Executive Summary

1 Overview

M/s. Mindspace Business Parks Private Limited (hereinafter referred to as "MBPPL" or "the Petitioner") [formerly known as Serene Properties Private Limited], is a Company incorporated under the provisions of the Companies Act, 1956, having its registered office at Plot No. C-30, Block 'G', Opp. SIDBI, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051, Maharashtra, India.

MBPPL, under Section 3 of the Special Economic Zones (SEZ) Act, 2005 (28 of 2005), is setting up a sector specific Special Economic Zone (SEZ) for Information Technology and Information Technology Enabled Services (IT & ITeS) at Plot No. 3, Kalwa, TTC Industrial Area, MIDC, Taluka Thane, District Thane, in the State of Maharashtra.

In view of the above, MBPPL is a deemed Distribution Licensee in its SEZ area at Plot No. 3, Kalwa, TTC Industrial Area, MIDC, Taluka Thane, District Thane, in the State of Maharashtra. The Hon'ble Commission, vide Order dated April 11, 2012 in Case No. 157 of 2011, has taken on record the deemed Distribution Licensee status of MBPPL and subsequently notified the Specific Conditions of Licence for MBPPL on August 21, 2013.

Further, the Specific Conditions of Distribution Licence were issued by the Hon'ble Commission in the name of Serene Properties Private Limited, but with effect from November 23, 2015, Serene Properties Private Limited was renamed as Mindspace Business Parks Private Limited. MBPPL has filed a Petition on December 18, 2015 for amendment of the MERC (Specific Conditions of Distribution Licence applicable to M/s Serene Properties Private Limited (SPPL) for the SEZ at Airoli, Thane) Regulations, 2013 issued on August 21, 2013, on account of the change of name. MBPPL has also published the Notice providing details of the proposed amendment of its Distribution Licence in newspapers, in accordance with the MERC (General Conditions of Distribution Licence) Regulations, 2006.

1.1 Filing under MERC MYT Regulations, 2015

Since, the operation of MBPPL as a Distribution Licensee commenced from April, 9 2015, i.e., in FY 2015-16, MBPPL is filing the Petition for Provisional Truing-up for FY 2015-16 in accordance with the MERC MYT Regulations, 2011, as specified in Regulation 5.1 (a) (ii) of the MERC MYT Regulations, 2015. Further, MBPPL is filing the Multi Year Tariff Petition for the third Control Period from FY 2016-17 to FY 2019-20 in accordance with Regulation 5.1 (a) (iii) of the MERC MYT Regulations, 2015.

2 Approach for filing the Petition

2.1 Power Procurement

The Hon'ble Commission, vide its Order dated December 30, 2014, approved the PPA between MBPPL and Global Energy for procurement of short-term power and approved the tariff determined through competitive bidding. Further, MBPPL has filed the Petition in Case No. 49 of 2015 for approval of the Plan for procurement of power in the medium-term for 5 years from April 2016 through Competitive Bidding process before the Hon'ble Commission, which is reserved for Orders. MBPPL hopes to complete the power procurement process by the end of March, 2016, and power flow under this PPA is likely to commence from April 2016 in the next Control Period.

2.2 Tariff Charged in FY 2015-16

The operation of MBPPL as a Distribution Licensee commenced from April 9, 2015, i.e., FY 2015-16. For the months of April and May 2015, MBPPL charged the same tariff to the consumers, as applicable for the respective category of consumers in MSEDCL's area of supply. The tariff of the respective category of consumers in MSEDCL's area of supply was revised by the Commission, with effect from June 2015, vide its Order dated June 26, 2015. The tariffs approved for the relevant categories were higher than the tariffs being levied in April and May 2015, primarily on account of the merger of the Fuel Cost Adjustment (FCA) with the Energy Charges. Since, this revised tariff of MSEDCL is ceiling tariff for MBPPL, and it is not mandatory for MBPPL to recover the same tariffs if it can manage with lower tariffs, MBPPL has not revised the Tariff charged to consumers in its area of supply with effect from June 2015, except for reducing the Energy Charges for LT VB category from Rs. 7.01 per kWh to Rs. 6.98 per kWh, and reducing the ToD rebate for night off-peak hours from Rs. 2.50 per kWh to Rs. 1.50 per kWh.

