

RInfra–Generation (RInfra-G)

Executive Summary:

Multi Year Tariff (MYT) Mid-Term
Review Petition for the Control Period:
FY 2012-13 to FY 2015-16

Filed with

Maharashtra Electricity Regulatory Commission

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1. INTRODUCTION

1.1 Background for submission of Mid-Term Review (MTR) Petition

The Hon'ble Maharashtra Electricity Regulatory Commission (hereinafter referred to as Hon'ble Commission / Hon'ble MERC) issued the Maharashtra Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2011 (hereinafter referred to as MYT Regulations) on February 4, 2011 in exercise of powers conferred by Section 45 (2), 61 and 62 read with Section 181 of Electricity Act 2003. These Regulations have been made effective for Reliance Infrastructure Limited (hereinafter referred to as RInfra) from FY 12-13 onwards, vide an Order of the Hon'ble Commission in Case No. 45 of 2011.

RInfra-G filed the MYT petition under Case No. 1 of 2013 wherein RInfra-G had sought approval of the ARR for the period from FY 12-13 to FY 15-16. The Hon'ble Commission approved the ARR for FY 12-13 to FY 15-16 in the said case on June 13, 2013.

In the said Order, the Hon'ble Commission held that it would undertake the mid-term review of RInfra-G's performance during the third quarter of FY 14-15 and directed RInfra-G to submit the petition for mid-term review.

1.2 Objective of the MYT MTR Petition

In accordance with above, the present mid-term review petition is filed by RInfra-G.

The actuals for the past period i.e. FY 12-13 and FY 13-14 and the revised estimates for the balance period of the Control Period i.e. FY 14-15 and FY 15-16 are being submitted herewith for the approval of the Hon'ble Commission. The present petition also includes recovery of few past period expenses resulting from various judgments of the Hon'ble Appellate Tribunal for Electricity (Hon'ble ATE), along with associated carrying cost.

2. IMPACT OF ATE JUDGMENTS

2.1 Hon'ble ATE judgment - allowance of Income Tax

RInfra-G, at the time of truing-up computes Income tax on profit / loss before tax determined on stand-alone basis (i.e. Regulated Income minus Regulated Expenditure). In its Order in Case No. 163 of 2011 dated May 16, 2012, the Hon'ble Commission approved Income Tax for FY 09-10 to FY 11-12 by allocating the actual tax paid by RInfra for the Company as a

whole in proportion to respective book profit of the various business of RInfra including the regulated businesses of Generation, Transmission and Distribution.

The said order was appealed before the Hon'ble ATE bearing Appeal No. 138 of 2012. Hon'ble ATE issued the judgment on December 2, 2013 wherein Hon'ble ATE directed the Hon'ble Commission to reassess the income tax liability on stand-alone basis.

Based on the judgment, the income tax for FY 09-10 to FY 11-12 is reassessed in this petition and the additional impact is worked out.

2.2 Hon'ble ATE judgment - allowance of Interest on normative loans

In its petition in Case No. 163 of 2011, RInfra-G, while computing the interest on normative loans as on April 1, 2011 in addition to fresh debt considered during FY 11-12, had sought approval from the Hon'ble Commission to revise the existing normative rates to reflect the market rates prevailing at that point of time.

However, in its Order in Case No. 163 of 2011 dated May 16, 2012, the Hon'ble Commission did not consider the plea of resetting the interest rates of past loans as per prevailing market rates and only approved normative interest rate as per its past Orders.

The said order was challenged by RInfra-G before the Hon'ble ATE, in its Appeal No. 138 of 2012. The Hon'ble ATE issued the judgment on December 2, 2013 wherein Hon'ble ATE directed the Hon'ble Commission to reconsider the prevailing market rate.

Accordingly, the market reflective rate of interest for all outstanding normative loans as on April 1, 2011 is considered as 11.50% (rate approved by Hon'ble Commission for fresh normative loans drawn during FY 11-12) and the interest rate allowance for FY 11-12 is re-worked.

