

## **RInfra–Transmission (RInfra-T)**

Executive Summary:

Multi Year Tariff (MYT) Petition for the  
Control Period: FY 2016-17 to FY 2019-20

Filed with

Maharashtra Electricity Regulatory Commission

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## **1. INTRODUCTION**

### **1.1 Multi-Year Tariff (MYT) Regulations**

The Hon'ble Maharashtra Electricity Regulatory Commission (hereinafter referred to as "Hon'ble Commission" / "Hon'ble MERC") has issued the following Regulations in exercise of powers conferred under relevant sections of the Electricity Act, 2003 (hereinafter referred to as EA, 03):

- Maharashtra Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2011 (hereinafter referred to as MYT Regulations, 2011) on February 4, 2011 and
- Maharashtra Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2015 (hereinafter referred to as MYT Regulations, 2015) on December 8, 2015

MYT Regulations, 2011 is applicable for Reliance Infrastructure Limited (hereinafter referred to as RInfra) for the Control Period from FY 12-13 onwards (vide an Order of the Hon'ble Commission in Case No. 45 of 2011) until FY 15-16. MYT Regulations, 2015 is applicable for the Control Period from FY 16-17 until FY 19-20.

### **1.2 Objective of the MYT Petition**

In accordance with above, the present multi-year tariff petition is filed by RInfra-T with the objective of seeking final truing of FY 14-15 and provisional truing up of FY 15-16, both under the provisions of MYT Regulations, 2011 and for determination of Aggregate Revenue Requirement (ARR) for the next Control Period from FY 16-17 to FY 19-20 under the provisions of MYT Regulations, 2015.

## **2. TRUING UP FOR FY 14-15**

In this petition, RInfra-T is submitting the actual expenses incurred and revenues earned for FY 14-15, for the purposes of truing up.

### **2.1 Capital Expenditure and Capitalization**

RInfra-T has incurred an amount of Rs. 37.42 crore towards capital expenditure and actual capitalization has been Rs. 34.60 crore.

A summary of the capital expenditure and capitalization for FY 14-15 is as follows:

**Table 1: Summary – Capital expenditure and Capitalization FY 14-15**

Rs. crore		Actuals	MTR Order
Capital expenditure	DPR	32.20	-
	Non-DPR	5.22	-
	<b>Total</b>	<b>37.42</b>	<b>-</b>
Capitalization	DPR	29.65	24.26
	Non-DPR	4.94	2.19
	<b>Total</b>	<b>34.60</b>	<b>26.45</b>

### 2.1.1 Financing Plan

Till FY 10-11, RInfra-T has been funding capital expenditure through internal accruals. However, from FY 11-12, RInfra-T has been contracting loans from funding institutions for the purpose of capital expenditure planned under Mumbai Transmission Strengthening schemes.

RInfra-T has borrowed Rs. 300 crore from the South Indian Bank, which replaced the normative debt capital associated with opening works in progress for FY 11-12 and was also used for financing capital expenditure during FY 11-12. In addition, RInfra-T has drawn loan from the Bank of Maharashtra of Rs. 250 crore during FY 12-13. A large portion of this loan is considered towards swap of normative admitted debt as on April 1, 2012 and the balance is adjusted in the debt associated with opening capital works in progress as on April 1, 2012.

Further, during FY 12-13, RInfra-T has also got loans sanctioned from State Bank of Hyderabad and the Corporation Bank, which are utilized for funding capital expenditure during FY 12-13, FY 13-14, FY 14-15 and FY 15-16.

All debt for the purpose of maintaining Debt: Equity ratio of 70:30, beyond the abovesaid loans is considered “normative” debt for the purpose of truing-up, in accordance with the MYT Regulations, 2011.

### 2.1.2 Interest on loan capital

RInfra-T submits that the Hon’ble Commission in the MTR Order dated 26.06.15 in Case No. 221 of 2014 has computed actual weighted average interest rate at 11.93% for RInfra-T for FY 14-15.

Accordingly, the interest rate of 11.93% is applied on the normative average loan balances for FY 14-15, which are determined using depreciation equivalent repayment.