2.3 Separation of ARR for Wires Business and Supply Business for the Control Period & Combined Provisional True-Up for FY 2015-16

MBPPL respectfully submits that the category-wise tariff of MSEDCL, which was made applicable as the ceiling tariff for MBPPL's area of supply, is a composite tariff for Distribution Wires and Retail Supply, and Wheeling Charge is embedded in the Energy Charge and is not shown separately. Under such circumstances, it is not feasible to undertake separate provisional truing-up for the Wires Business and Supply Business for FY 2015-16.

Hence, for the purpose of the Provisional Truing up for FY 2015-16, MBPPL has submitted the composite ARR and determined the revenue gap/(surplus) for the combined Business of Wires and Supply. However, separate ARR for the Wires Business and Supply Business has been shown in the Formats prescribed by the Hon'ble Commission, and considered as the base for the projection of ARR for the Wires Business and Supply Business for the third Control Period. For the allocation of expenses, the Allocation Matrix specified in Regulation 68 of the MERC MYT Regulations, 2015 has been considered, wherever the actual break-up of expenses and revenue is not available. However, ARR items such as Depreciation, Interest on long-term loan, and Return on Equity, have been considered separately under the Wires Business and Supply Business based on the actual break-up of Fixed Assets between Wires Business and Supply Business, which is in the ratio of around 98:2.

2.4 Approach for MYT Control Period

The ARR and tariff for wheeling of electricity and retail supply of electricity for the third Control Period from FY 2016-17 to FY 2019-20 has been projected in accordance with the MERC MYT Regulations, 2015.

Further, from FY 2016-17 onwards, MBPPL proposes that the category-wise tariffs be determined based on the ARR of MBPPL, rather than be linked to the ceiling tariff of

MSEDCL, which was only an interim measure adopted till such time the ARR and tariffs could be separately determined for MBPPL.

2.5 Public Notice

The objective of issuing a Public Notice in newspapers having wide circulation in the area of supply is to publish the proposed ARR and Tariff and make the consumers aware of the proposed changes in Tariff. MBPPL respectfully submits that it can achieve this objective 100%, i.e., it can communicate regarding its Proposal to each and every consumer, through hard copy as well as email, in the same manner the bills are sent every month. Hence, MBPPL respectfully submits that in its case, there is no real need for publishing the Public Notice in at least two English and two Marathi language daily newspapers, as this leads to unnecessary expenditure, and the objective of creating awareness regarding the proposed tariff revision shall be better achieved by reaching out to each consumer directly.

In view of the above, MBPPL respectfully requests the Hon'ble Commission to waive the requirement of publishing a Public Notice in at least two English and two Marathi language daily newspapers widely circulated in the area to which the Petition pertains.

3 Provisional Truing-up for FY 2015-16

Since, the operations of MBPPL as a Distribution Licensee commenced from April, 9 2015, i.e., in FY 2015-16, MBPPL is filing the Petition for Provisional Truing-up for FY 2015-16 in accordance with the MERC MYT Regulations, 2011, as specified in Regulation 5.1 (a) (ii) of the MERC MYT Regulations, 2015.

3.1 Energy Sales

For the purpose of provisional Truing-up, MBPPL has considered the actual sales from April 2015 to December, 2015. For the purpose of projection of energy sales for the remaining three months of FY 2015-16, viz., January to March 2016, MBPPL has considered the monthly sales equivalent to the average sales from May 2015 to December 2015 for each category.

3.2 Distribution Loss

MBPPL has considered the actual distribution loss for the period from April 2015 to December 2015 based on actual energy sales and energy received. As discussed earlier, the actual distribution loss includes the units billed based on normative transformation losses. MBPPL has proposed energy sales excluding the transformation losses for the period from January 2016 to March 2016, accordingly, the distribution loss for this period has been projected based on actual distribution loss level excluding the transformation losses.