2.3 Total impact inclusive of Carrying Cost

RInfra-G submits that abovementioned principal amount pursuant to the judgment of Hon'ble ATE need to be allowed along with the carrying cost as has been held by Hon'ble ATE in Appeal No. 173 of 2009 dated February 15, 2011. The additional impact of the aforesaid two matters is being claimed by RInfra-G in this present petition along with the carrying cost at the relevant SBAR (State Bank Advance Rate). The net impact of Rs. 265.15 crore is proposed for recovery in the ARR of FY 15-16.

3. TRUING UP OF FY 2012-13

In this petition, RInfra-G is submitting the actual expenses incurred and revenues earned for FY 12-13 based on the audited accounts, for the purposes of truing up. RInfra-G requests the Hon'ble Commission to carry out truing up for FY 12-13.

3.1. Operational Performance

RInfra-G has generated 4,381.75 MU (gross) at a PLF of 101.04%% and has maintained an Availability of 96.67% for the FY 2012-13 which is well above the norms specified in the governing MERC (MYT) Regulations 2011..

EXPENDITURE

3.2. Fuel Cost

The actual fuel cost incurred during FY 2012-13 is Rs 1067.79 Cr, however, the fuel cost computed based on the normative parameters as per the MERC MYT Regulations 2011 is Rs 1,127.46 Cr. The difference of the two is known as efficiency gain, as the lower actual cost arises solely out of better operational performance of the generating station. As per the Regulations, one-third of the efficiency gains so worked out are shared with the consumers and the generating station is entitled to retain the remaining 2/3rd i.e. DTSP gets entitled to a variable cost of Rs. 1067.79 crore plus 2/3rd of the difference between 1127.46 cr. and 1067.79 cr.

3.3. PLF Incentive

Regulation 49.8 of MERC MYT Regulations 2011 specifies the provision of incentive on achieving higher PLF over the norms specified in the Regulations for thermal coal based generating stations. During FY 2012-13, RInfra-G, achieved a PLF of 101.04%%, which results in the PLF incentive of Rs 17.58 Crs.

3.4. Capital Expenditure and Capitalisation

RInfra-G submits that capitalisation for the FY 2012-13 including the interest during construction is Rs 37.79 Crore. Hon'ble Commission while issuing the MYT Order in Case No 1 of 2013 dated June 13, 2013 has approved the capitalisation of Rs 35.96 Cr based on provisional un-audited account details submitted by the petitioner during the MYT tariff proceedings.

3.5. Debt-Equity Ratio

There is no actual loan taken during FY 12-13 for the purpose of capital expenditure in generation business. RInfra-G has therefore considered the normative funding of capex schemes in the ratio of 70:30 for the purpose of computation of return on equity and interest on loan for the truing up of FY 2012-13.

3.6. Depreciation

MERC MYT Regulations 2011 specifies the depreciation schedule including the depreciation rates on different types of assets. It is clarified that the depreciation on assets capitalised during the year has been worked out using the actual date of addition of assets and depreciation has not been claimed on any asset beyond 90% of its historical value. In addition to this, it is submitted that the depreciation for assets crossing 70% of the original GFA, the balance depreciation up to 90% has been equitably distributed on remaining useful life in accordance with MERC MYT Regulations 2011.

3.7. Interest on Working Capital

RInfra-G has computed Working Capital requirement and interest thereof as per Regulation 35.1 of MERC MYT Regulation 2011. In accordance with the Regulations, RInfra-G has considered the State Bank of India Advance Rate (SBAR) for FY 2012-13 of 14.75% prevailing as on 1st April 2012.

3.8. Interest on Loan Capital

RInfra-G submits that the Hon'ble Commission while issuing the MYT tariff has computed the weighted average interest rate as 8.78%, for long-term loan capital of Company (i.e. RInfra) as a whole. RInfra-G, for the purposes of truing-up in this petition, has computed a weighted average rate of interest of all loans of RInfra-T and RInfra-D put together, and has applied the same on the normative debt for RInfra-G.

3.9. Return on Equity

Regulation 32.1 of MERC MYT Regulations, 2011 specifies the provision of Return on Equity capital @ 15.5% per annum on the opening equity base of the particular year. Employing the same methodology, RInfra has computed allowable RoE on the opening equity base of FY 12-13 as considered by it in the present petition.

