

1. EXECUTIVE SUMMARY

1.1 Overall Approach to the Present Filing

Historical Perspective:

The Tata Power Company Limited (“Tata Power”) is a company established in 1919. On 1st April, 2000, The Tata Hydro-Electric Power Supply Company Limited (established in 1910) and The Andhra Valley Power Supply Company Limited (established in 1916) were merged into Tata Power, to form one unified entity. Consequent to the merger, the Licences of the above mentioned companies were also merged and Tata Power was granted a Licence by the Government of Maharashtra (GoM) for the supply of energy to the public in its Mumbai Licence Area and to supply energy in bulk to Distribution Licensees, vide resolution No: IEA – 2001/ CR-10509/NRG-1, dated 12th July, 2001.

The above mentioned licences were valid till 15th August, 2014. Thereafter, an application was made by Tata Power-T for grant of Transmission Licence in Case No. 112 of 2014. The Hon’ble Commission on 14th August, 2014 granted Transmission Licence to Tata Power for the Transmission Lines and the Receiving Stations (or Transmission Receiving Stations) located in and outside the Mumbai area, owned by Tata Power or proposed to be constructed and owned by Tata Power in future and forming part of the Intra-State Transmission System of Maharashtra for a period of 25 years effective from 16th August, 2014.

1.2 Filings under Present Petition

Tata Power-T, in this petition, has presented the following for the period FY 2014-15 to FY 2019-20:

- Truing up of FY 2014-15 based on actual performance
- Provisional Truing-up of FY 2015-16
- Gap / (Surplus) at the end of FY 2015-16 including past recoveries
- Projections for FY 2016-17 to FY 2019-20
- Status of Compliance to Directives

The brief summary of the submission has been presented below:

1.2.1 Capitalisation

Tata Power – T has presented in the Table below, the actual capital expenditure and capitalisation for FY 2014-15, estimated capital expenditure and capitalisation for FY 2015-16 and the projected capital expenditure and capitalisation for the Control Period FY 2016-17 to FY 2019-20.

Table 0-1: Capital Expenditure & Capitalisation (FY 2014-15 to FY 2019-20)

Category	Capital Expenditure						Capitalisation					
	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2014-15*	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
DPR	322.86	223.78	225.17	272.38	392.96	503.25	440.11	193.45	177.70	223.61	278.37	204.67
Non-DPR	33.77	38.93	46.62	42.19	15.88	16.68	41.15	27.68	27.00	39.53	20.13	11.71
Total	356.63	262.71	271.79	314.57	408.84	519.93	481.26	221.13	204.70	263.14	298.50	216.38

Rs. Crores

* - In addition to the capitalisation in FY 2014-15, earlier disallowed capitalisation of FY 2008-09 of Rs. 137.92 Crores (including IDC has also been considered for FY 2014-15

1.2.2 Return on Equity (RoE)

With reference to MYT Regulations 2011, Tata Power - T has evaluated the RoE based on actual capitalisation for the period FY 2014-15 and on the basis of projected capitalisation for the period FY 2015-16 to FY 2019-20. The RoE for the Control Period FY 2016-17 to FY 2019-20 has been computed based on the projected figures of capitalisation in line with MYT Regulations, 2015. The RoE for the purpose of Truing up and projections for various years has been presented below:

Table 0-2: Return on Equity (FY 2014-15 to FY 2019-20)

Sr. No.	Particulars	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
1	Regulatory Equity at the beginning of the year	794.56	937.72	1,004.06	1,065.47	1,144.41	1,233.96
2	Less: Equity Portion of Asset de-capitalised / retired During the Year	(1.22)	-				
3	Capitalisation	481.26	221.13	204.70	263.14	298.50	216.38
4	Equity portion of capitalisation	144.38	66.34	61.41	78.94	89.55	64.92
5	Regulatory Equity at the end of the year	937.72	1,004.06	1,065.47	1,144.41	1,233.96	1,298.88
Return Computation							
6	Return on Regulatory Equity @15.5% at the beginning of the year	123.16	145.35	155.63	165.15	177.38	191.26
7	Return on Regulatory Equity @50% of capitalisation during the year	11.09	5.14	4.76	6.12	6.94	5.03
8	Total Return on Regulatory Equity	134.25	150.49	160.39	171.27	184.32	196.29

Rs. Crores

1.2.3 Interest and Finance Charges

The Interest costs have been captured under the following three heads:

- Interest on Loan
- Interest on Working Capital
- Other Finance Charges

Interest on Loan:

The details of the loans taken for funding the capitalisation for the period from FY 2014-15 to FY 2019-20 have been presented in detail in the respective sections of the Petition. The Interest Amount on the Loans at actuals for FY 2014-15 and projected for FY 2016-17 to FY 2019-20 is as shown in the Table below:

Table 0-3: Interest on Loan (FY 2014-15 to FY 2019-20)

Particulars	Rs. Crores					
	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Opening Balance of Loan	747.08	984.94	1022.04	1042.38	1091.85	1153.05
Additions	336.88	154.79	143.29	184.20	208.95	151.47
Repayment	99.02	117.69	122.94	134.74	147.74	156.50
Closing Balance of Loans	984.94	1022.04	1042.38	1091.85	1153.05	1148.02
Overall Interest Rate (%)	10.86%	10.86%	10.86%	10.86%	10.86%	10.86%
Interest Cost	94.05	108.98	112.10	115.89	121.90	124.95

Interest on Working Capital:

The Interest on Working Capital has been computed based on the elements specified in the MYT Regulations, 2011 for FY 2014-15 and FY 2015-16. Similarly, the interest for FY 2016-17 to FY 2019-20 has been computed with reference to MYT Regulations, 2015.

Table 0-4: Interest on Working Capital (FY 2014-15 to FY 2019-20)

Sr. No.	Particulars	Rs. Crores					
		FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
1	One-twelfth of the amount of Operations & Maintenance Expenses	15.68	17.60	15.82	17.08	18.82	20.40
2	One-twelfth of the sum of the book value of stores, materials & supplies / 1% of GFA	12.31	11.00	30.49	32.53	35.17	38.15
3	One and a half months equivalent of the transmission charges	85.43	55.64	100.05	86.82	94.33	101.86
4	Total Working Capital	113.41	84.25	146.36	136.43	148.32	160.41
5	Interest Rate (%)	14.75%	14.75%	10.80%	10.80%	10.80%	10.80%
6	Interest on Working Capital	16.73	12.43	15.81	14.73	16.02	17.32

Other Finance Charges:

The Finance Charges have been considered at actuals for FY 2014-15 which works out to **Rs. 0.07 Crores**. Other finance charges for the MYT period have been considered Nil.

1.2.4 Depreciation

Tata Power - T has computed the Depreciation by applying the rates specified under the MYT Regulations, 2011 for the period FY 2014-15 and FY 2015-16 and under MYT Regulations, 2015 for the period FY 2016-17 to FY 2019-20. Based on the same, the Depreciation works out as given in the Table below:

Table 0-5: Depreciation (FY 2014-15 to FY 2019-20)

Particulars	Rs. Crores					
	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Opening GFA	2350.43	2827.63	3048.75	3253.45	3516.59	3815.09
Total Depreciation	99.02	117.69	122.94	134.74	147.74	156.50
Average Depreciation	4.21%	4.16%	4.03%	4.14%	4.20%	4.10%

1.2.5 O&M Expenditure

The O&M expenditure for the period FY 2014-15 to FY 2015-16 has been calculated by applying the norms given in the MYT Regulations, 2011 and considering the actual number of bays and line lengths in operation. The O&M Expenditure for FY 2016-17 to FY 2019-20 is projected by applying the norms given in the MYT Regulations, 2015 and estimated number of bays and line lengths which would be in operation in the respective years.

Based on the above, the O&M expenditure has been computed in the Table below:

Table 0-6: O&M Expenditure (FY 2014-15 to FY 2019-20)

O&M Expenditure	Rs. Crores					
	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Bays						
Between 66 kV and 400 kV	115.32	129.41	116.08	125.49	137.75	149.16
Less than 66 kV	57.87	65.58	59.47	64.30	71.76	78.46
Transmission Lines						
Between 66 kV and 400 kV	14.93	16.24	14.24	15.17	16.32	17.12
Normative O&M Expenditure	188.12	211.23	189.78	204.97	225.84	244.75

1.2.6 Income Tax

The Income Tax has been computed for FY 2014-15 based on the methodology adopted by the Hon'ble Commission in its MTR Tariff Order for Tata Power-T in Case No 5 of 2015. The Income Tax for FY 2015-16 has been calculated as provisionally approved in the MYT Regulations, 2011 while the Income tax for FY 2016-17 to FY 2019-20 is calculated as per MYT Regulations, 2015.