### **2.1.3 Depreciation**

Regulation 31 of MYT Regulations, 2011 provides for the methodology for computation of depreciation. Depreciation is computed according to the said Regulation. Depreciation has been claimed on the Opening GFA (Gross Fixed Asset) and also on the assets added during the year (proportionately based on actual date of addition).

### **2.1.4 Return on Equity**

For FY 14-15, the Return on Equity (RoE) has been computed based on Regulation 32.2 of the MYT Regulations, 2011 i.e. rate of 15.5% on the equity capital at the beginning of the year plus 50% of the equity portion for the assets capitalized during the year.

## **2.2 Operation & Maintenance (O&M) expenses**

### **2.2.1 Norms as per MYT Regulations**

Based on the actual asset addition during FY 14-15, the O&M expense as per norms provided for in Regulation 61.5 of the MYT Regulations, 2011 is worked considering the actual number of bays and line length added during FY 14-15. The total O&M expenses as per norms amounts to Rs. 40.90 crore. This is compared against the actual O&M expenses for FY 14-15. The actual expenses amount to Rs. 40.81 crore without corporate allocation and Rs. 43.06 crore with corporate allocation.

### **2.2.2 Efficiency gains/loss in O&M**

Variation in O&M expenses is attributed to Controllable factors vide 12.2 (g) of the MYT Regulations, 2011. The variation is computed as the differential between the actuals as per norms vis-à-vis the actual O&M expenses.

The normative expenses of Rs. 40.90 crore ought to be compared with actual expenses of Rs. 40.81 crore (excluding corporate allocation) resulting in controllable efficiency gains of Rs. 0.09 crore, due that corporate allocation was not included as part of the norms.

Regulation 14.1 of the MYT Regulations, 2011 provides the mechanism for sharing of gains on account of controllable factors. Thus, vide the said Regulation, 2/3<sup>rd</sup> of the gain i.e. Rs. 0.06 crore is claimed in the ARR.

### **2.2.3 Additional expenses related to operations**

RInfra-T, in the MYT Petition in Case No. 141 of 2012, had submitted that there are certain additional expenses arising out of newer developments as well as certain cost identification / regrouping being carried out by RInfra within the transmission and distribution businesses. RInfra-T had submitted that these expenses were not part of the historical O&M expenses which were used for developing MYT norms.

The Hon'ble Commission in the MYT Order dated 13.06.13 as well as MTR Order dated 26.06.15 was kind enough to grant approval of such expenses in addition to the O&M expenses applicable as per norms. In accordance with the above, RInfra-T is claiming the actual expenses for FY 14-15 against these heads.

On the basis of the aforesaid, the summary of the actual O&M expenses as claimed by RInfra-T for FY 14-15 is as follows:

**Table 2: Summary – Actual O&M expense FY 14-15**

<b>O&amp;M expenses FY 14-15 (Rs. crore)</b>	<b>Actuals</b>	<b>MTR Order / Normative</b>	<b>Difference</b>
O&M expenses (excluding corporate allocation)	40.81	40.90	(0.09)
2/3 <sup>rd</sup> Efficiency gains retained by RInfra-T	0.06	-	0.06
Corporate Allocation	2.25	2.27	(0.01)
Energy charges	3.99	4.15	(0.16)
SCADA charges	1.01	1.06	(0.05)
Land usage charges	3.68	3.68	-
<b>Total</b>	<b>51.80</b>	<b>52.05</b>	<b>(0.25)</b>

### **2.3 Interest on Working Capital**

Working capital requirement has been calculated as per Regulation 35.2 of the MYT Regulations, 2011. The rate of interest is considered as that has been approved by Hon'ble Commission in MTR Order dated 26.06.15 in Case No. 221 of 2014 i.e. 14.50%.

### **2.4 Contribution to Contingency Reserve**

Contribution to Contingency Reserve has been computed as per Regulation 36.1 of the MYT Regulations, 2011 i.e. 0.25 % of Opening GFA.



## **2.5 Income Tax**

RInfra-T has computed Income tax for FY 14-15 based on stand-alone Regulatory Profit before Tax (PBT) for Transmission business. This methodology has also been followed by Hon'ble Commission at the time of issuing order for truing up for FY 12-13 and FY 13-14 in Case No. 221 of 2014.

