.27	1.26

Commission's Analysis and Ruling

4.9.3 The Commission has computed the interest income from the investments made from the Contingency Reserves, as shown in the Table below:

Table 80: Interest Income on Contingency Reserves Approved by the Commission for FY 2024-25 (Rs. Crore)

Financial Year	Interest Rate	Contingency Reserve	Interest Amount FY 2024-25
FY 2010-11 to FY 2017-18	8.42%	10.15	0.85
FY 2018-19	7.73%	1.38	0.11
FY 2019-20	6.57%	1.38	0.09
FY 2020-21	6.68%	1.38	0.09
	8.01%	(1.61)	(0.13)
FY 2021-22	7.26%	1.38	0.10
FY 2022-23	7.28%	1.38	0.10
FY 2023-24	6.96%	1.39	0.05
Total Interest on Contingency Reserve Investment		16.83	1.26

4.9.4 The Non-Tariff Income approved by the Commission after provisional truing up for FY 2024-25 is shown in the following Table:

Table 81: Non-Tariff Income for FY 2024-25 approved by Commission (Rs. Crore)

Particulars	MTR Order	JPTL Petition	Approved in this Order
Non-Tariff Income	1.27	1.26	1.26

4.9.5 The Commission approves Non-Tariff Income of Rs. 1.26 Crore after provisional Truing-up of ARR for FY 2024-25.

4.10 Past Revenue Gap

JPTL's Submission

4.10.1 JPTL submitted that as per the Judgment of the Hon'ble APTEL in its Order dated 31 October 2022, it has revised the cumulative gap by considering the provisional true-up Revenue Gap/(Surplus) of FY 2022-23 as NIL and the recovery of the final True-up Gap in FY 2025-26. Therefore, the associated carrying cost and the cumulative past gap will also be revised and recalculated, as elaborated in the earlier Section on true-up of FY 2023-24, as shown in the Table below:

Table 82: Revised Computation of Cumulative Gap on account of Phasing of Gap in FY 2023-24 and FY 2024-25, as submitted by JPTL (Rs. Crore)

Particulars	FY 2023-24	FY 2024-25
Opening Balance	0	1.16
Gap during the year excluding incentive	2.33	0
Recovery during the year	1.16	1.16
Closing Balance	1.16	-
Average Balance	0.58	0.58
Weighted Average Rate of Interest	9.45%	9.45%
Carrying/(Holding) cost	0.05	0.05
Cumulative past gap incl. carrying cost	1.22	1.22

Commission's Analysis and Ruling

4.10.2 As elaborated in the earlier Section, the amount of Cumulative Revenue Gap/(Surplus) approved for FY 2024-25, which included the amount of Revenue Gap/(Surplus) after provisional true-up of FY 2022-23, has not been revised, as the true-up of the ARR for FY 2024-25 has to be based on the comparison of the actual ARR after true-up including Past Revenue Gap/(Surplus) with the actual approved ARR at the time of issue of Tariff Order for FY 2024-25. The amount of Past Revenue Gap/(Surplus) approved in the original Order for any year has to be considered same as approved, in order to have appropriate comparison, else, the analysis will be skewed. Any adjustment after final truing up for FY 2022-23 has to be adjusted in the ARR being approved for FY 2025-26, and the ARR already approved for FY 2024-25 cannot be revised. Hence, the cumulative Revenue Gap/(Surplus) allowed to be recovered in FY 2024-25 has been considered same as that approved in the MTR Order, as approved in the MTR Order.

4.11 Summary of provisional Truing-up of ARR for FY 2024-25

JPTL's Submission

4.11.1 The Net ARR claimed by JPTL after provisional truing up for FY 2024-25 is summarised in the following Table:

Table 83: Summary of provisional Truing-up of ARR for FY 2024-25, as submitted by JPTL (Rs. Crore)

Sr. No.	Particulars	MTR Order	JPTL Petition
1	Operation and Maintenance Expenses	5.27	5.48
2	Additional OPEX	0.33	0.36
3	Depreciation	29.36	29.36
4	Interest on Long-term Loan	3.27	3.16
5	Interest on Working Capital	1.33	1.47
6	Contribution to Contingency Reserves	1.39	1.39
7	Total Revenue Expenditure	40.95	41.23
8	Return on Equity Capital	23.69	23.73
9	Gross Aggregate Revenue Requirement	64.64	64.96
10	Less: Non-Tariff Income	1.27	1.26
11	Net Aggregate Revenue Requirement	63.37	63.70
12	Past Gap for FY 2019-20 to FY 2022-23 including Carrying cost - as approved in Case No.213 of 2022	0.92	1.22
13	Total ARR including Past Gaps	64.29	64.91

Commission's Analysis and Ruling

4.11.2 Based on the analysis set out above, the net ARR approved by the Commission after provisional truing up for FY 2024-25 is summarised in the following Table:

Table 84: Summary of provisional Truing-up of ARR for FY 2024-25 approved by Commission (Rs. Crore)

Sr. No.	Particulars	MTR Order	JPTL Petition	Approved in this Order
1	Operation and Maintenance Expenses	5.27	5.48	5.27
2	Additional OPEX/ O&M Expenses	0.33	0.36	0.25
3	Depreciation	29.36	29.36	29.24
4	Interest on Long-term Loan	3.27	3.16	3.04
5	Interest on Working Capital	1.33	1.47	1.47
6	Contribution to Contingency Reserves	1.39	1.39	1.39
7	Total Revenue Expenditure	40.95	41.23	40.65
8	Return on Equity Capital	23.69	23.73	23.60
9	Gross Aggregate Revenue Requirement	64.64	64.96	64.25
10	Less: Non-Tariff Income	1.27	1.26	1.26
11	Net Aggregate Revenue Requirement	63.37	63.70	62.98
12	Past Gap for FY 2019-20 to FY 2022-23 including Carrying cost - as approved in Case No.213 of 2022	0.92	1.22	0.92
13	Total ARR including Past Gaps	64.29	64.91	63.90

4.11.3 Accordingly, the Commission approves the Aggregate Revenue Requirement of Rs. 63.90 Crore on provisional Truing-up of ARR for FY 2024-25.

4.12 Revenue Gap/Surplus after provisional Truing-up of ARR for FY 2024-25

JPTL's Submission

4.12.1 JPTL submitted that the ARR allowed to be recovered through Transmission Tariff is Rs. 64.28 Crore as per the Order in Case No. 213 of 2022 dated 31 March 2023.

4.12.2 JPTL has proposed the revised ARR after provisional truing up of FY 2024-25 and the resultant Revenue Gap/(Surplus) as outlined below.

Table 85: Revenue Gap/Surplus of provisional Truing-up of ARR for FY 2024-25, as submitted by JPTL (Rs. Crore)

Sr. No.	Particulars	FY 2024-25
1	Total ARR	64.91
2	ARR recovered through Transmission Tariff	64.28
3	Revenue Gap/(Surplus)	0.63

4.12.3 JPTL submitted that it has claimed the above Revenue Gap (stated as 'surplus' in the Petition) along with holding cost while determining the ARR of FY 2025-26 and requested the Commission to adjust the recovery of the same while determining the Transmission Charges for FY 2025-26.

Commission's Analysis and Ruling

4.12.4 The Commission has considered the provisionally Trued-up ARR for FY 2024-25 and the revenue recovery equivalent to the ARR for FY 2024-25 as approved in the MTR Order in Case No. 213 of 2022 dated 31 March 2023, for computing the Revenue Gap/(Surplus).