3.3 Energy Balance

MBPPL has considered the actual energy sales and power purchase for the period from April 2015 to December 2015 and estimated the energy sales, as discussed above. MBPPL has considered the actual intra-State Transmission Loss of 3.97% for the period from April 2015 to November 2015 based on the State Grid Loss accounts prepared by the Maharashtra State Load Despatch Centre (MSLDC), and projected the energy requirement based on the same Intra-State Transmission loss of 3.97%.

3.4 Power Purchase Cost

The summary of power purchase cost for FY 2015-16 is as under:

Table 3-1: Power Purchase Cost for FY 2015-16

Source	Power Purchase Quantum (MU)	Total Cost (Rs. Crore)	Average Power Purchase Cost (Rs/kWh)
Global Energy, from outside State	19.65*	7.56	3.85
Global Energy, from Intra-State	66.01	25.60	3.88
Imbalance Pool	1.16	0.43	3.88
RECs Purchased		1.18	
Balance REC Purchase		0.09	
Total	**85.65**	**34.86**	4.07

*includes inter-State Transmission loss of 0.45 MU

3.5 Operation & Maintenance Expenses

MBPPL was issued the Specific Conditions of Distribution Licence after the date of effectiveness of the MERC MYT Regulations, 2011. Further, MBPPL is filing its first Petition for approval of ARR and Tariff, and no norms or methodology has been specified in the MERC MYT Regulations, 2011, for determination of O&M expenses for MBPPL. The Hon'ble Commission is required to determine the O&M expenses for MBPPL on a case-specific basis.

Employee Expenses

As per the terms of the Agreement with KRCSPL, MBPPL will pay 35 paise per kWh of energy sales as employee expense to KRCSPL with an escalation of 12% every year.

A&G Expenses

MBPPL has considered the actual A&G expenses for H1 of FY 2015-16 and estimated the expenses for H2 of FY 2015-16.

R&M Expenses

As regards R&M Expenses, MBPPL has entered into an Agreement with Vatsa Electric Company for repair and maintenance of the distribution network. MBPPL has considered the actual R&M expenses for H1 of FY 2015-16 and estimated the expenses for H2 of FY 2015-16.

MBPPL further submits that per unit O&M expenses for FY 2015-16 works out to Rs. 0.59 /kWh, which is much lower than the existing O&M expenses of the other distribution licensees in the State of Maharashtra, even after considering the fact that on account of the lower sales due to the limited area of supply, the O&M expenses of MBPPL would be expected to be higher on a per unit basis. Hence, MBPPL humbly requests the Hon’ble Commission to approve the estimated O&M expenses of Rs. 4.93 Crore for FY 2015-16.

3.6 Capital Expenditure and Capitalisation

MBPPL submits that it has established the distribution network in its area of supply for supplying electricity to its consumers. Regulation 7 of the MERC [Specific

Conditions of Distribution Licence applicable to M/s. Serene Properties Private Limited (SPPL) for the IT/ITES SEZ at Airoli, Thane] Regulations, 2013 specifies that:

> *"7. Un-interrupted power supply.-The Deemed distribution licensee shall make provisions for uninterrupted power supply for twenty-four hours within the area of supply."*

Further, Clause 5A of SEZ Rules, 2006 regarding Infrastructure Requirements relating to Information Technology stipulates that in case of a Special Economic Zone relating to information technology, the following facilities will be ensured, namely:

(a) Twenty-four hours uninterrupted power supply at stable frequency in the Zone;
(b) Reliable connectivity for uninterrupted and secure data transmission;
(c) Provision for central air-conditioning system; and
(d) A ready to use, furnished 'plug and play' facility for end users.