RInfra-T has computed Income Tax at Corporate Tax rate as well as at MAT rate on Book Profit, after determining the Taxable Income as per the formats. Higher of the two is then considered as allowable income tax for FY 14-15.

## **2.6 Revenue for FY 14-15**

### **2.6.1 Revenue from InSTS**

The Hon'ble Commission in its Order dated 13.05.13 in Case no. 56 of 2013 approved InSTS tariff for FY 14-15 effective from 01.04.14 according to which RInfra-T will receive Rs. 326.15 crore per annum i.e. Rs. 27.18 crore per month.

For FY 14-15, the Hon'ble Commission in its Order dated 14.08.14 in Case No. 123 of 2014 approved InSTS tariff for FY 14-15 effective from 01.09.14 according to which RInfra-T will receive Rs. 311.18 crore per annum i.e. Rs. 25.93 crore per month.

Thus, revenue from transmission charges has been considered at Rs. 317.42 crore (Rs. 27.18 crore per month for 5 months and Rs. 25.93 crore per month for 7 months).

### **2.6.2 Non-Tariff Income**

RInfra-T has considered Non-Tariff Income under the following heads:

- Interest on contingency reserve investments: The contingency reserve investments are made in GoI securities and accordingly interest is computed.
- Liquidated damages: The liquidated damages received from vendors on account of delay in the scheduled delivery date of various equipments is considered in NTI.
- Realization of exchange gain / loss: The forex gain / (loss) due to rate difference in material receipt date and actual payment date / year end date is considered in NTI.
- Sale of scrap: The amount received from sale of scrap is considered in NTI.

- Rental income from land usage: RInfra-T is receiving rental charges from RInfra-D on the basis of the MoM entered into between RInfra-T and RInfra-D for land usage charges. The same is accordingly considered as NTI.

### **2.6.3 Income from Other Business**

RInfra has let out space on its substation rooftops for installation of BTS towers of Reliance Communication Ltd. RInfra-T submits that the income from such other businesses should be considered net of tax and thereafter one third of such income net of tax should be reduced from the ARR. In accordance with Regulation 63.1 of the MYT Regulations, 2011, RInfra-T has considered 1/3rd of the amount received after netting of tax i.e. Rs. 0.02 crore as Income from Other Business for FY 14-15.

### **2.6.4 Incentive on Availability of RInfra-T network**

Maharashtra State Load Despatch Centre (MSLDC) has certified the transmission system availability for RInfra-T at 99.81% for FY 14-15.

On conjoint reading of the Regulations 60.1 and 60.2 of the MYT Regulations, 2011, RInfra-T has computed the incentive on Transmission availability by restricting the availability to 99.75%. The Annual Transmission Charges considered for determining incentive are net off Non-Tariff Income and Income from Other Business. The incentive amount is Rs. 4.73 crore.

## **2.7 Revenue Gap / Surplus for FY 14-15**

The revenue gap / surplus for FY 14-15 is arrived at on comparing the revenue received from InSTS and the Aggregate Revenue Requirement (net of Non Tariff Income and Income from Other Business).

The summary of ARR for FY 14-15 is tabulated below:

**Table 3: Truing up Summary for FY 14-15**

<b>Sr. No.</b>	<b>Particulars (Rs. crore)</b>	<b>Actuals</b>	<b>MTR Order</b>	<b>Difference</b>
	<b>Expenditure</b>			
1	Operation & Maintenance expenses	51.74	52.05	(0.31)
2	Interest on long-term loan capital	73.74	73.40	0.34
3	Depreciation	59.57	59.57	0.00
4	Return on Equity	72.30	72.11	0.19
5	Interest on working capital	6.77	6.81	(0.04)
6	Contribution to contingency reserve	3.50	3.50	-

