

1. EXECUTIVE SUMMARY

1.1. Introduction

- A.1. VIPL, a Special Purpose Vehicle (SPV) fully owned by Reliance Power Limited, has established a 600 MW (i.e. 2 x 300 MW each) thermal generating station at Butibori location near Nagpur in the State of Maharashtra. VIPL has signed a PPA with Reliance Infrastructure Limited – Distribution (hereinafter referred as RInfra-D) for procurement of entire 600 MW from the station to serve the energy requirement of its consumers in its license area.
- A.2. The Commission granted a Transmission Licence to VIPL for a period of 25 years vide order dated January 5, 2015 from the date of the order, under Alternative 2 and in accordance with the MERC (Transmission Licence Conditions) Regulations, 2004 as amended in 2006.
- A.3. The Hon’ble Commission vide order dated 29th Feb 16 in Case no 36 of 2015 provisionally approved Capital Cost and ARR for FY 14-15 and FY 15-16.
- A.4. VIPL has filed present petition in compliance with Regulation 5.1 of the MYT Regulation 2015 for Truing Up of FY 2014-15, Provisional True Up for FY 2015-16 and Annual Revenue Requirement (ARR) and determination of Tariff for MYT Third Control Period

1.2. Approach and Objective of the Petition

VIPL-T is hereby submitting the revised petition for Truing Up of FY 2014-15, Provisional True Up for FY 2015-16 and Annual Revenue Requirement (ARR) and determination of Tariff for MYT Third Control Period

1.3. Truing Up of ARR & Tariff of FY 2014-15

A. Operation & Maintenance (O&M) expenses:

The Operation & Maintenance (O&M) expenses as approved in Hon’ble Commission’s order in Case No 36 of 2015 and actual O&M expenses incurred in FY 14-15 are summarised below:

Table 1: Operation and Maintenance FY 14-15

Particulars (Rs. crore)	MYT Order	Actual	Difference
O & M Expenses	0.66	0.22	0.44

2/3rd of Efficiency gain amounting to Rs 0.29 Cr out of total gain of Rs. 0.44 Cr is claimed by VIPL as per Regulation 14.1 of the MYT Regulations,2011.

B. Capital Expenditure and Capitalization:

VIPL-T submits that no capital expenditure has been incurred during FY 14-15.

C. Depreciation

VIPL-T has computed depreciation as per the capital cost approved by the Hon'ble Commission and considering the depreciation rates notified under MYT Regulations - 2011, the details of depreciation for FY 14-15 are as follows:

Table 2: Depreciation FY 14-15

Particulars (Rs. crore)	MYT Order	Actual	Difference
Depreciation	1.41	1.41	0.00

D. Interest on loan capital:

VIPL-T has claimed Interest on loan capital based on the normative loan approved by the Commission and actual interest rate applicable as on 1st April 2014

The details of Interest on Loan Capital for FY 2014-15 are summarised as follows:

Table 3: Interest on Loan Capital FY 14-15

Particulars (Rs. crore)	MYT Order	Actual	Difference
Interest on long-term loan	2.46	2.57	- 0.10

E. Return on Equity

VIPL-T has claimed RoE based on Capital cost and debt equity ratio approved by the Commission at the rate of 15.5% applicable as per Regulations 32.2 of MYT Regulations 2011.

Table 4: Return on Equity FY 14-15

Particulars (Rs. crore)	MYT Order	Actual	Difference
Return on Equity	1.27	1.27	0.00

F. Interest on Working Capital

Working capital requirement has been calculated as per Regulation 35.2 of the MYT Regulations, 2011 by applying the norms to the actuals.

Table 5: Interest on Working Capital FY 14-15

Particulars (Rs. crore)	MYT Order	Actuals	Normative based on actual as per MYT RegIn 11	Gain
Interest on Working Capital	0.13	0.00	0.104	0.104

The resulting controllable gains of Rs 0.104 Cr is proposed to be shared as per Regulation 14.1 of the MYT Regulations, 2011.

G. Income Tax

Since the Capital Cost and ARR for FY 14-15 and FY 15-16 was not approved, Revenue of VIPL-T for FY 14-15 was not considered under InSTS tariff and accordingly income tax liability for FY 14-15 for VIPL-T was nil.