3.10. Operation & Maintenance Expenses

RInfra-G submits that the actual O&M expenses incurred during FY 2012-13 is Rs 124.59 Crore compared to Rs. 124.73 Crore approved by the Hon'ble Commission in the MYT Order:

In accordance with the MYT Regulations, 2011, the efficiency gains of Rs. 14 lakh (actual expenses being lower than normative allowance) is shared with the consumers.

3.11. Income Tax

RInfra-G submits that it has computed the income tax for the FY 2012-13 based on income less permissible expenses as per judgment of Hon'ble ATE.

REVENUE

3.12. Revenue from Sale of Power

RInfra-G submits that the revenue from sale of electricity generated is Rs 1361.66 Crore.

3.13. Non Tariff Income (NTI)

RInfra-G submits that the total non tariff income realised during FY 2012-13 is Rs 20.26 Crore against the NTI approved by the Hon'ble Commission of Rs 15.92 Crore.

3.14. Truing Up for FY 2012-13

RInfra-G submits the summary of truing up for FY 2012-13 as in table below:

Table 1: Truing Up Summary of FY 2012-13 (Rs Crore)

| Particulars | FY 2012-13 | | |
|---|-----------------|------------------------------------|-----------------|
| | MYT Order | Net Entitlement as per Regulations | Actual |
| Expenditure | | | |
| Fuel Related Expenses | | 846.93 | |
| FAC for Fuel Price Variation' | | 280.53 | |
| Total Fuel Related Expenses | 1125.61 | 1127.46 | 1067.79 |
| Operation & Maintenance Expenses | 124.73 | 124.73 | 124.59 |
| Depreciation | 20.91 | 20.91 | 21.11 |
| Interest on Long-term Loan Capital | 15.68 | 15.68 | 21.35 |
| Interest on Working Capital | 16.42 | 16.42 | 15.91 |
| Income Tax | 0.00 | 0.00 | 30.86 |
| Total Expenditure (A) | 1,303.36 | 1,305.20 | 1,281.61 |
| Return on Equity | 83.30 | 83.30 | 84.00 |
| Add: Incentive for Higher PLF | 0.00 | 0.00 | 17.59 |
| Add: 2/3rd of Efficiency gain in Fuel Cost | 0.00 | 0.00 | 39.78 |
| Add: 2/3rd of Efficiency gain in O&M Expenses | 0.00 | 0.00 | 0.09 |
| Total of RoE+ Gains+ Incentive (B) | 83.30 | 83.30 | 141.47 |
| Revenue | | | |
| Revenue from sale of electricity | 1303.67 | 1372.58 | 1361.66 |
| Other Income | 15.91 | 15.92 | 20.26 |
| Total Revenue (C) | 1,319.58 | 1,388.50 | 1,381.91 |
| Revenue Gap = (C) - [(A) + (B)] | (67.08) | | (41.17) |

RInfra-G submits that the revenue gap/surplus approved by the Hon'ble Commission for FY 12-13 will be recoverable through tariffs of FY 2015-16 in whose ARR the same is added for recovery. Further, the revenue gap of FY 2012-13 shall also attract carrying cost in accordance with the principles laid down by the Hon'ble ATE in its judgment in Appeal No. 202 and 203 of 2010.

4. TRUING UP OF FY 2013-14

In this petition, RInfra-G is submitting the actual expenses incurred and revenues earned for FY 13-14 based on the audited accounts, for the purposes of truing up. RInfra-G requests the Hon'ble Commission to carry out truing up for FY 13-14.

4.1. Operational Performance

RInfra-G has generated 4,109.20 MU (gross) at a PLF of 94.57% and has maintained an Availability of 95.87% for FY 2013-14 which is well above the norms specified in the governing MERC MYT Regulations 2011.