Sr. No.	Particulars (Rs. crore)	Actuals	MTR Order	Difference
7	Income Tax	29.09	1.01	28.08
<b>A</b>	<b>Total expenditure</b>	<b>296.71</b>	<b>268.45</b>	<b>28.26</b>
8	Availability incentive	4.73	-	4.73
9	Efficiency gains on O&M expenses	0.06	-	0.06
<b>B</b>	<b>Total ARR</b>	<b>301.50</b>	<b>268.45</b>	<b>33.05</b>
	<b>Revenue</b>			
10	Revenue from InSTS	317.42	317.42	-
11	Non Tariff income	2.55	2.32	0.23
12	Income from other business	0.02	0.04	(0.01)
<b>C</b>	<b>Total revenue</b>	<b>319.99</b>	<b>319.77</b>	<b>0.22</b>
	<b>Revenue Gap / (Surplus) = (B – C)</b>	<b>(18.49)</b>	<b>(51.33)</b>	<b>32.84</b>

RInfra-T requests the Hon'ble Commission to approve the expenses and revenue and consider the same for truing-up of FY 14-15.

### 3. PROVISIONAL TRUING UP FOR FY 15-16

In this section, RInfra-T is submitting provisional expenses and revenue for FY 15-16 based on unaudited actuals for the first half (H1) and estimates for the second half (H2). RInfra-T requests the Hon'ble Commission to carry out provisional truing up for FY 15-16.

#### 3.1 Capital Expenditure and Capitalization

RInfra-T has incurred an amount of Rs. 14.91 crore towards capital expenditure and Rs. 10.16 crore as capitalization during H1 of FY 15-16. RInfra-T has projected capital expenditure of Rs. 99.43 crore and capitalization of Rs. 54.78 crore during H2 of FY 15-16 considering the progress of the individual schemes.

A summary of the capital expenditure and capitalization for FY 15-16 is as follows:

**Table 4: Summary – Capital expenditure and Capitalization FY 15-16**

Rs. crore		Estimates	MTR Order
Capital expenditure	DPR	105.48	-
	Non-DPR	8.86	-
	<b>Total</b>	<b>114.34</b>	<b>-</b>
Capitalization	DPR	54.94	113.02
	Non-DPR	10.00	21.26
	<b>Total</b>	<b>64.94</b>	<b>134.28</b>

### **3.1.1 Financing Plan**

As at the close of FY 14-15, RInfra-T has admitted regulatory debt balance from various funding agencies.

RInfra-T has not taken any further loans for fresh capex or for refinancing opening CWIP during FY 15-16 so far and therefore the entire capital investment during FY 15-16 is proposed to be financed through normative debt and equity only in the ratio of 70%:30% as per the Regulations.

### **3.1.2 Interest on loan capital**

RInfra-T submits that the Hon'ble Commission in the MTR Order dated 26.06.15 in Case No. 221 of 2014 has computed actual weighted average interest rate at 11.94% for RInfra-T for FY 15-16.

Accordingly, the interest rate of 11.94% is applied on the normative average loan balances for FY 15-16, which are determined using depreciation equivalent repayment.

### **3.1.3 Depreciation**

Regulation 31 of MYT Regulations, 2011 provides for the methodology for computation of depreciation. Depreciation is computed according to the said Regulation. Depreciation has been claimed on the Opening GFA (Gross Fixed Asset) and on the asset added during H1 of FY 15-16, depreciation is computed by considering the actual date of capitalisation. For assets estimated to be added during H2 of FY 15-16, depreciation is simply computed considering mid-point addition for such period.

### **3.1.4 Return on Equity**

For FY 15-16, the Return on Equity (RoE) has been computed based on Regulation 32.2 of the MYT Regulations, 2011 i.e. rate of 15.5% on the equity capital at the beginning of the year plus 50% of the equity portion for the assets capitalized during the year.

## **3.2 Operation & Maintenance (O&M) expenses**

### **3.2.1 Norms as per MYT Regulations**

For FY 15-16, RInfra-T has estimated the O&M expenses as per the norms provided for in the MYT Regulations, 2011 (Regulation 61.5) depending on the number of bays and line length, which are derived on the basis of the capitalization forecast during FY 15-16.

### 3.2.2 Additional expenses related to operations

As already elaborated hereinabove in the section pertaining to “Truing up for FY 14-15”, RInfra-T is claiming the estimated expenses for FY 14-15 against the heads of SCADA charges, Energy charges, Land usage charges and Corporate Allocation.

