

1. Executive Summary

Maharashtra State Electricity Transmission Company Limited (MSETCL) is filing the current Petition for Truing Up of Aggregate Revenue Requirement (ARR) for FY 2012-13 as per MERC, Terms and Conditions of Tariff Regulations, 2005 & Mid-term Performance Review for Control Period FY 2013-14, FY 2014-15 & FY 2015-16 in accordance with Regulation 11 of the MERC, MYT Regulations, 2011 and in compliance with the direction issued by the Hon'ble Commission in the Order dated 13 February, 2014 in Case No. 39 of 2013 along with the Impact of past period Disallowed Capitalization for FY 2007-08, FY 2008-09, FY 2009-10, FY 2010-11 & FY 2011-12.

MSETCL had filed previous Petition for Truing Up of ARR for FY 2011-12, Annual Performance Review (APR) of FY 2012-13 & Multi Year Tariff (MYT) determination from FY 2013-14 to FY 2015-16 against which the Hon'ble Commission has issued Order in Case No. 39 of 2013 dated 13 February, 2014. Aggrieved by the directives and certain error apparent in the impugned Order issued by the Hon'ble Commission, MSETCL subsequently had filed a Review Petition under Affidavit (listing specific grounds on which it sought review against specific aspects of the detailed Tariff Order) with the Hon'ble Commission. After validation of the plea made by MSETCL, the Hon'ble Commission has issued Review Tariff Order under Case No. 79 of 2014 dated 24 June, 2014.

Subsequently, the Hon'ble Commission issued the Suo-motu amendment of Intra State Transmission Tariff Order on 14 August, 2014 in Case No. 123 of 2014 revising the tariff for MSETCL for FY 2014-15 and FY 2015-16. MSETCL subsequently filed a review Petition on certain issues related to computation of the transmission tariff. Considering the fact that the matter has been now listed in the month of January 2015, MSETCL humbly requests the Hon'ble Commission to consider the impact of the same as part of the Mid Term Performance Review Petition.

MSETCL in the current Petition has filed for truing of past years on account of claim of disallowed capitalization of previous years and has computed the corresponding Impact of Disallowed Capitalization from FY 2007-08 onwards considering Depreciation including Advance Against Depreciation (AAD), Interest on Long Term loan, Return on Equity and Incentive for Transmission System Availability.

MSETCL has further worked out Truing Up for FY 2012-13 in the instant Petition. The Audited Accounts and principles stipulated in the MERC (Terms and Conditions of Tariff) Regulations, 2005 and earlier Orders of the Hon'ble Commission has formed the basis for carrying out the truing up except for specific treatment mentioned in the Petition.

MSETCL has further worked out provisional Truing Up for FY 2013-14 in the instant Petition. The provisional Accounts and principles stipulated in the MERC (Multi Year Tariff) Regulations, 2011 and earlier Orders of the Hon'ble Commission has formed the basis for carrying out the provisional truing up except for specific treatment mentioned in the Petition.

Further, in the instant Petition, MSETCL has further computed the revised Aggregate Revenue Requirement (ARR) for FY 2014-15 and FY 2015-16 in accordance with the provisions of the MERC (MYT) Regulations, 2011.

1.1 Impact of Disallowed Capitalization of Assets for Previous Years

The Hon'ble Commission in its previous Orders on True-up of Annual Revenue Requirement (ARR) for past years i.e., FY 2007-08, FY 2008-09 and FY 2010-11 had disallowed certain amount of claimed capitalization of assets. MSETCL submits that certain amount of the disallowed capitalization is now claimed in this Petition and the cost benefit analysis of the DPR schemes as claimed in this Petition has also been submitted to the Hon'ble Commission separately. MSETCL has worked out the impact of disallowed capitalization for the above mentioned years on depreciation including advance against depreciation, interest on long term loan, return on equity and incentive for transmission availability pertaining to such assets.

Table 1 Impact of Disallowed Capitalization of Assets for Previous Years (Rs. Crore)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	Total
Difference in Interest on long term loan	14.16	54.53	163.91	15.50	23.07	271.17
Difference in ROE	1.26	3.00	3.51	5.45	7.63	20.86
Difference in Incentive on Transmission system availability	0.07	0.51	2.14	0.38	0.93	4.03
Difference in Depreciation including AAD	0.00	0.00	0.00	0.00	22.99	22.99
Total	15.50	58.05	169.56	21.33	54.61	319.04

MSETCL proposes to include this Revenue gap in the ARR for FY 2012-13 and humbly requests the Hon'ble Commission to bridge this gap by including it while truing-up of ARR for FY 2012-13.

1.2 Truing-up of ARR for FY 2012-13

MSETCL is filing this Petition for True-up of ARR for FY 2012-13 as the Audit Annual Accounts for FY 2012-13 are available. From the summary it can be seen that Aggregate Revenue Requirement

(ARR) as filed in this Petition is less than approved by the Hon'ble Commission in Order in Case No. 39 of 2013 & Review Order in Case No. 79 of 2014 on account of higher Non-Tariff Income & Income from Goa & Dadra Nagar wheeling charges in FY 2012-13 and other Generators. Other heads of ARR like depreciation including AAD, interest expense and other expense as claimed in this Petition are also less as compared to figures approved by Hon'ble Commission.