EXPENDITURE

4.2. Fuel Cost

The actual fuel cost incurred during FY 2013-14 is Rs 1043.51 Cr, however, the fuel cost computed based on the normative parameters as per the MERC MYT Regulations 2011 is Rs 1,088.77 Cr. The difference of the same is known as efficiency gain arising out of better operational performance of the generating station and the same is also shared with the consumers in accordance with the terms of the MERC MYT Regulations 2011 and the generating station is entitled to retain the remaining 2/3rd i.e. DTSP gets entitled to a variable cost of Rs. 1043.51 crore plus 2/3rd of the difference between 1,088.77cr. and 1043.51cr. .

4.3. PLF Incentive

Regulation 49.8 of MERC MYT Regulations 2011 specifies the provision of incentive on achieving higher PLF over the norms specified in the Regulations for thermal coal based generating stations. During FY 2013-14, RInfra-G, achieved a PLF of 94.57%, which results in the PLF incentive of Rs 17.31 Crore.

4.4. Capital Expenditure and Capitalisation

RInfra-G submits that capitalisation for the FY 2013-14 including the interest during construction is Rs 11.95 Crore. Hon'ble Commission while issuing the MYT Order in Case No 1 of 2013 dated June 13, 2013 has approved the capitalisation of Rs 184.02 Cr based on provisional un-audited account details submitted by the petitioner during the MYT tariff proceedings.

4.5. Debt-Equity Ratio

There is no actual loan taken during FY 2013-14 for the purpose of capital expenditure in generation business. RInfra-G has therefore considered the normative funding of capex schemes in the ratio of 70:30 for the purpose of computation of return on equity and interest on loan in the truing up of FY 2013-14.

4.6. Depreciation

MERC MYT Regulations 2011 specifies the depreciation schedule including the depreciation rates on different types of assets. It is submitted that depreciation has been worked out in accordance with the Regulations and has been calculated on the opening level of GFA of FY 2013-14 as well as on the assets added during the year.

4.7. Interest on Working Capital

RInfra-G has computed Working Capital requirement and interest thereof as per Regulation 35.1 of MERC MYT Regulation 2011. In accordance with the Regulations, RInfra-G has considered the State Bank of India Advance Rate (SBAR) for FY 2013-14 of 14.45%.

4.8. Interest on Loan Capital

RInfra-G, for the purpose of truing up, has computed the weighted average interest rate based on the actual outstanding loans for distribution and transmission businesses put together and applied the same on normative debt for RInfra-G.

4.9. Return on Equity

Regulation 32.1 of MERC MYT Regulations, 2011 specifies the provision of Return on Equity capital @ 15.5% per annum on the opening equity base of the particular year. Employing the same methodology, RInfra has computed allowable RoE on the opening equity base of FY 13-14 as considered by it in the present petition.

4.10. Operation & Maintenance Expenses

RInfra-G submits that the actual O&M expenses incurred during FY 2013-14 is Rs 129.23 Crore compared to Rs. 130.96 Crore as approved by the Hon'ble Commission. In accordance with the MYT Regulations, 2011, the efficiency gains of Rs. 1.73 crore (actual expenses being lower than normative allowance) is shared with the consumers.

4.11. Income Tax

RInfra-G submits that it has computed the income tax for the FY 2013-14 based on income less permissible expenses as per judgment of the Hon'ble ATE.

REVENUE

4.12. Revenue from Sale of Power

RInfra-G submits that the revenue from sale of electricity generated is Rs 1325.40 Crore.

4.13. Non Tariff Income

RInfra-G submits that the total non tariff income realised during FY 2013-14 is Rs 16.61 Crore against the NTI approved by the Hon'ble Commission of Rs 16.71 Crore.