On the basis of the above, the O&M expense to be considered in the ARR would be as follows:

**Table 5: Summary – Actual O&M expense FY 15-16**

O&M expenses FY 15-16 (Rs. crore)	Estimate	MTR Order	Difference
Normative O&M expenses	43.22	43.22	(0.01)
Corporate allocation	2.34	2.48	(0.14)
Energy charges	3.98	4.15	(0.17)
SCADA charges	1.27	1.16	0.11
Land usage charges	3.86	3.86	-
<b>Total</b>	<b>54.67</b>	<b>54.88</b>	<b>(0.20)</b>

### 3.3 Interest on Working Capital

Working capital requirement has been calculated as per Regulation 35.2 of the MYT Regulations, 2011. The rate of interest is considered as that has been approved by Hon’ble Commission in MTR Order dated 26.06.15 in Case No. 221 of 2014 i.e. 14.750%.

### 3.4 Contribution to Contingency Reserve

Contribution to Contingency Reserve has been computed as per Regulation 36.1 of the MYT Regulations, 2011 i.e. 0.25 % of Opening GFA

### 3.5 Income Tax

In accordance with the MYT Regulations, 2011, Income Tax is required to be provisionally approved on the basis of actual Income Tax for the previous year. In this petition, the actual Income Tax payable for RInfra-T for FY 14-15 is worked out as per the Hon’ble Commission’s formats, considering Regulatory PBT and Book Profit. The same has been considered for provisional truing-up for FY 15-16 as well.

### **3.6 Revenue for FY 15-16**

#### **3.6.1 Revenue from InSTS**

As per Hon'ble Commission Order dated 14.08.14 in Case No. 123 of 2014, the approved InSTS tariff for RInfra-T for FY 15-16 is Rs. 399.75 crore per annum i.e. Rs. 33.31 crore per month. The Hon'ble Commission in its Order dated 26.06.15 in Case No. 57 of 2015, has approved InSTS tariff for FY 15-16 effective from 01.06.15 according to which RInfra-T will receive Rs. 17.41 crore per month (Rs. 208.86 crore per annum).

Thus, revenue from transmission charges for FY 15-16 has been considered at Rs. 240.68 crore (Rs. 33.31 crore per month for 2 months and Rs. 17.41 crore per month for 10 months).

#### **3.6.2 Non-Tariff Income**

RInfra-T has considered Non-Tariff Income for FY 15-16 under the heads of Interest on contingency reserve investments, interest on staff loans and advances, liquidated damages, realization of exchange loss, sale of scrap and rental income from land usage. The nature of income under these heads are already elaborated in the relevant section in 'Truing up for FY 14-15'. Further, RInfra-T has not considered in NTI, the Delayed Payment Charge (DPC) amount of Rs. 35.02 crore considered as NTI by Hon'ble Commission in MTR Order.

#### **3.6.3 Income from Other Business**

RInfra-T has considered Rs. 0.02 crore as income from other business for FY 14-15 and the same is also considered for FY 15-16 also.

### **3.7 Revenue Gap / Surplus for FY 15-16**

The provisional revenue gap / surplus for FY 15-16 is arrived at on comparing the revenue received from InSTS and the Aggregate Revenue Requirement (net of Non Tariff Income and Income from Other Business).

The summary of ARR for FY 15-16 is tabulated below:

**Table 6: Provisional gap / surplus for FY 15-16**

<b>Sr. No.</b>	<b>Particulars (Rs. crore)</b>	<b>Estimate</b>	<b>MTR Order</b>	<b>Difference</b>
	<b>Expenditure</b>			
1	Operation & Maintenance expenses	54.67	54.88	(0.20)
2	Interest on long-term loan capital	70.70	72.83	(2.13)