Table 2 Truing-up Summary for FY 2012-13

(Rs. Crore)

Particulars	MYT Order in Case No. 39 of 2013	Petition	Net Entitlement of MSETCL after sharing of gain/loss
Operation & Maintenance Expenses	1179.92	1,121.03	1,195.10
Depreciation Expenses			
Depreciation	539.58	449.93	449.93
Advance against depreciation	274.21	189.79	189.79
Interest on Long-term Loan Capital	668.09	606.97	606.97
Interest on Working Capital and on consumer security deposits	79.11	80.34	64.24
Other Interest and finance charges	18.50	4.64	4.64
Other Expenses	1.12	(10.02)	(10.02)
Income Tax	153.25	315.43	315.43
Contribution to contingency reserves	37.99	39.54	39.54
Total Revenue Expenditure	2,951.78	2,797.64	2,855.62
Return on Equity Capital	612.71	601.59	601.59
Aggregate Revenue Requirement	3,564.49	3,399.23	3,457.21
Less: Non Tariff Income	192.21	180.89	180.89
Less: Income from Goa & Dadra Nagar wheeling charges	26.30	90.20	90.20
Aggregate Revenue Requirement from Transmission Tariff	3345.98	3128.15	3186.13
(add) Incentive on Transmission Availability of HVAC System	-	46.42	46.42
(add) Incentive on Transmission Availability of HVDC System	-	12.51	12.51
Revenue from Transmission tariff	3338.08	3338.08	3,338.08
Revenue (Gap)/surplus for current year	(7.90)		93.03
Past period expenses for FY 2011-12	-	(23.41)	(23.41)
Revenue (Gap)/surplus till previous year approved in Case No. 39 of 2013	(1128.91)		(1,128.91)
Cumulative Revenue Gap till the year	(1136.81)		(1059.29)

Accordingly, MSETCL humbly requests the Hon'ble Commission to approve the true up requirement as claimed in this Petition for FY 2012-13. The Hon'ble Commission is requested to include this Revenue Gap while truing-up of ARR for FY 2015-16.



1.3 Provisional Truing-up of ARR for FY 2013-14

MSETCL is filing this Petition for True-up of ARR for FY 2012-13 as the provisional Audit Annual Accounts for FY 2012-13 are available. From the summary it can be seen that Aggregate Revenue Requirement (ARR) as filed in this Petition is less than the one that is approved by the Hon'ble Commission in Order in Case No. 39 of 2013 & Review Order in Case No. 79 of 2014 on account of higher Non-Tariff Income & Income from Goa & Dadra Nagar wheeling charges and other Generators in FY 2013-14. Other heads of ARR like depreciation, interest expense as claimed in this Petition are also less as compared to figures approved by Hon'ble Commission. Further MSETCL would like to submit that O&M Expense has increased in FY 2013-14 as compared to normative O&M expenses mainly due to wage revision.

Table 3 Provisional Truing-up Summary for FY 2013-14

(Rs. Crore)

Particulars	MY f Order in Case No. 39 of 2013	Petition	Net Entitlement of MSETCL after sharing of gains/(loss)
Operation & Maintenance Expenses	1,334.49	1,107.85	1,254.76
Impact of wage revision	-	298.74	298.74
Depreciation	1,072.61	727.38	727.38
Interest on Long-term Loan Capital	878.22	715.79	715.79
Interest on Working Capital and on consumer security deposits	113.05	114.28	89.97
Other Interest and finance charges	16.60	3.60	3.60
Other Expenses	1.14	26.24	26.24
Income Tax	179.67	587.74	587.74
Contribution to contingency reserves	47.87	45.75	45.75
Total Revenue Expenditure	3,643.65	3,627.37	3,749.96
Return on Equity Capital	782.24*	721.31	721.31
Aggregate Revenue Requirement	4,425.90	4,348.68	4,471.27
Less: Non Tariff Income	199.04	198.69	198.69
Less: Income from Goa & Dadra Nagar wheeling charges	26.30	90.17	90.17
Aggregate Revenue Requirement from Transmission Tariff	4200.55	4059.82	4182.41
(add) Incentive on Transmission Availability of HVAC System		60.59	60.59
(add) Incentive on Transmission Availability of HVDC System		21.74	21.74
Revenue from Transmission tariff	5152.22	5152.22	5152.22
Revenue (Gap)/surplus for current year	951.67		887.48

* Revised approved as Rs. 784.74 Crore for FY 2013-14 in Review Order in Case No. 79 of 2014

Accordingly, MSETCL requests the Hon'ble Commission to approve the Net true up requirement as claimed in this Petition for FY 2013-14. The Hon'ble Commission is requested to include this Revenue Gap in the ARR of FY 2015-16.