4.14. Truing Up for FY 2013-14

RInfra-G submits the summary of truing up for FY 2013-14 as in table below:

Table 2: Truing Up Summary of FY 2013-14 (Rs Crore)

| Particulars | FY 2013-14 | | |
|--|-----------------|------------------------------------|-----------------|
| | MYT Order | Net Entitlement as Per Regulations | Actual |
| Expenditure | | | |
| Fuel Related Expenses | | 1026.34 | |
| FAC for Fuel Price Variation' | | 64.09 | |
| Total Fuel Related Expenses | 1092.02 | 1088.77 | 1043.51 |
| Operation & Maintenance Expenses | 130.96 | 130.96 | 129.23 |
| Depreciation | 29.77 | 29.77 | 23.75 |
| Interest on Long-term Loan Capital | 20.21 | 20.21 | 20.25 |
| Interest on Working Capital | 16.15 | 16.15 | 15.36 |
| Income Tax | 0.00 | 0.00 | 27.86 |
| Total Expenditure | 1,289.11 | 1,285.86 | 1,259.95 |
| Previous Years Revenue Gap | -114.44 | -114.44 | -114.44 |
| Revenue Gap for FY 12-13 | 67.08 | 67.08 | 67.08 |
| Total (A) | 1,241.75 | 1,238.50 | 1,212.59 |
| Return on Equity | 84.64 | 84.64 | 85.42 |
| Add: Incentive for Higher PLF | 0.00 | 0.00 | 17.31 |
| Add: 2/3rd of Efficiency gain in Fuel Cost | 0.00 | 0.00 | 30.18 |
| Add: 2/3rd of Efficiency gain in O&M Expenses | 0.00 | 0.00 | 1.16 |
| Total of RoE+ Gains+ Incentive (B) | 84.64 | 84.64 | 134.07 |
| Revenue | | | |
| Revenue from sale of electricity | 1309.68 | 1353.79 | 1325.40 |
| Other Income | 16.71 | 16.71 | 16.61 |
| Total Revenue (C) | 1,326.39 | 1,370.50 | 1,342.01 |
| Revenue (Gap)/Surplus = (C) - [(A) + (B)] | 0.0 | | (4.65) |

RInfra-G submits that the revenue gap approved by the Hon'ble Commission for FY 2013-14 will be recoverable through tariffs of FY 2015-16 in whose ARR the same is added for recovery. Further, the revenue gap of FY 2013-14 shall also attract carrying cost in accordance with the principles laid down by the Hon'ble ATE in its judgment in Appeal No. 202 and 203 of 2010.

5. ANNUAL PERFORMANCE REVIEW (APR) OF FY 2014-15

In this section, RInfra-G is submitting the provisional expenses and revenue for FY 2014-15 based on unaudited actual of the first half and the estimates of the second half. RInfra-G requests the Hon'ble Commission to carry out provisional true-up of FY 2014-15.

5.1. Operational Performance

RInfra-G has generated 2214.96 MU (gross) at a PLF of 102.09% and has maintained an Availability of 99.12% for H1 (i.e. April-September) of FY 2014-15 which is well above the norms specified in the MERC MYT Regulations 2011. In line with the H1 performance of FY 2014-15, RInfra-G is projecting the gross generation of 2,213.54 MU and PLF of 102.52% with an availability of 96.36% for H2 (i.e. October-March) of FY 2014-15.

EXPENDITURE

5.2. Fuel Cost

The actual fuel cost incurred during H1 of FY 2014-15 is Rs 551.98 Crore and fuel cost projected for H2 of FY 2014-15 is Rs 536.84 Crore aggregating to total Rs 1077.5 Crore for FY2014-15.

5.3. Capital Expenditure and Capitalisation

RInfra-G submits that expected capitalisation for the FY 2014-15 is Rs 63.75 Cr. It has already capitalised Rs 37.32 Crore as on filing of the present petition and balance capitalisation will happen during rest of FY2014-15.

5.4. Debt-Equity Ratio

Regulation 31 of MERC MYT Regulations 2011 specifies the funding of capex schemes as per the Debt-Equity ratio of 70:30. As there is no actual loan taken during FY 14-15 for the purpose of capital expenditure in generation business, RInfra-G has considered the normative funding of capex schemes in the ratio of 70:30 for the purpose of computation of return on equity and interest on loan for the trueing up of FY 2014-15.

5.5. Depreciation

MERC MYT Regulations 2011 specifies the depreciation schedule including the depreciation rates on different types of assets. It is submitted that depreciation has been worked out in accordance with the Regulations and has been calculated on the opening level of GFA of FY 2014-15 as well as on assets added during the year.