Based on the above, the Income Tax for the period from FY 2014-15 to FY 2019-20 is as shown in the Table below:

Table 0-7: Income Tax (FY 2014-15 to FY 2019-20)

Particulars	Rs. Crores					
	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Income Tax	66.48	101.98	45.22	62.90	69.53	86.49

1.2.7 Contribution to Contingency Reserves:

The Contribution to Contingency Reserves has been computed at 0.25 % of opening GFA for the period FY 2014-15 to FY 2019-20 subject to not exceeding 5% of the GFA. The Contribution to Contingency Reserves for the period starting from FY 2014-15 to FY 2019-20 is shown in the Table below:

Table 0-8: Contribution to Contingency Reserves (FY 2014-15 to FY 2019-20)

Particulars	Rs. Crores					
	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Contribution to Contingency Reserves	5.88	7.07	7.62	8.13	8.79	9.54

1.2.8 Non-Tariff Income

For the period FY 2014-15, Tata Power-T has provided the actual Non-Tariff Income and the same comprises of Recurring items and Non-Recurring items. For FY 2015-16, the Non-Tariff Income considered is the same as that approved in MYT Order in Case No. 5 of 2015 without the DPC. Non-Tariff Income for the year FY 2016-17 onwards has been proposed based on the CAGR computed based on the actual Non-Tariff Income of 4 years of the Second Control Period i.e. for FY 2011-12 to FY 2014-15.

The Non-Tariff Income for the period FY 2014-15 to FY 2019-20 is as shown in the Table below:

Table 0-9: Non-Tariff Income (FY 2014-15 to FY 2019-20)

Particulars	Rs. Crores					
	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Non- Tariff Income	14.50	18.24	16.83	18.11	19.49	20.97

1.2.9 Incentive on Transmission Availability:

The Availability of the Transmission System of Tata Power for FY 2014-15 has been presented as certified by MSLDC. For the period FY 2015-16 to FY 2019-20, no incentive has been considered. However, the same shall be computed and presented at the time of submission of True-up of the respective years. The Incentives considered for the period FY 2014-15 to FY 2019-20 are shown in the Table below:

Table 0-10: Incentive (FY 2014-15 to FY 2019-20)

Particulars	Rs. Crores					
	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Incentive	8.60	-	-	-	-	-

1.2.10 Annual Revenue Requirement

Based on the actuals for the year for FY 2014-15 and the projections of the various elements for period FY 2015-16 and FY 2016-17 to FY 2017-20, the ARR for different years is shown in the Table below:

Table 0-11: ARR (FY 2014-15 to FY 2019-20)

Particulars	Rs. Crores					
	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
O&M Charges	188.12	211.23	189.78	204.97	225.84	244.75
Interest on Long-term Loan	94.05	108.98	112.10	115.89	121.90	124.95
Interest on Working Capital	16.73	12.43	15.81	14.73	16.02	17.32
Other Finance Charges	0.07	0.00	-	-	-	-
Depreciation	99.02	117.69	122.94	134.74	147.74	156.50
Return on Equity	134.25	150.49	160.39	171.27	184.32	196.29
Income Tax	66.48	101.98	45.22	62.90	69.53	86.49
Contribution to Contingency Reserves	5.88	7.07	7.62	8.13	8.79	9.54
Annual Transmission Charges	604.59	709.86	653.86	712.63	774.14	835.84
Less: Non Tariff Income	14.50	18.24	16.83	18.11	19.49	20.97
Total Transmission Charges	590.09	691.62	637.03	694.52	754.65	814.87
Add: Incentive	8.60					
Net Aggregate Revenue Requirement from Transmission Tariff	598.69	691.62	637.03	694.52	754.65	814.87

1.2.11 Net Annual Transmission Charges, Gap / (Surplus) for FY 2014-15 and Provisional Gap / (Surplus) for FY 2015-16

Based on the above calculations, the net entitlement and the Gap / (Surplus) for FY 2014-15 considering the Revenue is shown in the Tables below:

Table 0-12: Net Annual Transmission Charges & Gap / (Surplus) for FY 2014-15

Rs. Crores

Sr. No.	Particulars	Approved Figures of FY 2014-15	Entitlement as per the Regulations	Efficiency Gains / (Loss) from Controllable factors shared with Consumers	Net Entitlement after Impact of Gains / (Loss) from Controllable factors
I	Revenue		697.90		697.90
	-Transmission Charges		683.40		683.40
	- Non Tariff Income	18.24	14.50		14.50
II	Expenditure				
1	Operation & Maintenance Expenses	183.62	188.12	12.72	175.40
2	Depreciation	95.05	99.02		99.02
3	Interest on Long-term Loan Capital	84.52	94.05		94.05
4	Interest on Working Capital	13.81	16.73		16.73
5	Other Finance Charges		0.07		0.07
6	Incentive		8.60		8.60
7	Contingency Reserve	5.81	5.88		5.88
8	Income Tax	32.20	66.48		66.48
9	Return on Equity	128.45	134.25		134.25
II	Total Expenditure	543.46	613.19		600.48
III	Pure Gap / (Surplus) for FY 2014-15 (I - II)				-97.43

As can be seen from the above Table, there is a surplus of **Rs. 97.43 Crores** for FY 2014-15.