<b>Sr. No.</b>	<b>Particulars (Rs. crore)</b>	<b>Estimate</b>	<b>MTR Order</b>	<b>Difference</b>
3	Depreciation	61.79	63.12	(1.33)
4	Return on Equity	74.61	75.84	(1.23)
5	Interest on working capital	5.39	4.96	0.43
6	Contribution to contingency reserve	3.59	3.57	0.02
7	Income Tax	29.09	1.01	28.08
<b>A</b>	<b>Total expenditure</b>	<b>299.84</b>	<b>276.21</b>	<b>23.63</b>
	<b>Revenue other than from InSTS</b>			
8	Less: Non Tariff income	2.96	37.65	(34.69)
9	Less: Income from other business	0.02	0.04	(0.01)
<b>B</b>	<b>ARR</b>	<b>296.85</b>	<b>238.52</b>	<b>58.33</b>
C	Cumulative revenue gap till FY 13-14 inclusive of carrying cost	12.94	12.94	-
D	Revenue gap / (surplus) for FY 14-15	(51.33)	(51.33)	-
E	Impact of ATE Judgment in Appeal No. 139 of 2012	8.72	8.72	-
<b>F</b>	<b>Net ARR (B+C+D+E)</b>	<b>267.19</b>	<b>208.86</b>	<b>58.33</b>
G	Revenue from InSTS	240.68	208.86	31.81
<b>H</b>	<b>Provisional Revenue gap / (surplus) for FY 15-16 (F – G)</b>	<b>26.52</b>	<b>0.00</b>	<b>26.52</b>

It is submitted that the revenue gap / (surplus) for FY 14-15 as approved by Hon'ble Commission in the MTR order is considered by RInfra-T on the estimate side. The incremental gap / (surplus) on account of difference between the gap approved by Hon'ble Commission and the truing up gap for FY 14-15 as submitted by RInfra-T is added to the ARR for FY 16-17 for recovery from transmission tariffs. The provisional revenue gap / surplus for FY 15-16 for RInfra-T is added to the ARR for FY 16-17.

#### **4. ARR FOR FY 16-17 TO FY 19-20**

In this section, RInfra-T is submitting the ARR for the Control Period FY 16-17 to FY 19-20 as per the provisions of the relevant Regulations of MYT Regulations, 2015.

##### **4.1 Capital Investment Plan**

The capital investment plan of RInfra-T for the Control Period from FY 16-17 to FY 19-20 is segregated into groups as follows:

- Group A: DPR schemes already approved by Hon'ble Commission.
- Group B: DPR schemes pertaining to the Control Period submitted to Hon'ble Commission for in-principle approval.

- Group C: DPR schemes previously approved by Hon’ble Commission, but for which revised DPRs will be submitted to the Hon’ble Commission in due course because of revision in cost.
- Group D: New DPR schemes envisaged by RInfra-T will be submitted to the Hon’ble Commission for in-principle approval in due course.
- Non-DPR investment

Based on the aforesaid, the scheme wise estimated capital expenditure and capitalization for the Control Period is as below. The capitalized value includes the amount capitalized for works, related expenses and Interest During Construction (IDC).

**Table 7: Capital expenditure during Control Period**

(Rs. crore)	FY 16-17	FY 17-18	FY 18-19	FY 19-20
Group A Schemes	164.19	157.12	39.48	
Group B Schemes	16.50	111.14	8.44	
Group C Schemes	214.18	193.79	412.53	267.73
Group D Schemes	7.43	53.09	123.21	212.62
Non-DPR	12.00	20.00	20.00	20.00
<b>TOTAL</b>	<b>414.30</b>	<b>535.14</b>	<b>603.66</b>	<b>500.34</b>

**Table 8: Capitalization including IDC during Control Period**

(Rs. crore)	FY 16-17	FY 17-18	FY 18-19	FY 19-20
Group A Schemes	74.70	335.46	39.48	
Group B Schemes		129.62	8.44	
Group C Schemes			697.50	443.02
Group D Schemes		3.24	81.77	330.00
Non-DPR	11.27	20.00	20.00	20.00
<b>TOTAL</b>	<b>85.97</b>	<b>488.32</b>	<b>847.19</b>	<b>793.02</b>

#### **4.1.1 Financing Plan**

The funding for capital expenditure schemes to be undertaken afresh during the Control Period is, at present, envisaged through debt: equity capital structure of 70:30, because at present no fresh loan has been contracted for any of these schemes or group of schemes. In case any actual borrowing is made during the Control Period, the same would be submitted at the time of the subsequent petition(s) to be filed under the applicable provisions of the MYT Regulations, 2015.