4.12.5 The summary of the Revenue Gap/(Surplus) computed by the Commission for FY 2024-25 is given in the following Table:

Table 86: Revenue Gap/(Surplus) computed by the Commission for FY 2024-25 (Rs. Crore)

Sr. No.	Particulars	MTR Order	JPTL Petition	Approved in this Order
1	Total ARR	64.28	64.91	63.90
2	ARR recovered through Transmission Tariff	64.28	64.28	64.28
3	Revenue Gap/ (Surplus)	0.00	0.63	(0.38)

- 4.12.6 The variation between the Revenue Gap claimed by JPTL and approved by the Commission after provisional true-up for FY 2024-25 is attributable to the difference in treatment of O&M expenses, and lower depreciation, interest on loan, and RoE approved on account of disallowance of the Guest House related additional capitalisation in previous years. The balance difference in Revenue Gap approved for FY 2024-25 is on account of disallowance of additional Revenue Gap and associated Carrying Cost claimed by JPTL by restating the same, as the amount of Past Revenue Gap/(Surplus) approved in the original Order for FY 2024-25 has been considered same as approved in the original MTR Order, in order to have appropriate comparison.**
- 4.12.7 Thus, the Commission has computed a Revenue Surplus of Rs. 0.38 Crore after Provisional Truing-up of ARR for FY 2024-25. However, the Hon'ble APTEL Judgment in its Order dated 31 October 2022, has ruled that no Revenue Gap/(Surplus) is being passed through based on provisional true-up, and the final Revenue Gap/(Surplus) has to be passed through only after final truing up. Hence, in compliance with the Hon'ble APTEL Judgment in this regard, it would not be appropriate to also pass through/adjust the Revenue Gap/(Surplus) after provisional truing up for FY 2024-25 in the ARR of FY 2025-26, as it would amount to double accounting of the same.**
- 4.12.8 Hence, though the Commission has computed the Revenue Surplus of Rs. 0.38 Crore after Provisional Truing-up of ARR for FY 2024-25, the same has not been passed through/adjusted in the ARR of FY 2025-26, in compliance with the Hon'ble APTEL Judgment in this regard. JPTL shall claim the Revenue Gap/(Surplus) after final true-up of FY 2024-25 along with its next Tariff Petition.**

5 Multi Year Tariff (MYT) ARR for 5th Control Period from FY 2025-26 to FY 2029-30

5.1 Background

5.1.1 JPTL submitted the projected ARR for the MYT Control Period from FY 2025-26 to FY 2029-30 as per MYT Regulations, 2024, as elaborated in the paragraphs below.

5.2 Operation and Maintenance Expenses

JPTL's Submission

5.2.1 The norms for O&M expenses for Transmission Licensees are specified in Regulation 80 of MYT Regulations, 2024.

5.2.2 JPTL submitted the normative O&M expenses for the Control Period from FY 2025-26 to FY 2029-30, in accordance with Regulation 80.4 of the MYT Regulations, 2024, as given below:

Table 87: Normative O&M expenses for the Control Period, as submitted by JPTL (Rs. Crore)

Particulars	Unit	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Length of Line (A)	ckt km	330	330	330	330	330
Norms as per Regulations (B)	Rs. lakh/ckt km	0.54	0.56	0.59	0.61	0.64
Cost (C = A * B)	Rs. Crore	1.78	1.85	1.95	2.01	2.11
No of bays (D)	No.	4	4	4	4	4
Norms as per Regulations (E)	Rs. lakh/bay	95.83	100.14	104.63	109.33	114.24
Cost (F = D * E)	Rs. Crore	3.83	4.01	4.19	4.37	4.57
Total normative O&M expenses (G = C + F)	Rs. Crore	5.62	5.85	6.13	6.39	6.68

Additional OPEX Expenses (Remote Monitoring)

5.2.3 JPTL submitted that the Commission in its MTR Order dated 31 March, 2023, in Case No. 213 of 2022 has allowed Rs. 0.25 Crore against IT Automation - Remote Monitoring of Transmission Towers using software. However, Additional OPEX of IT automation towards Remote monitoring of transmission towers using app based software has been delayed since JPTL has recently implemented PM module to manage all aspects of maintenance activities. After full integration of PM module with other SAP modules like Material Management (MM), Finance (FI), integration with third party application like web based/ mobile based remote monitoring shall be adapted by JPTL. Hence, JPTL has postponed the approved

additional OPEX for IT automation - Remote Monitoring of Transmission Towers using software to FY 2025-26.

Additional Insurance Cost:

- 5.2.4 JPTL submitted that at present there is no insurance policy of the transmission assets as the cost of the insurance seems to be on a higher side. However, considering the terrain area with the risk of landslide and continuous rains in Sahyadri hills of Koyna Region, JPTL is exploring the option of purchasing new insurance policy for transmission assets, which may cost around Rs. 2.50 Crore annually.
- 5.2.5 JPTL submitted that while filing the MTR Petition, JPTL had requested the Commission that since this cost is over and above the normative O&M expenses, the Commission may allow the same as an additional expense. However, the Commission disallowed the insurance cost as additional O&M expenses and directed to claim the same under normative O&M Expenses. JPTL filed the Review Petition to reconsider the insurance expenses as the additional O&M expenses. The Commission, vide its Order dated 30 November 2023 in Case No. 96 of 2023 rejected JPTL's claim for review on this issue.
- 5.2.6 Being aggrieved by such disallowance, JPTL filed Appeal No. 123 of 2024 before Hon'ble APTEL, which is pending and the matter is sub-judice. However, without prejudice to the outcome of the Appeal filed by JPTL, in the said Petition, JPTL requested the Commission to allow recovery of the additional cost related to insurance over and above the normative O&M expenses.

Commission's Analysis and Ruling

- 5.2.7 There is no increase projected in ckt km of Transmission Lines and number of Bays over the MYT Control Period from FY 2025-26 to FY 2029-30, as compared to the previous MYT Control Period.
- 5.2.8 **Accordingly, the Commission has computed the normative O&M expenses for the actual number of bays and the actual length of Lines as per Regulation 80.4 of MYT Regulations, 2024, as shown in the Table below:**

Table 88: Normative O&M Expenses for the 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
Length of Line (A)	ckt. kms.	330	330	330	330	330
Norms as per Regulations (B)	Rs. lakh/ ckt. kms.	0.54	0.56	0.59	0.61	0.64
Cost (C = A * B)	Rs. Crore	1.78	1.85	1.95	2.01	2.11
No of bays (D)	No.	4	4	4	4	4
Norms as per Regulations (E)	Rs. lakh/ bay	95.83	100.14	104.63	109.33	114.24
Cost (F = D * E)	Rs. Crore	3.83	4.01	4.19	4.37	4.57
Total normative O&M expenses (G = C + F)	Rs. Crore	5.62	5.85	6.13	6.39	6.68

5.2.9 The Commission notes that in addition to normative O&M expenses, JPTL has requested to allow additional estimated expenditure of Rs. 0.25 Crore for the remote monitoring of transmission towers.

Remote Monitoring of Transmission Towers

5.2.10 The Commission, in the MTR Order dated 31 March, 2023, in Case No. 213 of 2022 had approved the additional OPEX related to Remote Monitoring of Transmission Towers using AI. The relevant extract of the MTR Order is reproduced below:

“The Commission notes the submission of JPTL regarding the benefits of the implementation of the remote monitoring of transmission towers using software. JPTL urged that the proposed additional OPEX would improves the authenticity & quality of patrolling data. To access impact on ARR, the Commission sought budgetary estimates for the same.

...

In the view of above, the Commission finds the above expense as prudent to allow under the additional OPEX as per Clause 61.8 of MYT Regulations, 2019. The relevant extract is detailed as below: ...”

5.2.11 However, JPTL has sought to postpone the approved OPEX for IT automation – Remote Monitoring of Transmission Towers using software to FY 2025-26. Accordingly, the Commission in this Order, allows additional OPEX of Rs. 0.25 Crore towards remote monitoring of tower subject to necessary prudence check at

the time of truing up based on submission of the following information, viz., (i) Audited actual expenditure incurred for remote monitoring of transmission towers using software; (ii) Bid evaluation Report with cost benefit analysis; (iii) Board Resolutions; (iv) Short note on number of surveys performed, number of outages avoided due to remote monitoring etc. **In case of non-submission of documents as above, the Commission may consider these expenses under actual O&M expenses instead of additional OPEX, at the time of Truing Up of FY 2025-26. Further, depending on the actual cost benefit due to this activity, the Commission, subject to prudence check may allow partial OPEX.**

Additional Cost of Insurance Policy

5.2.12 As regards the additional expenses against insurance of its transmission lines, the Commission sought details from JPTL regarding the coverage of the proposed insurance policy. Based on the quotations submitted by JPTL, it is observed that JPTL intends to cover its entire transmission assets under the Insurance Policy and the projected expenses against insurance premium are Rs. 2.50 Crore annually. The Commission is of the view that as the Commission is already allowing Contribution to Contingency Reserve for the same purpose, expenses against premium for the insurance policy would amount to be a duplication of expenses for the same objective. The Commission has separately approved Contribution to Contingency Reserve ranging from Rs. 1.39 Crore to Rs. 1.41 Crore for each year of the MYT Control Period, and the balance funds in the Contingency Reserve are projected at Rs. 19.82 Crore at the beginning of FY 2025-26, which is projected to increase to Rs. 25.42 Crore for FY 2029-30. The advantage of investment in Contingency Reserves vis-à-vis taking an insurance policy is that the funds in the Contingency Reserve remain with the Utility and also earn interest, whereas the insurance policy premium is a pure expense.