Table 6: Income Tax FY 14-15

Particulars (Rs. crore)	MYT Order	Actual	Difference
Income Tax	0.34	0.00	0.34

H. Contribution to Contingency Reserve

The details of Contribution to Contingency Reserve as approved by Hon'ble Commission in its order in Case no. 36 of 2015 and actual are summarised below:

Table 7: Contribution to Contingency Reserve FY 14-15

Particulars (Rs. crore)	MYT Order	Actual	Difference
Contribution to Contingency Reserve	0.07	0.00	0.07

I. Revenue for FY 14-15

Revenue from InSTS, non-tariff income and other business is nil.

The incentive amount for achieving annual availability beyond the Target Availability for FY 2014 -15 is Rs.0.104 Cr.

J. Revenue Gap / Surplus for FY 14-15

The summary of true up for FY 14-15 is as follows:

Table 8: Truing up Summary for FY 14-15

Sr. No.	Particulars (Rs. crore)	MYT Order	Approved in MYT Order/ Revised normative based on actual	Actual	Difference
1	Operation & Maintenance Expenses	0.66	0.66	0.22	0.44
2	Depreciation Expenses	1.41	1.41	1.41	0.00
3	Interest on Long-term Loan Capital	2.46	2.46	2.57	- 0.10
4	Interest on Working Capital	0.13	0.104	0.00	0.104
5	Income Tax	0.34	0.34	0.00	0.34
6	Contribution to Contingency reserves	0.07	0.07	0.00	0.07
7	Total Revenue Expenditure	5.07	5.04	4.20	0.87
8	Return on Equity Capital	1.27	1.27	1.27	0.00
9	Aggregate Revenue Requirement	6.33	6.31	5.47	0.87
10	Add: 2/3rd of Efficiency Gain/(losses) (due to controllable factors) to be retained by VIPL in O&M Expenses	0.00		0.29	
11	Add: 2/3rd of Efficiency Gain/(losses) (due to controllable factors) to be retained by VIPL in Working Capital requirement	0.00		0.07	

12	Less: Income from Other Business	0.00		0.00	
13	Add: Availability Incentive	0.00		0.104	
14	Aggregate Revenue Requirement from Transmission Tariff	6.33		5.93	
15	Revenue from transmission tariff	0.00		0.00	
16	Revenue Gap/(Surplus)			5.93	

The Hon'ble Commission is requested to approve the actual expenses and revenue and consider the same for true-up of FY 2014-15.

The Hon'ble Commission in Order dated 29 February, 2016 in the matter approval of Capital Cost and ARR for FY 2014-15 to 2015-16 for VIPL-T has ruled that it may take a view regarding the recovery of the remaining part of the ARR for FY 2014-15 prior to the Transmission Licence through its MYT Order for the Third Control Period for VIPL's Generation business.

Accordingly, the Petitioner requests the Hon'ble Commission to approve the remaining part of ARR for FY 2014-15 (after true up) for VIPL-T prior to the Transmission License in the Order to be issued in the Petition of VIPL-G.

K. Carrying Cost on Revenue Gap/ (Surplus) for FY 2014-15

VIPL has considered the interest rate equivalent to the weighted average SBAR of FY 2014-15 & FY 15-16 as per MYT Regulations 2011 and Base rate plus 150 basis points for FY 16-17 as per MYT Regulations 2015 for computation of carrying cost which is being provided in the table below:

Table 9: Carrying Cost on Revenue Gap/ (Surplus) for FY 2014-15

Particulars	UoM	FY 14-15	FY 15-16	FY 16-17
SBAR	%	14.75%	14.75%	10.80%
Opening Balance of Principal	Rs Cr	-	6.37	7.31
Addition	Rs Cr	5.93		
Closing Balance of Principal	Rs Cr	5.93	6.37	7.31
Carrying Cost on opening	Rs Cr	-	0.94	0.39
Carrying Cost on addition	Rs Cr	0.44	-	-
Total carrying cost	Rs Cr	0.44	0.94	0.39
Total gap including Carrying cost	Rs Cr			7.70