#### **4.1.2 Interest on Loan Capital**

Regulation 29.5 of the MYT Regulations, 2015 provide that the rate of interest shall be the weighted average rate of interest computed on the basis of the actual loan portfolio at the beginning of each year.

RInfra-T has worked out its actual likely loan balance as on 1<sup>st</sup> April of each year of the Control Period considering the actual cumulative repayments upto 31<sup>st</sup> March of each year of the Control Period as per loan repayment schedules of various banks. The interest rate for each actual loan is considered at the interest rate as is applicable as on the date of filing this petition. The weighted average rate is then worked out using the interest rates of different banks and the outstanding actual loan balances as on 1<sup>st</sup> April of each year of the Control Period. The interest rate so determined is then applied on the normative loan balance (after considering depreciation equivalent repayment) to determine interest chargeable to ARR, in accordance with the MYT Regulations, 2015.

#### **4.1.3 Depreciation**

The asset addition during each financial year of the Control Period after excluding land cost which is specifically attributable to land asset is considered in the same proportion as the opening GFA in each financial year. The interest chargeable to capital works (IDC) is charged only to Building and Plant & Machinery in the proportion of opening GFA of Building and Plant & Machinery.

Depreciation has been computed in accordance with Regulation 27 of the MYT Regulations, 2015. Depreciation has been claimed on the Opening GFA and on the asset estimated to be added during the year, depreciation is simply computed considering mid-point addition for such period.

#### **4.1.4 Return on Equity**

RoE is computed based on Regulation 28 of the MYT Regulations, 2015 i.e. rate of 15.5% on the equity capital at the beginning of the year plus 15.5% on 50% of the equity portion for the assets capitalized during the year.

#### **4.2 Operation & Maintenance (O&M) expenses**

Based on the proposed completion of various capital works, RInfra-T has estimated the addition of circuit kms and bays for each year of the Control Period. Norms for bays and

circuit kms. have been applied as provided for in Regulation 58.4 for RInfra-T to arrive at the estimated O&M expenses.

**Table 9: Operation & Maintenance expenses**

<b>O&amp;M expenses / Rs. Crore</b>	<b>FY 16-17</b>	<b>FY 17-18</b>	<b>FY 18-19</b>	<b>FY 19-20</b>
Circuit Km. basis	3.19	3.45	3.84	4.26
Number of bays basis	53.34	57.60	64.85	75.15
<b>Total</b>	<b>56.52</b>	<b>61.05</b>	<b>68.70</b>	<b>79.41</b>

### **4.3 Interest on Working Capital**

For each year of the Control Period, working capital requirement has been calculated as per Regulation 31.2 of the MYT Regulations, 2015. Rate of interest is provided in Regulation 31.2 (b) of the MYT Regulations, 2015. In accordance with said Regulation, the base rate of SBI as at the time of filing the present petition is 9.3%, to which 150 basis points (1.5%) is added. Thus the rate of 10.8% is considered for arriving at the interest on working capital.

### **4.4 Contribution to Contingency Reserve**

MYT Regulations, 2015 provide for Contributions to Contingency Reserve (CR) at 0.25% of Opening GFA. The same is applied on the opening GFA for each year of the Control Period.

### **4.5 Income Tax**

Vide Regulation 33.1 of the MYT Regulations, 2015, the Income Tax for RInfra-T has been provisionally considered, for each year of the Control Period, at the same level as worked out for FY 14-15 in this petition.

### **4.6 Revenue**

#### **4.6.1 Non-Tariff Income**

Major heads of Non-Tariff Income have been forecast for each year of the Control Period as explained hereunder:

- Rental income from land usage: The MoM entered into between RInfra-T and RInfra-D is valid till FY 15-16. A fresh Arrangement through MoM is likely to be entered and made applicable from 01.04.2016 onwards, which will be based on the applicable Ready Reckoner rates. However, in absence of a fresh arrangement at this time and the inability

to forecast the Ready Reckoner rates as might be applicable when the arrangement is executed, the rental income for usage of land by RInfra-D during the Control Period is projected considering the charges for FY 15-16 and escalating by the same escalation factor of 5% per annum as agreed in the existing arrangement

- Interest on staff loans and advances: For FY 15-16, the interest on staff loan and advances is estimated to be Rs. 0.07 crore based on actuals for FY 14-15. The same amount is considered for each year of the Control Period.
- Interest on contingency reserve investments: The contingency reserve investments are to be made in GoI securities and accordingly interest is computed.