5.2.13 Hence, the Commission does not find merit in JPTL's proposal in this regard. Further, the matter is sub-judice before the Hon'ble APTEL. Hence, the Commission has not considered additional O&M expenses against insurance policy premium for the MYT Control Period from FY 2025-26 to FY 2029-30.

5.2.14 Thus, in addition to the normative O&M expenses, the Commission has approved the additional OPEX for remote monitoring of the transmission towers as shown in the Table below:

Table 89: Additional OPEX cost approved for FY 2025-26 (Rs. Crore)

Particulars	FY 2025-26		
	MTR Order	JPTL Petition	Approved in this Order
IT Automation - Remote Monitoring of Transmission Towers using software	0.00	0.25	0.25
Total additional OPEX Cost	0.00	0.25	0.25

5.3 Capital Expenditure and Capitalisation

JPTL's Submission

5.3.1 JPTL has proposed to undertake the following schemes over the MYT Control Period from FY 2025-26 to FY 2029-30, which fall under Non-DPR schemes as defined in the MERC (Approval of Capital Investment Schemes) Regulations, 2022:

Table 90: Capitalisation Plan for 5th Control Period, as submitted by JPTL (Rs. Crore)

Sr. No.	Particulars	Asset Block	UOM	Qty	Amount	Implementation Year	Remarks
1.	Emergency Portable Light	Office Equipment	Set	1	0.035	2025-26	
2.	Emergency Restoration System	Plant & Machinery	Set	1	8.96	2025-26	05 Nos of tower including all accessory. Already approved for FY 2024-25
3.	Tower Footing Resistance Meter	Plant & Machinery	Nos	1	0.11	2025-26	
4.	Binoculars	Plant & Machinery	Nos	3	0.01	2025-26	As existing binoculars becomes non usable, Last purchased in 2017
5.	Laptop	Computers	Nos	3	0.03	2025-26	HP desktop (2016) & Dell (2018) to be replaced as per JSW IT policy
6.	Travelling wave Fault location system	Plant & Machinery	Nos	3	0.87	2025-26	
7.	Solar Roof shade for office building	Buildings	Nos	1	0.17	2025-26	
8.	Face recognition	Office Equipment	Nos	2	0.01	2025-26	

Sr. No.	Particulars	Asset Block	UOM	Qty	Amount	Implementation Year	Remarks
	attendance machines						
9.	Control switching device	Plant & Machinery	Nos	2	0.40	2026-27	For Jaigad Karad line 3 & 4.
10.	OPGW- (48 core) for JGD-NKY ckt-I (55kM)	Plant & Machinery	kM	55	3.18	2027-28	
11.	Transmission line surge arrestor	Plant & Machinery	Nos	12	1.13	2028-29	
	Total				14.901		

5.3.2 JPTL submitted that in accordance with Regulation 10.1 of MERC (Approval of Capital Investment Schemes) Regulations, 2022, it has registered the Non-DPR schemes with the Commission.

5.3.3 As detailed in the above Table, JPTL has envisaged additional capital expenditure and capitalisation of Rs. 14.901 Crore in the 5th Control Period from FY 2025-26 to FY 2029-30.

5.3.4 As regards the Solar Roof Shade for the Office building, JPTL submitted that similar capitalisation was proposed in MTR Petition, which was disallowed by the Commission considering the same as internal civil work and O&M in nature. However, JPTL filed a Review Petition under Case No. 96 of 2023 whereby the Commission has ruled that the scheme has been disallowed as it has not been registered as per Regulation 10.1 of CAPEX Approval Regulations, 2022 though it is planned for FY 2024-25. Therefore, JPTL has now registered the same under Non-DPR Scheme as shown in the Table above and requested the Commission to approve the same.

5.3.5 JPTL submitted that the CAPEX and Capitalisation proposed for 5th Control Period is below the limit specified in MYT Regulations, 2024 and is required to be considered under Non-DPR scheme. Regulation 2 (72) of MYT Regulations, 2024 specifies as under:

“(72) "Non-DPR Scheme" means a capital expenditure Scheme with projected capital cost within the limits specified in these Regulations, for which the Generating Company or Licensee or MSLDC or STU is not required to obtain prior in-principle approval of the Commission;”

5.3.6 The year-wise capitalisation proposed by JPTL for 5th Control Period is as shown in the Table below:

Table 91: CAPEX/Capitalisation Proposed by JPTL for 5th Control Period (Rs. Crore)

Particulars	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
CAPEX	10.19	0.40	3.18	1.13	-
Capitalisation	10.19	0.40	3.18	1.13	-

Commission's Analysis and Ruling

5.3.7 The Commission notes that JPTL has proposed a total capital expenditure and capitalisation of Rs. 14,901 Crore for the 5th Control Period. The Commission has approved the Schemes in accordance with the provisions of the MERC Approval of Capital Investment Schemes Regulations, 2022 (CAPEX Regulations, 2022) notified on 12 July 2022, as elaborated below.

Capitalisation for 5th Control Period

Emergency Restoration System

5.3.8 The Commission has examined the submission of JPTL regarding the CAPEX for Emergency Restoration System (ERS). It is noted that JPTL has proposed ERS in compliance with Clause 22 of CEA (Grid Standards) Regulations, 2010, as reproduced below:

“22) Emergency Restoration System- Each Transmission Licensee shall have an arrangement for restoration of transmission lines of 400 KV and above and strategic 220 KV lines through the use of Emergency Restoration System in order to minimise the outage time of the transmission lines in case of tower failures.”

5.3.9 The Commission notes that in the MTR Order dated 31 March, 2023, the capitalisation of ERS was approved for FY 2024-25. However, JPTL has postponed the said capitalisation to FY 2025-26. Further, JPTL has now proposed 5 sets of ERS as compared to earlier approved 2 sets of ERS. However, JPTL has not provided valid justification for the requirement of 5 sets of ERS. Also, price advantage of procuring 5 sets of ERS over 2 sets of ERS cannot be the reason for procuring 5 Sets of ERS, as the overall cost is higher, though the per Set cost reduces. Therefore, the Commission has decided to allow JPTL to procure 2 Sets of ERS for FY 2025-26, as approved in the MTR Order.

5.3.10 The Commission has examined the quotations submitted by JPTL. After scrutinizing the details submitted by JPTL, the Commission has approved the Capitalisation of Rs. 3.68 Crore for 2 Sets of ERS @ Rs. 1.84 Crore per Set.

Solar Roof Shade for Office Building

5.3.11 The Commission recognises the proposal of JPTL to capitalise Solar Roof Shade for office building in FY 2025-26. The Commission had disallowed the same in the Review Petition in Case No. 96 of 2023 because the Scheme had not been registered under Non-DPR Scheme as per Regulation 10.1 of CAPEX Approval Regulations, 2022. However, JPTL has now registered the same under Non-DPR scheme Ref. No. JPTL/Chiplun-TL/29 dated 29 October, 2024.

5.3.12 Therefore, the Commission allows the Capitalisation of Rs. 0.17 Crore towards Solar Roof Shade for Office Building.

Controlled Switching Device (CSD)

5.3.13 The Commission has noted the submission of JPTL that 400 kV Jaigad-Karad transmission line has been frequently hand tripped for over-voltage control from MSETCL Karad substation as per instruction of Control Room of State Load Dispatch Centre (SLDC). Frequent breaker operations lead to servicing/overhauling of equipment due to undue stress. Further, while switching ON circuit breakers while normalising over voltage scenario, JPTL has witnessed line tripping due to switching transients in FY 2020-21, 2021-22 and 2022-23. Hence, JPTL has proposed to install control switching device on 400 kV D/C Jaigad-Karad transmission line to avoid such switching transients during over-voltage and high inrush currents.

5.3.14 The Commission has scrutinised the documents provided by JPTL for justification of the Scheme for installation of Controlled Switching Device. Installation or upgradation of communication and/or control equipment and/or protection is allowed under Regulation 3.6 (i) of the CAPEX Regulations, 2022, as reproduced below:

“3.6 The indicative list of various categories under which Transmission Business/Licensees may file Capital Investment Schemes for approval are:

....

(i) Installation or Upgradation of communication and/or control equipment and/or protection”

5.3.15 Accordingly, the Commission has allowed the Capital expenditure of Rs. 0.40 Crore against installation of Controlled Switching Device.