The major thrust of the SEZ developer is to improve the services and provide quality, reliable, and competitively priced power supply to all SEZ clients. The customers from the service industries including IT and ITeS require reliable power supply. Being an IT and ITeS specific SEZ and with the specific mandate from the Ministry of Commerce, Govt. of India, it is the responsibility of the developer to provide all clients uninterrupted power supply and other electrical infrastructure as per statutory requirements. Accordingly, MBPPL has planned its electrical infrastructure such that it will provide quality and reliable supply of electricity to its consumers to fulfil its mandate under SEZ Rules and the Licence conditions.

In view of the above, MBPPL has incurred capitalisation of Rs. 88.70 Crore to build a state of the art distribution network in its area of supply. The entire amount of Rs. 88.70 Crore has been capitalised in FY 2014-15, before the start of the operation of the Distribution Licensee. As the operation of the Distribution Licensee started from April 9, 2015, MBPPL has considered the total asset of distribution licensee as opening balance for FY 2015-16 and considered the impact of the same on depreciation, interest on long term loan and return on equity proportionately, from April 9, 2015 to March 31, 2016.

The Detailed Project Report for approval of the above Capital Expenditure has already been submitted by MBPPL to the Hon'ble Commission vide letter dated December 29, 2015, submitted on December 31, 2015.

MBPPL has estimated the capitalisation of Rs. 8.25 Crore against Non-DPR schemes for FY 2015-16. In the Tariff Orders for other Utilities, the Hon'ble Commission has capped the capital expenditure and capitalisation against non-DPR schemes to 20% of the capitalisation approved against DPR schemes for that year. However, MBPPL has proposed the capital expenditure only towards the Non-DPR schemes. In this regard, MBPPL respectfully submits that it is a unique Distribution Licensee supplying to a very small area for IT & ITeS specific consumers. In case of MBPPL, the major part of the distribution network in its area of supply has already been laid, and the Application for approval of the related capital expenditure has already been submitted to the Hon'ble Commission along with the DPR. Hence, in case of MBPPL, capital expenditure against DPR schemes will not be required every year, and hence, this criteria is required to be relaxed for MBPPL, else, MBPPL will not be able to undertake any capital expenditure over the Control Period.

3.7 Debt:Equity Ratio

MBPPL has considered the funding of the capitalisation in accordance with Regulation 30 of the MERC MYT Regulations, 2011, which allows the normative debt:equity ratio of 70:30, after deducting the consumer contribution.

3.8 Depreciation

MBPPL has computed the depreciation for FY 2015-16 as per Regulation 31 of MERC MYT Regulations, 2011, on the average GFA for the year, considering the capitalisation projected during the year. Since, the operation of distribution licensee has started from April 9 of 2015, the depreciation has been considered from April 9, 2015. Further, no depreciation has been considered on the assets funded by consumer contribution.

3.9 Interest on Long-Term Loan Capital

MBPPL submits that the initial capitalisation of Rs. 88.70 Crore incurred for setting up the distribution network of MBPPL was totally financed through the equity capital. However, Regulation 30 of the MERC MYT Regulations, 2011 allows equity deployment only up to 30% of the capital cost and remaining 70% has to be treated as a normative loan. Based on the above Regulation, normative loan has been considered for computation of Interest on long-term loan capital.

Further, this normative loan of Rs. 62.10 Crore has been refinanced in May 2015 by taking an actual loan from IDFC Bank at the interest rate of 11.15% on drawdown date. Accordingly, MBPPL has projected the interest rates based on refinanced loan and computed the Interest on Long-Term Loan Capital for FY 2015-16 as per Regulation 33 of the MERC MYT Regulations, 2011.

3.10 Interest on Working Capital

MBPPL has computed Interest on Working Capital as per Regulation 35 of the MERC MYT Regulations, 2011, for composite Distribution Wires and Retail Supply Business. It has considered the State Bank Advance Rate of 14.05% as on date of filing of present Petition.

3.11 Interest on Consumer Security Deposits

MBPPL has considered the Interest on actual Security Deposit at Bank Rate of 8%.