Break up of True up of FY 14-15 including carrying cost to be recovered through ARR of FY 16-17 of Transmission and Generation Business of VIPL

Sr. No.	Particulars (Rs. crore)	Period of ARR	Case 36 of 2015	True Up FY 14-15
1	Revenue Gap/(Surplus) to be recovered through ARR of FY 16-17 of Transmission Business (next InSTS Order) (Including Carrying cost)	5 January, 2015 to 31 March, 2015	1.49	1.82
2	Revenue Gap prior to grant of Transmission Licence to be recovered through ARR of FY 16-17 of VIPL- Generation Business	1 April, 2014 to 4 January, 2015	4.84	5.89
3	Total Revenue Gap of FY 14-15 to be recovered through ARR of FY 16-17 of Generation and Transmission Business of VIPL	1 April, 2014 to 31 March, 2015	6.33	7.70

1.4. Provisional Truing Up for FY 2015-16

VIPL-T is submitting the provisional expenses and revenue for FY 15-16 based on unaudited actual for the first half (H1) and estimates for the second half (H2).

Provisional True up of FY 15-16 has been projected based on the Hon'ble Commission's order in Case No 36 of 2015 for approval of Capital cost and ARR for FY 14-15 & FY 15-16.

A. Operation & Maintenance (O&M) expenses:

The Hon'ble Commission vide its order in Case No. 36 of 2015 has approved the normative O&M expenses of Rs. 0.69 Cr for FY15-16.

VIPL-T submits that the efficiency gains/loss on O&M expenses with respect to audited actuals vis-à-vis the O&M expenses approved by the Hon'ble Commission in its order in Case No. 36 of 2015 will be claimed at the time of truing up for FY 15-16.

Table 10: Operation and Maintenance Expenses FY 15-16

Particulars (Rs. crore)	MYT Order	Projected	Difference
O&M cost	0.69	0.69	0

B. Capital Expenditure and Capitalization:

VIPL-T submits that no capital expenditure is envisaged during FY 2015-16.

C. Depreciation:

The summary for depreciation claimed for FY 2015-16 is tabulated below:

Table 21: Depreciation FY 15-16

Particulars (Rs. crore)	MYT Order	Projected	Difference
Depreciation	1.41	1.41	0

D. Interest on Loan Capital :

VIPL submits that the opening loan for FY 15-16 for the purpose of interest is calculated as equal to closing loan balance of FY 14-15. Closing loan for FY 15-16 is derived after deducting repayment equivalent to depreciation.

Table 12: Interest on Loan Capital FY 15-16

Particulars (Rs. crore)	MYT Order	Projected	Difference
Interest on long-term loan	2.11	2.12	- 0.01

E. Return on Equity:

VIPL-T has considered the opening equity for FY 15-16 as equal to closing equity of FY 14-15 as approved by the Hon'ble Commission in its order in Case No. 36 of 2015.

For FY 15-16, the RoE is 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.

Table 13: Return on Equity FY 15-16

Particulars (Rs. crore)	MYT Order	Projected	Difference
Return on Equity	1.27	1.27	0.00

F. Interest on Working Capital:

For FY 15-16, working capital requirement has been calculated as per Regulation 35.2 of the MYT Regulations, 2011 and same is as under.

Table 14: Interest on Working Capital FY 15-16

Particulars (Rs. crore)	MYT Order	Projected	Difference
Interest on Working Capital	0.120	0.116	0.004

G. Income Tax:

Since there is no revenue for VIPL-T, the income tax liability for FY 15-16 would work out to be NIL. Accordingly, no Income tax for FY 15-16 has been considered.

Table 15: Income Tax FY 15-16

Particulars (Rs. crore)	MYT Order	Projected	Difference
Income Tax	0.34	0.00	0.34

H. Contribution to Contingency Reserve:

Regulation 36.1 of the MYT Regulations, 2011 provides for Contributions to Contingency Reserve (CR) a sum not less than 0.25 per cent and not more than 0.5 per cent of the original cost of fixed assets.