OPGW (48 Core) for Jaigad - New Koyna Ckt-I (55 km)

5.3.16 The Commission has examined JPTL's submission regarding the CAPEX for OPGW (48 Core) for 55 km Jaigad - New Koyna transmission line. It is noted that JPTL has proposed to install Optical Ground Wire (OPGW) and Fibre Optic Test Equipment (FOTE) on Jaigad-New Koyna transmission line. This was recommended by Third Party Protection Audit (TPPA) committee to provide grounding/shielding and enable high-speed communication through the optical fibres embedded within the cable.

5.3.17 The Commission has scrutinised the Third-Party Protection Audit report, which has suggested installing OPGW/FOTE DTPC as only PLCC is used as a carrier protection in 400 kV New Koyna – Dabhol I and II and 400 kV Jaigad I and II feeders.

5.3.18 Further, it is observed that JPTL has submitted the quotation of Rs. 2.06 Crore towards installation of OPGW and FOTE. However, JPTL has claimed the capital expenditure of Rs. 3.18 Crore against this item of Capex.

5.3.19 As per the provision of the MERC Capex Regulations, 2022, installation or upgradation of communication and/or control equipment and/or protection is allowed under Regulation 3.6 (i) of the CAPEX Regulations, 2022, as reproduced earlier.

5.3.20 Accordingly, the Commission has allowed the Capital expenditure of Rs. 2.06 Crore towards installation of OPGW.

Transmission Line Surge Arrester

5.3.21 The Commission has examined JPTL's submission regarding the CAPEX for Transmission Line Surge Arrester (TLSA). It is noted that JPTL has proposed to install TLSA to avoid persistent line tripping.

5.3.22 The Commission has scrutinised the RCA report prepared by M/s ERDA to determine the root cause of repetitive line tripping. M/s ERDA has recommended installing surge arrester on the tower to minimise the damage caused by lightning strikes.

5.3.23 As per the provision of the MERC Capex Regulations, 2022, installation or upgradation of communication and/or control equipment and/or protection is allowed under Regulation 3.6 (i) of CAPEX Regulations, 2022, as reproduced earlier.

5.3.24 Accordingly, the Commission has allowed the Capitalisation of Rs. 1.13 Crore towards installation of TLSA.

Travelling Wave Fault Location Systems

5.3.25 The Commission has examined JPTL's submission regarding the CAPEX for Travelling Wave Fault Location System. It is noted that JPTL has proposed the installation of Travelling Wave Fault Location Systems to address the challenges posed by frequent and prolonged outages due to inaccurate fault location, particularly during single-ended faults.

5.3.26 The Commission has scrutinised the documents submitted by JPTL for justification of this Scheme and found them in order.

5.3.27 As per the provision of the MERC Capex Regulations, 2022, installation or upgradation of communication and/or control equipment and/or protection is allowed under Regulation 3.6 (i) of CAPEX Regulations, 2022, as reproduced earlier.

5.3.28 Accordingly, the Commission has allowed the Capitalisation of Rs. 0.87 Crore towards installation of Travelling Wave Fault Location Systems.

Other Assets

5.3.29 The Commission has examined the submission of JPTL regarding the CAPEX for Laptop, Face Recognition Attendance Machines, Emergency Portable Lights, Tower Footing Resistance Meter, Binoculars, etc. It is noted that JPTL has proposed Rs. 0.19 Crore on account of routine capitalisation to be incurred on office equipment and computer related expenditure. The quotation submitted by JPTL for Tower Footing Resistance Meter shows cost of Rs. 0.10 Crore against Rs. 0.11 Crore claimed by JPTL, hence, an amount of Rs. 0.10 Crore has been allowed against this Scheme.

5.3.30 Accordingly, the Commission has allowed the CAPEX of Rs. 0.18 Crore for Laptop, Face Recognition Attendance Machines, Emergency Portable Lights, Tower Footing Resistance Meter, Binoculars under non-DPR schemes.

5.3.31 The total Capex and Capitalisation approved by the Commission for the 5th Control Period is given in the Table below:

Table 92: CAPEX and Capitalisation Approved for 5th Control Period (Rs. Crore)

Assets	Year of Capitalisation	JPTL Petition	Approved in this Order
Emergency Portable Light	FY 2025-26	0.04	0.04
Emergency Restoration System	FY 2025-26	8.96	3.68
Tower Footing Resistance Meter	FY 2025-26	0.11	0.10
Binoculars	FY 2025-26	0.01	0.01
Laptop	FY 2025-26	0.03	0.03
Travelling Wave Fault Location Systems	FY 2025-26	0.87	0.87
Solar Roof Shade for Office Building	FY 2025-26	0.17	0.17
Face Recognition Attendance Machines	FY 2025-26	0.01	0.01
Controlled Switching Device	FY 2026-27	0.40	0.40
OPGW – (48 Core) for Jaigad-New Koyna Line (55 km)	FY 2027-28	3.18	2.06
Transmission Line Surge Arrester	FY 2028-29	1.13	1.13
Total CAPEX / Capitalisation		14.90	8.49

5.3.32 The Commission approves total Capitalisation of Rs. 8.49 Crore for the 5th MYT Control Period subject to prudence check at the time of truing up.

5.3.33 The year-wise Capitalisation approved by the Commission for the 5th Control Period is shown in the Table below:

Table 93: Year-wise CAPEX and Capitalisation Approved for 5th Control Period (Rs. Crore)

Particulars	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
CAPEX	4.90	0.40	2.06	1.13	-
Capitalisation	4.90	0.40	2.06	1.13	-

5.3.34 The Commission approves the Capitalisation of Rs. 4.90 Crore, Rs. 0.40 Crore, Rs. 2.06 Crore, and Rs. 1.13 Crore for FY 2025-26, FY 2026-27, FY 2027-28, and FY 2028-29, respectively.

5.4 Depreciation

JPTL's Submission

5.4.1 Regulation 28 of the MYT Regulations, 2024 provides for computation of depreciation on capital cost of assets approved by the Commission and rates of depreciation applicable as per Annexure I specified in the MYT Regulations, 2024. Also, the proviso of the clause specifies that if the asset is depreciated to the extent

of 70%, then remaining depreciable value as on 31st March of the year is to be spread over the balance Useful Life of the asset.

- 5.4.2 JPTL submitted that it has claimed depreciation expense considering the addition and retirement of assets and based on applicable depreciation rates in accordance with Regulation 28.1 (b) of the MYT Regulations, 2024, for existing assets and as per Regulation 28.1 (c) of the MYT Regulations, 2024, for new assets, as shown in the Table below:

Table 94: Depreciation Expenses for 5th Control Period, as submitted by JPTL (Rs. Crore)

Particulars	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Opening GFA	557.79	567.98	568.38	571.56	572.69
Addition of GFA	10.19	0.40	3.18	1.13	-
Closing GFA	567.98	568.38	571.56	572.69	572.69
Depreciation	7.93	8.16	8.21	8.31	8.33
Average Depreciation rate	1.41%	1.44%	1.44%	1.45%	1.46%

Commission's Analysis and Ruling

- 5.4.3 The closing balance of GFA approved after provisional truing up for FY 2024-25 has been considered as the opening balance of GFA for FY 2025-26. The Commission has considered capitalisation for the 5th Control Period as discussed in the earlier Section. The depreciation has been computed in accordance with Regulation 28.1 (b) of the MYT Regulations, 2024 and rates specified in Annexure I for existing assets, and in accordance with Regulation 28.1 (c) of the MYT Regulations, 2024, for new assets based on rates specified in Annexure II of the MYT Regulations, 2024.
- 5.4.4 Further, as the main assets related to Plant & Machinery of JPTL are depreciated to the extent of 70% at the end of FY 2024-25, the remaining depreciable value as on 31st March of FY 2024-25 has been spread over the balance Useful Life of the asset, as a result of which, the depreciation has reduced steeply for each year of the Control Period, as compared to the depreciation approved for the previous Control Period. Accordingly, the Commission has approved the depreciation for the Control Period from FY 2025-26 to FY 2029-30, as shown in the Table below:

Table 95: Depreciation Expenses for 5th 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 GFA	555.24	560.14	560.54	562.60	563.73

MERC MYT Order for JPTL for Truing-up of ARR for FY 2022-23 and FY 2023-24, Provisional Truing-up of ARR for FY 2024-25 and determination of ARR for 5th Control Period from FY 2025-26 to FY 2029-30

Addition of GFA	4.90	0.40	2.06	1.13	-
Closing GFA	560.14	560.54	562.60	563.73	563.73
Depreciation	7.74	7.85	7.90	7.96	7.99
Average Depreciation rate	1.39%	1.40%	1.41%	1.41%	1.42%

5.4.5 The Commission approves Depreciation of Rs. 7.74 Crore, Rs. 7.85 Crore, Rs. 7.90 Crore, Rs. 7.96 Crore, and Rs. 7.99 Crore for FY 2025-26, FY 2026-27, FY 2027-28, FY 2028-29 and FY 2029-30, respectively.