5.6. Interest on Working Capital

RInfra-G has computed Working Capital requirement and interest thereof as per Regulation 35.1 of MERC MYT Regulation 2011. In accordance with the Regulations, RInfra-G has considered the State Bank of India Advance Rate (SBAR) for FY 2013-14 of 14.75%.

5.7. Interest on Loan Capital

RInfra-G has considered a normative Debt: Equity ratio of 70:30 for capitalized assets during the FY 2014-15, in accordance with the MERC MYT Regulations 2011. RInfra-G, for the purpose of truing up, has computed the weighted average interest rate based on the actual outstanding loans for distribution and transmission businesses put together and applied the same on normative debt for RInfra-G.

5.8. Return on Equity

Regulation 32.1 of MERC MYT Regulations, 2011 specifies the provision of Return on Equity capital @ 15.5% per annum on the opening equity base of the particular year. Employing the same methodology, RInfra has computed allowable RoE on the opening equity base of FY 14-15.

5.9. Operation & Maintenance Expenses

RInfra-G submits that O&M expenses projected for FY2014-15 is Rs 138.82 Crore as compared to Rs 137.55 Crore approved by the Hon'ble Commission in the MYT Order.

5.10. Income Tax

RInfra-G has projected the income tax for the FY 2014-15 of Rs 27.86 Crore based on actual income tax of FY 2013-14 in accordance with the Regulation 34.1 of MYT Regulations 2011.

REVENUE**5.11. Revenue at Existing Tariff**

RInfra-G submits that the revenue from sale of electricity generated is projected at Rs 1474.06 Crore.

5.12. Non Tariff Income

RInfra-G submits that NTI for FY 2014-15 is projected at Rs 17.38 Cr.

5.13. Provisional Truing Up for FY 2014-15

Provisional truing up for FY 2014-15 would be worked out as follows:

Table 3: Provisional Revenue Gap of FY 2014-15 (Rs Crore)

| Particulars | FY 2014-15 | | |
|--|-----------------|------------------------------------|-----------------|
| | MYT Order | Net Entitlement as per Regulations | Estimated |
| Expenditure | | | |
| <i>Fuel Related Expenses</i> | | 1185.56 | |
| <i>FAC for Fuel Price Variation'</i> | | -8.21 | |
| Total Fuel Related Expenses | 1112.65 | 1177.34 | 1077.50 |
| Operation & Maintenance Expenses | 137.55 | 137.55 | 138.82 |
| Depreciation | 29.58 | 29.58 | 27.10 |
| Interest on Long-term Loan Capital | 28.61 | 28.61 | 19.06 |
| Interest on Working Capital | 16.70 | 16.70 | 16.07 |
| Income Tax | 0.00 | 0.00 | 27.86 |
| Total Expenditure (A) | 1,325.09 | 1,389.78 | 1,306.39 |
| Return on Equity | 93.11 | 93.11 | 85.88 |
| <i>Add: Incentive for Higher PLF</i> | 0.00 | 0.00 | 9.19 |
| Total of RoE+ Gains+ Incentive (B) | 93.11 | 93.11 | 95.07 |
| Revenue | | | |
| Revenue from sale of electricity | 1400.66 | 1465.35 | 1474.55 |
| Other Income | 17.54 | 17.54 | 17.38 |
| Total Revenue (C) | 1,418.20 | 1,482.89 | 1,491.92 |
| Revenue (Gap)/Surplus = (C) - [(A) + (B)] | 0.00 | 0.00 | 90.46 |

RInfra-G requests the Hon'ble Commission to kindly approve the abovementioned provisional revenue gap of FY 14-15.

6. ANNUAL REVENUE REQUIREMENT (ARR) OF FY 2015-16

In this section, RInfra-G is submitting the revised ARR for FY 2015-16 based on the actual performance of the past period and its effect on the ensuing year. RInfra-G requests the Hon'ble Commission to approve the revised ARR of FY 2015-16.