#### **4.6.2 Income from Other Business**

As elaborated in this petition earlier, RInfra-T has considered Rs. 0.02 crore as income from other business for FY 14-15 and FY 15-16 which is 1/3<sup>rd</sup> of the revenue from such other business. Regulation 60 of the MYT Regulations, 2015 provides for 2/3<sup>rd</sup> of the revenue from such other business to be considered as income from other business. In accordance with aforesaid Regulation, RInfra-T has considered 2/3<sup>rd</sup> of the amount received after netting of income tax i.e. Rs. 0.05 crore as Income from Other Business for FY 16-17 and thereafter Rs. 0.06 crore from FY 17-18 onwards (rent to be enhanced by 25% from 01-04-2017 as per agreement).

#### **4.7 Carrying cost on Revenue Gap / Surplus for FY 14-15**

It is submitted that the revenue gap / (surplus) for FY 14-15 as approved by Hon'ble Commission in the MTR order is considered by RInfra-T in the estimated ARR for FY 15-16. The incremental gap / (surplus) on account of difference between the gap approved by Hon'ble Commission and the trueing up gap for FY 14-15 as submitted by RInfra-T is now added to the ARR for FY 16-17, along with associated carrying cost, the interest rate for which is considered as below:

- For FY 14-15 and FY 15-16, the interest rate is as approved by Hon'ble Commission in MTR order in Case No. 221 of 2014 for the interest on working capital.
- For FY 16-17, the base rate of SBI as at the time of filing the present petition is 9.3%, to which 150 basis points (1.5%) is added. Thus the rate of 10.8% is considered for carrying cost determination.

#### 4.8 Aggregate Revenue Requirement

Based on the individual elements described above, the total projected Aggregate Revenue Requirement (ARR) for each year of the Control Period FY 16-17 to FY 19-20 is as shown in the table below:

**Table 10: ARR for the Control Period**

Sr. No.	Particulars (Rs. crore)	FY 16-17	FY 17-18	FY 18-19	FY 19-20
	<b>Expenditure</b>				
1	Operation & Maintenance expenses	56.52	61.05	68.70	79.41
2	Interest on long-term loan capital	66.38	81.22	124.18	175.26
3	Depreciation	66.30	80.85	111.14	148.70
4	Return on Equity	78.12	91.47	122.52	160.66
5	Interest on working capital	6.95	7.00	9.15	12.08
6	Contribution to contingency reserve	3.75	3.96	5.18	7.30
7	Income Tax	29.09	29.09	29.09	29.09
<b>A</b>	<b>Total expenditure</b>	<b>307.10</b>	<b>354.64</b>	<b>469.96</b>	<b>612.49</b>
	<b>Revenue other than from InSTS</b>				
8	Non Tariff income	2.96	3.34	3.77	4.34
9	Income from other business	0.05	0.06	0.06	0.06
<b>B</b>	<b>Total revenue</b>	<b>3.01</b>	<b>3.40</b>	<b>3.83</b>	<b>4.40</b>
<b>C</b>	<b>ARR (A - B)</b>	<b>304.08</b>	<b>351.24</b>	<b>466.12</b>	<b>608.09</b>
D	Revenue gap / (surplus) for FY 14-15	32.84			
E	Carrying cost on Revenue gap / (surplus) for FY 14-15	-6.36			
F	Provisional Revenue gap / (surplus) for FY 15-16	26.52			
<b>G</b>	<b>Net ARR (C + D + E + F)</b>	<b>357.07</b>	<b>351.24</b>	<b>466.12</b>	<b>608.09</b>

RInfra-T requests the Hon'ble Commission to approve the aforesaid ARR to be recovered from Transmission Tariff for each year of the Control Period.