5.5 Interest on Loan Capital

JPTL's Submission

5.5.1 JPTL has considered debt:equity ratio of 70:30 for the proposed additional capitalisation estimated for 5th Control Period i.e., from FY 2025-26 to FY 2029-30 as per Regulation 27.1 of the MYT Regulations, 2024. As per Regulation 30.3 of the MYT Regulations, 2024, the normative repayment is considered equal to the depreciation for the year.

5.5.2 In line with proviso of Regulation 30.5 of MYT Regulations, 2024, the weighted average interest rate on loan for FY 2021-22 has been considered for the calculation of interest on normative loan, as there is no actual long-term loan. The relevant second proviso is reproduced below:

“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:”

5.5.3 JPTL submitted that it has considered the opening loan balance of FY 2025-26 equivalent to the closing loan balance of FY 2024-25 as submitted in the Petition.

5.5.4 Further, JPTL submitted that the loan of the existing assets gets squared off, however the depreciation is still being calculated, resulting in the offsetting of the depreciation of old assets with loan repayment of new assets. This being the case, the whole loan amount gets squared off against the total depreciation amount and JPTL would be entitled for only 30% equity and no debt would be allowed for such new assets, which may be financially not viable and any additional CAPEX will be difficult to be undertaken. Accordingly, JPTL requested the Commission under Regulation 149 of the MYT Regulations 2024 to relax the norm for calculation of

interest on loan and segregate the calculation of interest on loan for Existing and New Assets separately from FY 2025-26 onwards, so as to consider the funding of new assets in the Tariff Petition. Furthermore, JPTL requested the Commission to accept the same methodology as the funding of new assets is undertaken through proper debt:equity funding.

5.5.5 The Interest on Loan projected by JPTL for 5th Control Period is summarised in the Table below:

Table 96: Interest on Loan and Finance Charges for 5th Control Period, as submitted by JPTL (Rs. Crore)

Particulars	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Opening balance of Debt	23.97	23.18	15.30	9.31	8.65
Addition	7.13	0.28	2.23	0.79	0.00
Repayment	7.93	8.16	8.21	1.46	0.63
Closing Debt	23.17	15.30	9.32	8.65	8.02
Interest Rate (%)	8.23%	8.23%	8.23%	8.23%	8.23%
Interest on the Loan	1.94	1.58	1.01	0.74	0.69

Commission's Analysis and Ruling

5.5.6 The closing loan balance approved after provisional truing up for FY 2024-25 has been considered as the opening loan balance for FY 2025-26. Loan addition during each year of the Control Period from FY 2025-26 to FY 2029-30 has been considered based on the normative Debt:Equity ratio of 70:30 for the capitalisation approved for each year of the Control Period, as elaborated in earlier Section of this Order. The Commission has considered the rate of interest on long-term loan for the 5th MYT Control Period as 8.23% p.a., i.e., at the same level as approved in the provisional true up of ARR of FY 2024-25.

5.5.7 In line with Regulation 28 of the MYT Regulations, 2024, the Commission has considered normative loan repayment equivalent to the Depreciation approved for each year of the Control Period, limited to the outstanding loan balance.

5.5.8 As regards JPTL's submission to calculate Interest on Loan for Existing Assets and New Assets separately, the Commission does not agree with the methodology proposed by JPTL as the same is not in accordance with the provisions of MYT Regulations, 2024.

5.5.9 Accordingly, the interest expenses approved by the Commission for the Control Period from FY 2025-26 to FY 2029-30 is summarised in the following table:

Table 97: Interest on Loan and Finance Charges for 5th Control Period, as approved by Commission (Rs. Crore)

Particulars	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Opening Loan balance	22.48	18.17	10.59	4.13	-
Addition of Loan	3.43	0.28	1.44	0.79	-
Repayment of Loan	7.74	7.85	7.90	4.93	-
Closing Loan Balance	18.17	10.59	4.13	-	-
Interest Rate (%)	8.23%	8.23%	8.23%	8.23%	8.23%
Interest on the Loan	1.67	1.18	0.61	0.17	-

5.5.10 The Commission approves Interest on Loan of Rs. 1.67 Crore, Rs. 1.18 Crore, Rs. 0.61 Crore, Rs. 0.17 Crore, and Nil for FY 2025-26, FY 2026-27, FY 2027-28, FY 2028-29, and FY 2029-30, respectively.

5.6 Interest on Working Capital

JPTL's Submission

5.6.1 Interest on Working Capital has been calculated according to Regulation 32.2(b) of the MYT Regulations, 2024. The rate of interest on working capital has been considered equal to one-year SBI MCLR as on 1st November 2024, i.e., 8.95%, plus 150 basis points. JPTL has calculated interest on working capital for the Control Period from FY 2025-26 to FY 2029-30 as shown in the Table below:

Table 98: Interest on Working Capital for 5th Control Period, as submitted by JPTL (Rs. Crore)

Particulars	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
O&M for one month	0.49	0.49	0.51	0.53	0.56
Maintenance Spares @1% of Op. GFA	5.58	5.68	5.68	5.72	5.73
Receivables equal to 1.5 months of revenue from Transmission Tariff	5.99	5.45	5.43	5.44	5.47
Total Working Capital Requirement	12.05	11.62	11.62	11.69	11.75
Interest Rate (%) – SBI MCLR plus 150 bps	10.45%	10.45%	10.45%	10.45%	10.45%
Interest on Working Capital	1.26	1.21	1.21	1.22	1.23

Commission's Analysis and Ruling

5.6.2 Interest on working capital has been calculated according to Regulation 32.2(a) and (b) of the MYT Regulations, 2024, as reproduced below:

“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:...”

5.6.3 The normative working capital requirement for each year of the Control Period from FY 2025-26 to FY 2029-30 has been computed in accordance with the above Regulations. The Receivables have been considered equal to 1.5 month of revenue from Transmission Charges as being approved in this Order. The interest rate for working capital has been considered equal to SBI MCLR rate of 8.95% as on date of filing of the Petition plus 150 basis points, i.e., 10.45% p.a. The IoWC approved by the Commission for 5th Control Period from FY 2025-26 to FY 2029-30 is shown in the Table below:

Table 99: Interest on Working Capital for 5th 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 for one month	0.47	0.49	0.51	0.53	0.56
Maintenance Spares @1% of Op. GFA	5.55	5.60	5.61	5.63	5.64
Receivables equal to 1.5 months of revenue from Transmission Tariff	5.71	5.31	5.27	5.26	5.27

Particulars	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Total Working Capital Requirement	11.73	11.40	11.39	11.42	11.46
Interest Rate (%) – SBI MCLR plus 150 bps	10.45%	10.45%	10.45%	10.45%	10.45%
Interest on Working Capital	1.23	1.19	1.19	1.19	1.20

5.6.4 **The Commission approves Interest on Working Capital of Rs. 1.23 Crore, Rs. 1.19 Crore, Rs. 1.19 Crore, Rs. 1.19 Crore and 1.20 Crore for FY 2025-26, FY 2026-27, FY 2027-28, FY 2028-29 and FY 2029-30, respectively.**

5.7 Return on Equity

JPTL's Submission

5.7.1 As per Regulation 29.1 of the MYT Regulations, 2024, the RoE for Transmission Licensee is allowed @15.5% for the assets put to use. However, the RoE will be allowed in 2 parts, i.e., Base Return on Equity (14% as per Regulation 29.2 of MYT Regulations, 2024) and Additional Return on Equity (1.5%) linked to actual performance whereby Additional RoE will be allowed entirely or reduced at time of truing up based on the supporting documentary evidence submitted by the Transmission Licensee relating to the Transmission Availability.

5.7.2 Further, as per Regulation 34 of the MYT Regulations, 2024, the Income Tax for Transmission Licensee is required to be considered while computing the Return on Equity and Regulations 34.2 allows the grossing up of RoE with the effective Tax rate of the respective financial year or on the basis of actual tax paid as per latest available audited accounts.