PROJECTION OF TECHNICAL PARAMETERS

6.1. Operational Performance

6.1.1. Availability and PLF

RInfra-G has considered availability as 95.90% and considering 100% loading, the PLF is also considered at 95.90% only, for the purpose of arriving at estimated energy generation for FY 15-16.

6.1.2. Auxiliary Consumption and Net Generation

RInfra-G has considered total auxiliary consumption at 9.71% for FY2015-16 including auxiliary consumption for FGD. Net Generation from the plant is estimated at 3802.8 MUs.

6.1.3. Transit Loss

In accordance with the Regulation 44.6 of the MYT Regulations, 2011, RInfra-G has considered the transit losses at 0.8% on landed cost of coal for all kinds of coal – raw, washed and imported - used by the generating plant

6.1.4. Secondary Oil Consumption

RInfra-G has considered the secondary oil consumption as 1 ml/kWh in accordance with the regulation 44.4 of MERC MYT Regulations 2011.

6.1.5. Station Heat Rate

RInfra-G has considered station heat rate for DTPS as per norms specified in MYT Regulations.

PROJECTION OF ENERGY CHARGES

6.2. Fuel Cost

RInfra-G is projecting the coal prices for both imported and washed coal based on historical and prevailing trend of coal market. The fuel cost for FY 2015-16 is projected at Rs 1161.25 Crore.

PROJECTION OF FIXED CHARGES

6.3. Capital Expenditure and Capitalisation

RInfra-G submits that the generating station has projected a total capitalisation of Rs 51.62 Cr during FY 2015-16, during which most critical DPR schemes will be implemented in available overhaul period.

6.4. Debt-Equity Ratio

Regulation 31 of MERC MYT Regulations 2011 specifies the funding of capex schemes as per the Debt-Equity ratio of 70:30. As there is no actual loan taken during FY 15-16 for the purpose of capital expenditure in generation business, RInfra-G has considered the normative funding of capex schemes in the ratio of 70:30 for the purpose of computation of return on equity and interest on loan for the truing up of FY 2015-16.

6.5. Depreciation

MERC MYT Regulations 2011 specifies the depreciation schedule including the depreciation rates on different types of assets. It is submitted that depreciation has been worked out in accordance with the Regulations and has been calculated on the opening level of GFA of FY 2015-16 as well as on the assets added during the year.

6.6. Interest on Working Capital

RInfra-G has computed Working Capital requirement in line with Regulation 35.1 of MERC MYT Regulation 2011 which provides for detailed constituents comprising the Working Capital and interest thereof in line with the above Regulations.

6.7. Interest on Loan Capital

RInfra-G has considered a normative Debt: Equity ratio of 70:30 for capitalized assets during the FY 2015-16, in accordance with the MERC MYT Regulations 2011 and interest rate for such borrowings has been considered same as proposed for FY 2014-15.

6.8. Return on Equity

Regulation 32.1 of MERC Tariff Regulations specifies the provision of Return on Equity capital @ 15.5% per annum on the opening equity base of the particular year. RInfra-G has computed allowable RoE on opening equity base of FY 2015-16.

6.9. Operation & Maintenance Expenses

RInfra-G submits that for forecasting O&M expenses of FY 15-16, it has considered escalation factors based on past 5 year point to point inflation and applied the same on the estimates of FY 14-15. Accordingly the O&M expenses projected for FY 2015-16 are Rs 149.26 Crore.

6.10. Income Tax

RInfra-G submits that Regulation 34.1 of MYT Regulations 2011, specifies the income tax for the purpose of ARR will be approved based on the actual payable Income Tax for the latest audited financial year. Accordingly, the Income Tax for FY 15-16 has been projected at the same amount as the actual payable Income Tax for FY 13-14 as presented in this petition.

6.11. Revenue at Existing Tariff

RInfra-G submits that the revenue from sale of electricity generated at the generating station is at the rate of energy charge (plus FAC) and the fixed charges as approved by the Hon'ble Commission in its MYT Order in Case No 1 of 2013 dated June 13, 2013. Accordingly the revenue at existing tariff is projected at Rs 1449.01 Crore.