VIPL-T has considered the contribution to contingency reserve for FY 15-16 as approved by the Hon'ble Commission in its order in Case No. 36 of 2015.

Table 16: Contribution to Contingency Reserve FY 15-16

Particulars (Rs. crore)	MYT Order	Projected	Difference
Contribution to Contingency Reserve	0.07	0.07	0.00

I. Revenue for FY 15-16:

Revenue from InSTS: Revenue from InSTS, non-tariff income and other business is nil.

J. Provisional Revenue Gap / Surplus for FY 15-16 :

The summary of provisional true up for FY 15-16 is tabulated below:

Table 17: Provisional gap / surplus for FY 15-16

Sr. No.	Particulars (In Rs. Cr)	MYT Order	Projected	Difference
1	Operation & Maintenance Expenses	0.69	0.69	0.00
2	Depreciation Expenses	1.41	1.41	0.00
3	Interest on Long-term Loan Capital	2.11	2.12	- 0.01
4	Interest on Working Capital and on security deposits	0.120	0.116	0.004
5	Income Tax	0.34	0.00	0.34
6	Contribution to Contingency reserves	0.07	0.07	0.00
7	Total Revenue Expenditure	4.74	4.41	0.33
8	Return on Equity Capital	1.27	1.27	0.00
9	Aggregate Revenue Requirement	6.01	5.68	0.33
12	Less: Income from Other Business	0.00	0.00	0.00
13	Aggregate Revenue Requirement from Transmission Tariff	6.01	5.68	0.33
14	Revenue from transmission tariff	0.00	0.00	0.00
15	Revenue Gap/(Surplus)		5.68	

The Hon'ble Commission is requested to approve the revenue gap for FY 2015-16

It is submitted that the revenue gap / (surplus) for FY 14-15 along with carrying cost and revenue gap for FY 15-16 for VIPL-T is added to the ARR for FY 16-17 for recovery.

1.5. Annual Revenue Requirement for FY 2016-17 to 2019-20:

ARR for Third Control period from FY 16-17 to FY 19-20 has been projected based on the Capital cost and ARR for FY 14-15 & FY 15-16 approved by Hon'ble Commission in its order in Case No.36 of 2015.

A. Operation & Maintenance (O&M) expenses:

VIPL-T submits that it has considered O&M expenses based on the norms prescribed under MYT-15. The O&M expenses estimated by VIPL-T is as follows:

Table 18: O&M expenses as per Norms

Particulars (Rs. crore)	FY 16-17	FY 17-18	FY 18-19	FY 19-20
O&M expenses as per Norms	0.73	0.76	0.80	0.84

B. Capital Investment Plan

VIPL-T has not envisaged any capital investment plan for next control period FY16-17 to FY 19-20.

C. Depreciation

The summary for depreciation proposed for FY 16-17 to FY19-20 is tabulated below:

Table 19: Projected Depreciation

Particulars (Rs. crore)	FY 16-17	FY 17-18	FY 18-19	FY 19-20
Depreciation	1.41	1.41	1.41	1.41

D. Interest on Loan Capital:

The summary for Interest on Loan Capital proposed for FY 16-17 to FY19-20 is tabulated below:

Table 20: Projected Interest on Loan Capital

Particulars (Rs. crore)	FY 16-17	FY 17-18	FY 18-19	FY 19-20
Interest on long-term loan	1.84	1.67	1.50	1.34

E. Return on Equity:

For each Financial Year of the Control Period, the 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.

The summary for Return on Equity for FY 16-17 to FY19-20 is tabulated below:

Table 21: Projected Return on Equity

Particulars (Rs. crore)	FY 16-17	FY 17-18	FY 18-19	FY 19-20
Total Return on Equity	1.27	1.27	1.27	1.27

F. Interest on Working Capital:

The summary for Interest on Working Capital proposed for FY 16-17 to FY19-20 is tabulated below:

Table 22: Projected Interest on Working Capital

Particulars (Rs. crore)	FY 16-17	FY 17-18	FY 18-19	FY 19-20
Interest on Working Capital	0.24	0.11	0.11	0.11

G. Income Tax:

VIPL-T is entitled to avail 80 IA benefits under Income tax Act, the income tax liability for FY 16-17 would be at MAT rate. Accordingly for FY 16-17 VIPL-T has considered the MAT rate on PBT for calculation of Income tax.