5.7.3 Accordingly, since the calculated RoE for the 5th Control Period from FY 2025-26 to FY 2029-30 is an estimate for the future years, the actual effective tax rate of FY 2023-24 has been considered for grossing up of RoE. The actual effective rate of pre-tax RoE is shown in the Table below:

Table 100: Effective Rate of Pre-Tax Return on Equity, as submitted by JPTL (Rs. Crore)

Sr. No.	Particulars	FY 2023-24
1	Total Gross Income of Regulated Entity (Rs. Crore)	39.07
2	Actual Income Tax paid by the Entity #	6.83
3	Effective Tax Rate of the Company (%)	17.47%
4	Return on Equity (%) allowed for 5 th MYT Control Period	15.50%

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Sr. No.	Particulars	FY 2023-24
5	Rate of Pre-Tax Return on Equity (%)	18.78%

5.7.4 JPTL has projected the RoE for the 5th Control Period as shown in the Table below:

Table 101: Return on Equity for 5th Control Period, as submitted by JPTL (Rs. Crore)

Particulars	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Opening Equity	139.96	143.02	143.14	144.09	144.43
Equity Addition during the year	3.06	0.12	0.95	0.34	0.00
Closing balance of Equity	143.02	143.14	144.09	144.43	144.43
Pre-tax Rate of Return on Equity	18.78%	18.78%	18.78%	18.78%	18.78%
Pre-Tax ROE on the average balance	26.57	26.87	26.97	27.09	27.13

Commission's Analysis and Ruling

5.7.5 The Commission has considered the closing equity approved after provisional truing up for FY 2024-25 as the opening equity for FY 2025-26. The RoE rate has been considered as 15.5% in accordance with Regulation 29.1 of the MYT Regulations, 2024, which has been grossed up by the effective Tax rate applicable for FY 2023-24 to determine the pre-tax rate of RoE for each year of the Control Period. The effective pre-tax rate of RoE is shown in the Table below:

Table 102: Effective Rate of Pre-Tax Return on Equity

Particulars	Rate (%)
Effective Income Tax Rate	17.472%
RoE allowed for 5 th Control Period	15.50%
Pre-tax rate of RoE	18.78%

5.7.6 The RoE approved by the Commission for each year of the Control Period from FY 2025-26 to FY 2029-30 is shown in the Table below:

Table 103: Return on Equity Approved for 5th Control Period (Rs. Crore)

Particulars	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Opening Equity	139.21	140.68	140.80	141.42	141.76
Equity Addition during the year	1.47	0.12	0.62	0.34	-
Closing balance of Equity	140.68	140.80	141.42	141.76	141.76
Pre-tax Rate of Return on Equity	18.78%	18.78%	18.78%	18.78%	18.78%

Particulars	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Pre-Tax ROE on the average balance	26.28	26.43	26.50	26.59	26.62

5.7.7 The Commission approves RoE of Rs. 26.28 Crore, Rs. 26.43 Crore, 26.50 Crore, 26.59 Crore, and Rs. 26.62 Crore for FY 2025-26, FY 2026-27, FY 2027-28, FY 2028-29, and FY 2029-30, respectively.

5.8 Contribution to Contingency Reserves

JPTL's Submission

5.8.1 JPTL has considered the contribution to Contingency Reserves @0.25% of the Opening GFA for each year after considering the capitalisation projected for the 5th Control Period, i.e., from FY 2025-26 to FY 2029-30, as shown in the Table below:

Table 104: Contribution to Contingency Reserves for 5th Control Period, as submitted by JPTL (Rs. Crore)

Particulars	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
GFA (Rs. Crore)	557.79	567.98	568.38	571.56	572.69
Contribution to Contingency Reserve	1.39	1.42	1.42	1.43	1.43

Commission's Analysis and Ruling

5.8.2 The Commission has approved the Contribution to Contingency Reserves at 0.25% of the opening GFA for each year after considering the capitalisation approved for the 5th Control Period, i.e., from FY 2025-26 to FY 2029-30, as per the MYT Regulations, 2024, as shown in the Table below:

Table 105: Contribution to Contingency Reserves for 5th 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
GFA (Rs. Crore)	555.24	560.14	560.54	562.60	563.73
Contribution to Contingency Reserve	1.39	1.40	1.40	1.41	1.41

5.8.3 The Commission approves Contribution to Contingency Reserve of Rs. 1.39 Crore, Rs. 1.40 Crore, Rs. 1.40 Crore, Rs. 1.41 Crore, and Rs. 1.41 Crore for FY 2025-26, FY 2026-27, FY 2027-28, FY 2028-29, and FY 2029-30, respectively.

5.9 Non-Tariff Income

JPTL's Submission

5.9.1 The Non-Tariff Income has been projected as per Regulation 35.1 of the MYT Regulations, 2024, which specifies that the amount accumulated against the contribution to Contingency Reserves is required to be invested in securities authorized under Indian Trust Act, such as Treasury Bills, Sovereign Bonds, Zero Coupon Bonds or similar kind of financial instruments, within a period of six months of the close of the year. Accordingly, any income from such investment shall be treated as Non-Tariff Income.

5.9.2 The detailed computation of Income from Contingency Reserves investment for the Control Period is shown in the Table below:

Table 106: Expected Income from investments in Contingency Reserves for 5th Control Period, as submitted by JPTL (Rs. Crore)

Financial Year	Int. Rate	Cont. Reserve	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
FY 2010-11 to FY 2012-13	8.28%	3.22	0.27	0.27	0.27	0.27	0.27
FY 2013-14	8.33%	1.39	0.12	0.12	0.12	0.12	0.12
FY 2014-15	8.28%	1.39	0.12	0.12	0.12	0.12	0.12
FY 2015-16	9.23%	1.39	0.13	0.13	0.13	0.13	0.13
FY 2016-17	8.28%	1.38	0.11	0.11	0.11	0.11	0.11
FY 2017-18	8.32%	1.38	0.11	0.11	0.11	0.11	0.11
FY 2018-19	7.73%	1.38	0.11	0.11	0.11	0.11	0.11
FY 2019-20	6.57%	1.38	0.09	0.09	0.09	0.09	0.09
FY 2020-21	6.68%	1.38	0.09	0.09	0.09	0.09	0.09
Less: Reduction (Case No. 213 of 2022)	8.01%	(1.61)	(0.13)	(0.13)	(0.13)	(0.13)	(0.13)
FY 2021-22	7.26%	1.38	0.10	0.10	0.10	0.10	0.10
FY 2022-23	7.28%	1.38	0.10	0.10	0.10	0.10	0.10
FY 2023-24	6.96%	1.39	0.10	0.10	0.10	0.10	0.10
FY 2024-25	6.78%	1.39	0.05	0.09	0.09	0.09	0.09
FY 2025-26	6.78%	1.39		0.05	0.09	0.09	0.09
FY 2026-27	6.78%	1.39			0.05	0.09	0.09
FY 2027-28	6.78%	1.39				0.05	0.09
FY 2028-29	6.78%	1.39					0.05
FY 2029-30	6.78%	1.39					
Total		25.17	1.36	1.45	1.55	1.64	1.74

5.9.3 Accordingly, JPTL has projected the Non-Tariff Income for the 5th Control Period, i.e., from FY 2025-26 to FY 2029-30, as shown in the Table below:

Table 107: Non-Tariff Income for 5th Control Period, as submitted by JPTL (Rs. Crore)

Particulars	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Non- Tariff Income	1.36	1.45	1.55	1.64	1.74

Commission's Analysis and Ruling

5.9.4 It is observed that JPTL, while computing the expected income from interest on Contingency Reserve investments for the Control Period has considered investments in Contingency Reserves as Rs. 1.39 Crore for the entire Control Period. However, as per JPTL's own submission in the Petition, it has expected to invest Rs. 1.39 Crore, Rs. 1.42 Crore, Rs. 1.42 Crore, Rs. 1.43 Crore and Rs. 1.43 Crore for FY 2025-26, FY 2026-27, FY 2027-28, FY 2028-29, and FY 2029-30, respectively. As stated in the previous Section, the Commission has approved Contribution to Contingency Reserve of Rs. 1.39 Crore, Rs. 1.40 Crore, Rs. 1.40 Crore, Rs. 1.41 Crore, and Rs. 1.41 Crore for FY 2025-26, FY 2026-27, FY 2027-28, FY 2028-29, and FY 2029-30, respectively.