1.4 Revised Estimate of ARR for FY 2014-15 & FY 2015-16

Based on the audited data for FY 2012-13 & FY 2013-14 MSETCL has computed revised estimate of ARR for FY 2014-15 & FY 2015-16. From the summary table it can be seen that Aggregate Revenue Requirement (ARR) from Transmission Tariff for both the FY 2014-15 & FY 2015-16 as filed in this Petition is less than approved by the Hon'ble Commission in Order in Case No. 39 of 2013 & Review Order in Case No. 79 of 2014 on account of higher Income from Goa & Dadra Nagar wheeling charges and other sources. Other heads of ARR like depreciation, interest expense, and return on equity as claimed in this Petition are also less as compared to figures approved by Hon'ble Commission.

Table 4 Revised Estimate of ARR for FY 2014-15 & FY 2015-16

(Rs. Crore)

Particulars	FY 2014-15		FY 2015-16	
	MYT Order in Case No. 39 of 2013	Petition	MYT Order in Case No. 39 of 2013	Petition
Operation & Maintenance Expenses	1,542.12	1,491.09	1,774.95	1,670.22
Impact of wage revision	-	171.52	-	181.98
Depreciation	1,250.94	818.02	1,411.53	922.57
Interest on Long-term Loan Capital	1071.50	793.36	1222.39	868.42
Interest on Working Capital and on consumer security deposits	112.15	115.84	127.39	127.45
Other Interest and finance charges	18.64	10.96	15.56	12.23
Other Expenses	1.17	6.18	1.19	6.31
Income Tax	179.67	574.60	179.67	212.26
Contribution to contingency reserves	55.72	48.82	64.65	53.27
Total Revenue Expenditure	4,231.90	4,030.38	4,797.34	4,054.71
Return on Equity Capital	886.33*	772.57	983.74*	831.98
Aggregate Revenue Requirement	5118.23	4,802.94	5,781.08	4886.69
Less: Non Tariff Income	208.56	334.85	218.83	342.59
Less: Income from Goa & Dadra Nagar wheeling charges	26.30	90.17	26.30	90.17
Aggregate Revenue Requirement from Transmission Tariff	4883.37	4377.92	5535.95	4,453.93
Revenue from Transmission tariff	5044.19	5044.19	5535.95	5535.95
Revenue (Gap)/surplus for current year	160.82	666.27	-	1082.02

*Revised approved as Rs. 888.83Crore and Rs. 986.24 Crore for FY 2014-15 & FY 2015-16 respectively in Review Order in Case No. 79 of 2014

1.5 Cumulative Revenue (Gap)/Surplus for FY 2015-16

The projected Revenue gap for FY 2015-16 is derived considering the revenue based on the InSTS Transmission Tariff Order dated 14 August, 2014 in Case No. 123 of 2014 and estimated Annual Revenue Requirement and revenue gap summarized in the Table below. Further, cumulative revenue

gap/surplus has been computed considering the year-wise revenue (gap)/surplus of previous years summarized in the Table below:

Table 5 Cumulative Revenue (Gap)/Surplus Summary for FY 2015-16

(Rs. Crore)

Particulars	FY 2015-16
Net ARR for FY 2015-16	4453.93
Revenue from Transmission Tariff for FY 2015-16 as approved in InSTS Order	5535.95
Stand Alone (Gap)/Surplus for the year	1082.02
Stand Alone (Gap)/Surplus for FY 2014-15	666.27
Stand Alone (Gap)/Surplus for FY 2013-14	887.48
Impact of past period dis-allowed capitalization	(319.04)
Revenue (Gap)/Surplus for FY 2012-13	(1,059.29)
Impact of revised return on equity & incentive on higher availability on account of Order in Case No. 79 of 2014	(15.48)
Total	1241.96

MSETCL proposes to include this Revenue surplus in the ARR for FY 2015-16 and humbly requests the Hon'ble Commission to include it while computing the cumulative revenue (gap)/surplus till FY 2015-16.

1.6 Impact on Transmission Tariff

Further, the Hon'ble Commission in InSTS Order in Case No. 123 of 2014 has approved the monthly recovery of MSETCL from the Transmission Tariff. Accordingly, based on the revenue (gap)/surplus submitted in this Petition, there is overall reduction of Rs. 103.50 Crore in the per month recovery of transmission tariff from the distribution licensees in the State. The impact of the proposed revenue surplus in this Petition on the transmission tariff for the distribution licensees in the State is shown in the Table below:

Table 6 Impact on Transmission Tariff for FY 2015-16

(Rs. Crore)

Particulars	% Contribution	DISCOMs contribution in MSETCL ARR approved in Case No. 123 of 2014	DISCOMs contribution in MSETCL ARR based on current Petition	Difference
MSEDCL	82.17%	4,548.89	3,528.37	1,020.52
TPC-D	6.37%	352.64	273.53	79.11
RInfra-D	6.60%	365.37	283.40	81.97
BEST	4.86%	269.05	208.69	60.36
Total	100.00%	5535.95	4293.99	1,241.96
Monthly Recovery from Transmission Tariff by MSETCL		461.33	357.83	103.50