6.12. Non Tariff Income

RInfra-G submits that projection of Non Tariff Income (NTI) is based on actuals of FY 13-14 with an escalation on sale of coal rejects. Accordingly the NTI for FY 15-16 is projected as Rs 17.70 Cr.

6.13. Annual Revenue Requirement for FY 2015-16

RInfra-G submits its ARR summary for FY2015-16 on standalone basis in the following table and requests the Hon'ble Commission to allow the same.

Table 4: Annual Revenue Requirement for FY 2015-16 (in Rs Cr)

| Particulars | UoM | RInfra-G (revised estimates) |
|--------------------------------------|----------|------------------------------|
| Fuel Related Expenses | Rs Crore | 1161.25 |
| Operation & Maintenance Expenses | Rs Crore | 149.26 |
| Depreciation | Rs Crore | 26.84 |
| Interest on Long-term Loan Capital | Rs Crore | 18.34 |
| Interest on Working Capital | Rs Crore | 16.80 |
| Income Tax | Rs Crore | 27.86 |
| Total Revenue Expenditure | Rs Crore | 1400.35 |
| <i>Add: Return on Equity Capital</i> | Rs Crore | 88.84 |
| <i>Less: Non Tariff Income</i> | Rs Crore | 17.70 |
| Aggregate Revenue Requirement | Rs Crore | 1471.49 |

6.14. Aggregate Revenue Requirement for FY 2015-16

Aggregate Revenue Requirement of FY 2015-16 inclusive of the past revenue gap, impact consequential to Hon'ble ATE Judgments and the provisional truing gap of FY 2014-15 is presented in the table below:

Table 5: Aggregate Revenue Requirement

| Particulars | UoM | RInfra-G (revised estimates) |
|---|----------|------------------------------|
| Fuel Related Expenses | Rs Crore | 1161.25 |
| Operation & Maintenance Expenses | Rs Crore | 149.26 |
| Depreciation | Rs Crore | 26.84 |
| Interest on Long-term Loan Capital | Rs Crore | 18.34 |
| Interest on Working Capital | Rs Crore | 16.80 |
| Income Tax | Rs Crore | 27.86 |
| Total Revenue Expenditure | Rs Crore | 1400.35 |
| <i>Add: Return on Equity Capital</i> | Rs Crore | 88.84 |
| <i>Less: Non Tariff Income</i> | Rs Crore | 17.70 |
| <i>Add: Gap arising due to Impact of ATE Judgment</i> | Rs Crore | 265.15 |
| <i>Less: Revenue Surplus along with Carrying Cost for FY 12-13 and FY 13-14</i> | Rs Crore | -20.15 |
| <i>Less: Provisional Surplus from FY 14-15 Truing Up</i> | Rs Crore | -90.46 |
| Aggregate Revenue Requirement | Rs Crore | 1626.02 |

As seen from the table above, ARR for FY 2015-16 is Rs 1626.02 Cr; this includes the revenue surplus of Rs 20.15 Cr and impact of ATE Judgment as Rs 265.15 Cr. In view of the above RInfra-G respectfully submit that the Commission may please to approve above ARR for FY 2015-16.

6.15. Tariff Proposal for FY 2015-16

RInfra-G submits that the MYT Regulations 2011 prescribes the tariff for generating company in two parts: fixed charges and Energy Charges. Accordingly ARR of FY 2015-16 is segregated into fixed and energy charges, as in the table below:

Table 6: Tariff Proposal for FY 2015-16

| Particulars | UoM | RInfra-G (revised estimates) |
|--|----------|------------------------------|
| Annual Fixed Charges (Stand alone) | Rs Crore | 310.24 |
| Fixed Charge adjustment due to Gap from previous years | Rs Crore | 154.53 |
| Total Annual Fixed Charges | Rs Crore | 464.77 |
| Fixed Charges per Month | Rs Crore | 38.77 |
| Annual Energy Charge | Rs Crore | 1161.25 |
| Rate of Energy Charge | Rs/kWh | 3.05 |

RInfra-G prays the Hon'ble Commission to kindly approve the above tariff for FY 2015-16.