5.9.5 Accordingly, the Commission has computed the interest on the amount accumulated against the contribution to Contingency Reserves as Non-Tariff Income, as detailed below:

Table 108: Expected Income from investments in Contingency Reserves for 5th Control Period, as approved by Commission (Rs. Crore)

Financial Year	Int. Rate	Cont. Reserve	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
FY 2010-11 to FY 2012-13	8.28%	3.22	0.27	0.27	0.27	0.27	0.27
FY 2013-14	8.33%	1.39	0.12	0.12	0.12	0.12	0.12
FY 2014-15	8.28%	1.39	0.12	0.12	0.12	0.12	0.12
FY 2015-16	9.23%	1.39	0.13	0.13	0.13	0.13	0.13
FY 2016-17	8.28%	1.38	0.11	0.11	0.11	0.11	0.11
FY 2017-18	8.32%	1.38	0.11	0.11	0.11	0.11	0.11
FY 2018-19	7.73%	1.38	0.11	0.11	0.11	0.11	0.11
FY 2019-20	6.57%	1.38	0.09	0.09	0.09	0.09	0.09
FY 2020-21	6.68%	1.38	0.09	0.09	0.09	0.09	0.09
Less: Reduction (Case No. 213 of 2022)	8.01%	(1.61)	(0.13)	(0.13)	(0.13)	(0.13)	(0.13)
FY 2021-22	7.26%	1.38	0.10	0.10	0.10	0.10	0.10
FY 2022-23	7.28%	1.38	0.10	0.10	0.10	0.10	0.10
FY 2023-24	6.96%	1.39	0.10	0.10	0.10	0.10	0.10
FY 2024-25	6.78%	1.39	0.05	0.09	0.09	0.09	0.09
FY 2025-26	6.78%	1.39		0.05	0.09	0.09	0.09
FY 2026-27	6.78%	1.40			0.05	0.09	0.09

MERC MYT Order for JPTL for Truing-up of ARR for FY 2022-23 and FY 2023-24, Provisional Truing-up of ARR for FY 2024-25 and determination of ARR for 5th Control Period from FY 2025-26 to FY 2029-30

Financial Year	Int. Rate	Cont. Reserve	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
FY 2027-28	6.78%	1.40				0.05	0.09
FY 2028-29	6.78%	1.41					0.05
FY 2029-30	6.78%	1.41					
Total		25.22	1.36	1.45	1.55	1.64	1.74

5.9.6 Accordingly, the Commission approves the Non-Tariff Income for 5th Control Period as shown in the Table below:

Table 109: Non-Tariff Income for 5th 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	1.36	1.45	1.55	1.64	1.74

5.9.7 **The Commission approves Non-Tariff Income of Rs. 1.36 Crore, Rs. 1.45 Crore, Rs. 1.55 Crore, Rs. 1.64 Crore, and Rs. 1.74 Crore, for FY 2025-26, FY 2026-27, FY 2027-28, FY 2028-29, and FY 2029-30, respectively.**

5.10 Past Gaps / Surplus

JPTL's Submission

5.10.1 JPTL has claimed the Revenue Gap/(Surplus) after truing up of FY 2022-23 and FY 2023-24, and Provisional True-up of FY 2024-25 and requested the Commission to allow the adjustment of the same while determining the ARR for FY 2025-26.

5.10.2 JPTL submitted that the Revenue Surplus of Rs. 0.57 Crore, as approved by the Commission in Case No. 213 of 2022 dated 31 March, 2023 for FY 2022-23 was based on provisional true-up and the same has been revised to Revenue Gap of Rs. 1.51 Crore after final true-up of FY 2022-23.

5.10.3 JPTL submitted that in accordance with the Judgment of the Hon'ble APTEL in its Order in Appeal No. 108 of 2022, it has computed the past Revenue Gap to be claimed in FY 2025-26 considering the total Revenue Gap of FY 2022-23.

5.10.4 The details of the Past Revenue Gaps/ (Surplus) claimed by JPTL in FY 2025-26 are shown in the Table below:

Table 110: Past Gaps / Surplus claimed in FY 2025-26, as submitted by JPTL (Rs. Crore)

Sr. No.	Details of Gaps/ Surplus	Amount
a.	Gap / (Surplus) after True-up for FY 2022-23	1.51
b.	Gap / (Surplus) after True-up for FY 2023-24	1.40
c.	Gap / (Surplus) after Provisional True-up for FY 2024-25	0.63
d.	Total Revenue Gap / (Surplus) claimed in FY 2025-26	3.54

Carrying Cost on the Past Gaps

5.10.5 JPTL submitted that the Commission in its MTR Order dated 31 March, 2023 in Case No. 213 of 2022 had undertaken the provisional True-up for FY 2022-23 and had allowed the Revenue Surplus of Rs. 0.57 Crore. However, as the amount was only provisional, no Carrying Cost/(Holding Cost) was considered at that time. The recovery of this provisional Revenue Gap/(Surplus) along with the other Revenue Gaps was allowed in FY 2023-24 and FY 2024-25. In the current Petition, JPTL has re-computed the Revenue Gap after final true-up of FY 2022-23 as Rs. 1.51 Crore. Since, this Petition has been filed for final true-up of FY 2022-23, the Revenue Gap of Rs. 1.51 Crore has been claimed by JPTL in FY 2025-26.

5.10.6 Accordingly, the carrying cost has been computed on the Revenue Gap/(Surplus) after Truing-up for FY 2022-23 and FY 2023-24. The rate of interest considered for computing the carrying cost is the same as the rate considered for computing IoWC for the respective years.

5.10.7 The computation of Carrying Cost on Past Revenue Gap/(Surplus) is shown in the Table below:

Table 111: Computation of Carrying Cost for Past Revenue Gap/ (Surplus), as submitted by JPTL (Rs. Crore)

Particulars	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Opening Balance	-	1.51	2.91	2.91
Addition during the year	69.60	69.08		
Recovery during the year	68.08	67.67		2.91
Closing Balance	1.51	2.91	2.91	-
Average Balance	0.76	2.21	2.91	1.45
Wtd. Average rate of Interest	9.30%	10.07%	10.45%	10.45%
Carrying / (Holding) Cost	0.07	0.22	0.31	0.15
Effective carrying/ (holding) cost for Period from FY 2022-23 to FY 2024-25	0.75			

Commission's Analysis and Ruling

5.10.8 The Commission has approved the Revenue Gap/Surplus after truing up of FY 2022-23 and FY 2023-24, and Provisional Truing up of FY 2024-25 in the respective Sections of this Order. As stated in the previous Section of this Order on provisional truing up for FY 2024-25, the Commission has computed a Revenue Surplus of Rs. 0.38 Crore after Provisional Truing-up of ARR for FY 2024-25. However, the Hon'ble APTEL Judgment in its Order dated 31 October 2022, has ruled that no Revenue Gap/(Surplus) is being passed through based on provisional true-up, and the final Revenue Gap/(Surplus) has to be passed through only after final truing up. Hence, it would not be appropriate to also pass through/adjust the Revenue Gap/(Surplus) after provisional truing up for FY 2024-25 in the ARR of FY 2025-26, as it would amount to double accounting of the same.

5.10.9 Hence, though the Commission has computed the Revenue Surplus of Rs. 0.38 Crore after Provisional Truing-up of ARR for FY 2024-25, the same has not been passed through/adjusted in the ARR of FY 2025-26. JPTL shall claim the Revenue Gap/(Surplus) after final true-up of FY 2024-25 along with its next Tariff Petition.

5.10.10 Accordingly, the Commission has allowed the recovery of the Revenue Gap/(Surplus) after final true-up of FY 2022-23 and FY 2023-24 as shown in the Table below:

Table 112: Past Revenue Gap/(Surplus) allowed for recovery in FY 2025-26, as approved by the Commission (Rs. Crore)

Sr. No.	Details of Gaps/ Surplus	Petition	Approved
a.	Gap / (Surplus) after True-up for FY 2022-23	1.51	1.54
b.	Gap / (Surplus) after True-up for FY 2023-24	1.40	0.69
c.	Gap / (Surplus) after Provisional True-up for FY 2024-25	0.63	-
d.	Total Revenue Gap/(Surplus) allowed for recovery in FY 2025-26	3.54	1.86

Carrying Cost on Past Revenue Gaps

5.10.11 The Commission had undertaken the provisional True-up for FY 2022-23 and had allowed the Revenue Surplus of Rs. 0.57 Crore in the MTR Order dated 31 March, 2023. In the present Order, the Commission has approved Revenue Gap of Rs. 1.54 Crore after final true-up for FY 2022-23 and allowed its recovery in FY 2025-26.