For FY 17-18 onwards, VIPL-T has estimated the income tax by grossing up of Return on Equity by MAT rate of 21.34% for the respective year.

Income Tax considered for each FY of the Control Period is as under:

Table 23: Projected Income Tax

Particulars (Rs. crore)	FY 16-17	FY 17-18	FY 18-19	FY 19-20
Income Tax	1.87	0.34	0.34	0.34

H. Contribution to Contingency Reserve:

VIPL-T has proposed 0.25% of the original cost of fixed assets as per Regulation 34.1 of the MYT Regulations, 2015 as contribution to contingency reserve.

Table 24: Projected Contribution to Contingency Reserve

Particulars (Rs. crore)	FY 16-17	FY 17-18	FY 18-19	FY 19-20
Contribution to Contingency Reserve	0.07	0.07	0.07	0.07

I. Revenue:

a) **Non-Tariff Income:** Interest on contingency reserve investments:

VIPL-T submits that it will invest the contingency reserve in Govt. Securities considering the average interest rate of 8%, the interest on contingency reserve investment for FY 16-17 to FY 19-20 is as under.

Table 25: Projected Non-Tariff Income

Particulars (Rs. crore)	FY 16-17	FY 17-18	FY 18-19	FY 19-20
Non-Tariff Income	0.01	0.01	0.02	0.02

b) **Income from Other Business:**

VIPL-T submits that it has not envisaged any income from other business for the third control period.

J. Revenue Gap / Surplus for FY 14-15 & F 15-16

It is submitted that the revenue gap / (surplus) for FY 14-15 and revenue gap of FY 15-16 is considered by VIPL-T on the estimate side in ARR for FY 16-17. The carrying cost on gap/ (surplus) of FY 14-15 is also included in FY 16-17 ARR to be recovered by VIPL-T through the InSTS Order for FY 16-17 that would be issued by the Hon'ble MERC.

K. Annual Revenue Requirement for third control period

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

Table 26: ARR for the Control Period

Sr. No.	Particulars (In Rs. Cr)	Ensuing Years			
		FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
		Projected	Projected	Projected	Projected
1	Operation & Maintenance Expenses	0.73	0.76	0.80	0.84
2	Depreciation Expenses	1.41	1.41	1.41	1.41
3	Interest on Loan Capital	1.84	1.67	1.50	1.34
4	Interest on Working Capital and on Consumer Security Deposits	0.24	0.11	0.11	0.11
5	Income Tax	1.87	0.34	0.34	0.34
6	Contribution to contingency reserves	0.07	0.07	0.07	0.07
7	Total Revenue Expenditure	6.15	4.37	4.24	4.11
8	Add: Return on Equity Capital	1.27	1.27	1.27	1.27
9	Aggregate Revenue Requirement	7.42	5.64	5.51	5.38
10	Less: Non Tariff Income	0.01	0.01	0.02	0.02
11	Less: Income from Other Business	0.00	0.00	0.00	0.00
12	Less: Income from Open Access charges	0.00	0.00	0.00	0.00
13	Add: Revenue gap of FY 14-15 including Carrying cost	1.82			
14	Add: Revenue gap for FY 2015-16	5.68			
15	Aggregate Revenue Requirement from Transmission	14.90	5.62	5.49	5.35
16	Revenue Gap of FY 14-15 prior to Licence to be recovered from VIPL Generation ARR for FY 16-17 including Carrying cost	5.89			

The Hon'ble Commission is requested to approve the aforementioned ARR of Rs 14.90 Cr, Rs 5.62 Cr, Rs 5.49 Cr & Rs 5.35 Cr for FY 16-17 to FY 19-20 respectively to be recovered from Transmission Tariff for each Financial Year of the Control Period FY 16-17 to FY 19-20. Further it is requested to approve recovery of the remaining part of ARR of Rs 5.89 Cr for FY 2014-15 prior to the Transmission Licence through its MYT Order for the Third Control Period for VIPL's Generation business