Table 0-13: Provisional Gap / (Surplus) for FY 2015-16

Rs. Crores

Sr. No.	Particulars	Approved Figures of FY 2015-16	Net Entitlement after Impact of Gains / (Loss) from Controllable factors
I	Revenue		463.38
	Transmission Charges		445.14
	Non Tariff Income	87.61	18.24
II	Expenditure		
1	Operation & Maintenance Expenses	209.27	211.23
2	Depreciation	109.47	117.69
3	Interest on Long-term Loan Capital	93.76	108.98
4	Interest on Working Capital	10.89	12.43
5	Other Finance Charges		0.00
7	Contingency Reserves	6.51	7.07
8	Income Tax	32.20	101.98
9	Return on Equity	140.90	150.49
10	Total Expenditure	603.01	709.86
III	Pure Gap / (Surplus) for FY 2015-16 (I - II)		246.48

As can be seen from the above Table, there is a provisional gap of **Rs. 246.48 Crores** for FY 2015-16.

1.2.12 ARR including past recoveries

Based on the above approved gap, revised ARR for FY 2015-16 and actual Gap / (Surplus) of FY 2014-15, the total amount of past recoveries for future Tariff is presented below:

Table 0-14: Amount to be recovered in FY 2016-17

Particulars		Rs. Crores	
		As per MTR	As per ARR
Total past recovery allowed along with carrying cost upto FY 2015-16	a	-7.23	-7.23
Gap / (Surplus) for FY 2014-15	b	-158.20	-97.43
Total amount to be passed on in FY 2015-16	c= a+b	-165.43	-104.66
Provisional ARR for FY 2015-16	d	515.40	709.86
ARR allowed including past recovery	e=c+d	349.97	605.20
Additional Recovery on account of capitalisation considered for FY 2013-14	f		3.37
Revenue for FY 2015-16	g=h+i		463.38
Revenue from Transmission charges	h		445.14
Revenue from Non Tariff Income	i		18.24
Gap / (Surplus) FY 2015-16	j=e+f-g		145.18
Carrying cost for recovery in FY 2015-16	k	14.29%	10.37
Carrying cost for recovery in FY 2016-17	l	10.80%	7.84
Total with Carrying Cost	m=j+k+l		163.39

Further, Tata Power-T wishes to submit that it has filed Appeal No. 246 of 2015 against the MERC Order dated 26th June, 2015 in Case No. 5 of 2015. The judgment of the same is awaited and impact of this judgment (@ Rs. 90 Crores excluding Income Tax issue impact, if the judgment is in favour of Tata Power-T) will be considered in the future period.

1.2.13 Net ARR for FY 2016-17 to FY 2019-20 considering Gap / (Surplus) of FY 2014-15 and Provisional Truing Up of FY 2015-16

Considering the Gap / (Surplus) arising out of Truing up of FY 2014-15 and provisional truing up of FY 2015-16, the Net ARR for FY 2016-17 to FY 2019-20 works out as follows:

Table 0-15: ARR for the Control Period FY 2016-17 to FY 2019-20

Rs. Crores

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Past Recoveries upto FY 2015-16	163.39	0.00	0.00	0.00
O&M Charges	189.78	204.97	225.84	244.75
Interest on Long-term Loan	112.10	115.89	121.90	124.95
Interest on Working Capital	15.81	14.73	16.02	17.32
Other Finance Charges	0.00	0.00	0.00	0.00
Depreciation	122.94	134.74	147.74	156.50
Return on Equity	160.39	171.27	184.32	196.29
Income Tax	45.22	62.90	69.53	86.49
Contingency Reserve	7.62	8.13	8.79	9.54
Annual Transmission Charges	817.25	712.63	774.14	835.84
Less: Non Tariff Income	16.83	18.11	19.49	20.97
Net Aggregate Revenue Requirement from Transmission Tariff	800.43	694.52	754.65	814.87

We request the Hon'ble Commission to kindly approve the above ARR for the period FY 2014-15 to FY 2019-20.