Similarly, the Commission has approved Revenue Gap of Rs. 0.69 Crore after final true-up for FY 2023-24 and allowed its recovery in FY 2025-26.

5.10.12 The Commission has computed the carrying cost on the Revenue Gap/(Surplus) after final true-up for FY 2022-23 and FY 2023-24. The rate of interest considered for computing the carrying cost is the same as the rate considered for computing IoWC in this Order. The following Tables provide the computation of Carrying Cost for FY 2022-23 and FY 2023-24, post adjustment in line with the Hon'ble APTEL Order:

Table 113: Computation of Carrying cost on Revenue Gap/(Surplus) of FY 2022-23, as approved by the Commission (Rs. Crore)

Particulars	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Opening Balance	-	1.54	1.54	1.54
Gap during the year excluding incentive	1.54	-	-	-
Recovery During the Year	-	-	-	1.54
Closing Balance/ Incremental Gap	1.54	1.54	1.54	-
Average Balance	0.77	1.54	1.54	0.77
Wtd. Average rate of Interest	9.30%	10.07%	10.45%	10.45%
Carrying / (Holding) Cost	0.07	0.15	0.16	0.08
Effective carrying/ (holding) cost for Period from FY 2022-23 to FY 2025-26	0.47			

Table 114: Computation of Carrying cost on Revenue Gap/(Surplus) of FY 2023-24, as approved by the Commission (Rs. Crore)

Particulars	FY 2023-24	FY 2024-25	FY 2025-26
Opening Balance	-	0.69	0.69
Gap during the year excluding incentive	0.69	-	-
Recovery During the Year	-	-	0.69
Closing Balance/ Incremental Gap	0.69	0.69	-
Average Balance	0.35	0.69	0.35
Wtd. Average rate of Interest	10.07%	10.45%	10.45%
Carrying / (Holding) Cost	0.03	0.07	0.04
Effective carrying/ (holding) cost for Period from FY 2023-24 and FY 2024-25	0.14		

Table 115: Recovery of Past Gap/Surplus in FY 2025-26, as approved by the Commission (Rs. Crore)

Sr. No.	Particulars	Petition	Approved in this Order
1.	Gap / (Surplus) after True-up for FY 2022-23	1.51	1.54

MERC MYT Order for JPTL for Truing-up of ARR for FY 2022-23 and FY 2023-24, Provisional Truing-up of ARR for FY 2024-25 and determination of ARR for 5th Control Period from FY 2025-26 to FY 2029-30

Sr. No.	Particulars	Petition	Approved in this Order
2.	Gap / (Surplus) after True-up for FY 2023-24	1.40	0.69
3.	Gap / (Surplus) after Provisional True-up for FY 2024-25	0.63	-
4.	Carrying Cost/ (Holding Cost) for FY 2022-23 and FY 2023-24	0.75	0.61
6.	Total Past Gap allowed to be recovered in FY 2025-26	4.29	2.85

5.10.13 The Commission approves the cumulative past Revenue Gaps along with carrying cost of Rs. 2.85 Crore, which will be recovered along with the ARR approved for FY 2025-26.

5.11 Aggregate Revenue Requirement for 5th Control Period

JPTL's Submission

5.11.1 Based on the parameters submitted above, the ARR projected by JPTL for the 5th Control Period is summarized in the Table below:

Table 116: Aggregate Revenue Requirement for 5th Control Period, as submitted by JPTL (Rs. Crore)

Particulars	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
O&M Expenses	5.62	5.85	6.13	6.39	6.68
OPEX	0.25	0.00	0.00	0.00	0.00
Depreciation	7.92	8.15	8.22	8.31	8.33
Interest on Long-term Loan	1.94	1.58	1.01	0.74	0.69
Interest on Working Capital	1.26	1.21	1.21	1.22	1.23
Contribution to contingency reserves	1.39	1.42	1.42	1.43	1.43
Total Revenue Expenditure	18.38	18.22	18.00	18.09	18.36
Return on Equity	26.57	26.87	26.97	27.09	27.13
Aggregate Revenue Requirement	44.95	45.09	44.97	45.18	45.49
Less: Non-Tariff Income	1.36	1.45	1.55	1.64	1.74
Net Aggregate Revenue Requirement	43.59	43.63	43.42	43.54	43.75
Add: Gap/(Surplus) for FY 2022-23	1.51				
Add: Gap/(Surplus) for FY 2023-24	1.40				
Add: Gap/(Surplus) for FY 2024-25	0.63				
Carrying cost for FY 2022-23 to FY 2023-24	0.75				
Total Aggregate Revenue Requirement	47.88	43.63	43.42	43.54	43.75

Commission's Analysis and Ruling

5.11.2 The ARR approved by the Commission for JPTL for the 5th Control Period is shown in the Table below:

Table 117: Aggregate Revenue Requirement for 5th Control Period, as approved by Commission (Rs. Crore)

Particulars	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
O&M Expenses	5.62	5.85	6.13	6.39	6.68
OPEX	0.25	-	-	-	-
Depreciation	7.74	7.85	7.90	7.96	7.99
Interest on Long-term Loan	1.67	1.18	0.61	0.17	-
Interest on Working Capital	1.23	1.19	1.19	1.19	1.20
Contribution to contingency reserves	1.39	1.40	1.40	1.41	1.41
Total Revenue Expenditure	17.89	17.48	17.23	17.12	17.28
Return on Equity	26.28	26.43	26.50	26.59	26.62
Gross Aggregate Revenue Requirement	44.18	43.92	43.73	43.71	43.90
Less: Non-Tariff Income	1.36	1.45	1.55	1.64	1.74
Net Aggregate Revenue Requirement	42.82	42.46	42.18	42.07	42.16
Add: Gap/(Surplus) for FY 2022-23	1.54				
Add: Gap/(Surplus) for FY 2023-24	0.69				
Add: Gap/(Surplus) for FY 2024-25	-				
Carrying cost for FY 2022-23 to FY 2023-24	0.61				
Total Aggregate Revenue Requirement including past gaps	45.66	42.46	42.18	42.07	42.16

5.11.3 Accordingly, the Commission approves the ARR of Rs. 45.66 Crore, Rs. 42.46 Crore, Rs. 42.18 Crore, Rs. 42.07 Crore and Rs. 42.16 Crore for FY 2025-26, FY 2026-27, FY 2027-28, FY 2028-29 and FY 2029-30, respectively.

5.11.4 The variation between the ARR claimed by JPTL and approved by the Commission for each year of the MYT Control Period from FY 2025-26 to FY 2029-30 is attributable to lower depreciation, interest on loan, and RoE approved on account of disallowance of the Guest House related additional capitalisation in previous years. The balance difference is on account of past Revenue Gap/(Surplus) approved after true-up for FY 2022-23 and FY 2023-24, and provisional true-up for FY 2024-25 which has not been passed through, for reasons elaborated in previous Sections.

6 RECOVERY OF TRANSMISSION CHARGES

6.1.1 In accordance with the Transmission Pricing Framework and the MYT Regulations, 2024, the approved ARR for a particular financial year of the 5th Control Period is to be considered for recovery through the Total Transmission System Charges (TTSC) of that financial year. As JPTL forms a part of the InSTS, the approved ARR for the Control Period from FY 2025-26 to FY 2029-30 along with past period gaps shall be allowed to be recovered through the InSTS Transmission Tariff Orders.

7 APPLICABILITY OF THE ORDER


7.1.1 This Order on approval of the Truing-up of ARR for FY 2022-23 and FY 2023-24, Provisional Truing-up for FY 2024-25, as per MYT Regulations 2019 and Determination of ARR for 5th Control Period from FY 2025-26 to FY 2029-30 as per MYT Regulations, 2024 shall come into force **from 1 April, 2025**.

The Petition of M/s JPTL in Case No. 180 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



APENDIX – 1

List of persons who attended the TVS on 19 November, 2024

Sr. No.	Name	Organisation
1	Shri. Krishnaraj Nair	Jaigad Power Transco Limited
2	Shri. Vaibhav Sansare	Jaigad Power Transco Limited
3	Shri. Jitendra Bhanushali	Jaigad Power Transco Limited- Consultant

APENDIX – 2

List of Persons at the Public Hearing held on 07 January 2025

Sr. No.	Name	Organisation
1	Shri. Krishnaraj Nair	Jaigad Power Transco Limited
2	Shri. Vaibhav Sansare	Jaigad Power Transco Limited
3	Shri. Jitendra Bhanushali	Jaigad Power Transco Limited- Consultant