3.12 Return on Equity

MBPPL has computed the Return on Equity for the composite business. Since, MERC MYT Regulations, 2011 specifies the rate of return for Distribution Wires and Retail Supply Business as 15.5% and 17.5%, respectively, MBPPL has considered weighted average Rate of return of 15.55% based on asset allocation between Distribution Wires and Retail Supply business as 97.60:2.40.

3.13 Income Tax

In case of MBPPL, the present year is the first year of operation and no audited accounts are available for regulatory business for past years. Considering the settled principle by the Hon'ble Commission, and in the absence of available audited accounts for the regulated business, MBPPL has computed its Income Tax for FY 2015-16 on PBT basis for its regulated business. In accordance with the SEZ Act, 2005, MBPPL is not required to pay Corporate Tax for the first five years, but is required to pay MAT for FY 2015-16.

3.14 Provisioning for Bad Debts

MBPPL has not made any provisioning for bad debts as it has not envisaged any receivable at the end of FY 2015-16. In case, there are any trade receivables in the audited accounts of FY 2015-16, MBPPL shall propose the same at the time of truing up for FY 2015-16, in accordance with the MERC MYT Regulations, 2011.

3.15 Contribution to Contingency Reserves

Regulation 36 of the MERC MYT Regulations, 2011 provides for Contribution to Contingency reserves ranging from 0.25% to 0.5% of the Opening GFA. In this regard, MBPPL submits that it is operating in a very small area of supply. If any untoward incident/contingency takes place, then its impact would likely be felt upon the entire area of SEZ. Hence, MBPPL has considered Contribution to Contingency reserves as 0.5% of original cost of fixed assets.

3.16 Non-Tariff Income

MBPPL has considered the actual Non-Tariff income of Rs. 0.01 Crore for H1 of FY 2015-16 and estimated the same amount on account of sale of tenders for H2 of FY 2015-16.

3.17 Revenue from Sale of Electricity

MBPPL has considered the actual revenue from sale of electricity for the period from April 2015 to December 2015 and estimated the revenue from sale of electricity by normalising the actual revenue realised for the year.

3.18 Aggregate Revenue Requirement

The consolidated ARR of MBPPL for FY 2015-16 is summarised as under:

Table 3-2: Aggregate Revenue Requirement for FY 2015-16

Sr. No.	Particulars	Amount (Rs. Crore)
1.	Power Purchase Cost	34.86
2.	O&M expenses	4.93
3.	Depreciation	4.78
4.	Interest on Loan Capital	6.81
5.	Interest on Working Capital	0.43
6.	Interest on Consumers' Security Deposit	0.30
7.	Provision for Bad and Doubtful Debts	0.00
8.	Contribution of Contingency Reserves	0.44
9.	Income Tax	1.10
10.	**Total Revenue Expenditure**	**53.65**
11.	Return on Equity	4.23
12.	**Aggregate Revenue Requirement**	**57.87**
13.	Less: Non Tariff Income	0.02
14.	**Total Aggregate Revenue Requirement**	**57.86**

3.19 Revenue Gap/(Surplus)

MBPPL has computed the Revenue Gap/(Surplus) for FY 2015-16 as under:

Table 3-3: Revenue gap/(surplus) for FY 2015-16

Sr. No.	Particulars	Amount (Rs. Crore)
1.	Aggregate Revenue Requirement	57.86
2.	Revenue from Sale of electricity	58.30
3.	Revenue gap/(surplus)	(0.44)

MBPPL humbly requests the Hon'ble Commission to approve the Revenue surplus of Rs. 0.44 Crore for FY 2015-16 and adjust the same through the ARR of the Control Period as discussed in the subsequent Sections of this Petition.

4 Aggregate Revenue Requirement for the MYT Control Period

4.1 Allocation of Distribution Wires and Retail Supply Business

For the purpose of filing this Petition, MBPPL has considered the allocation of expenses between the Wires Business and Supply Business as per the Allocation Matrix specified in Regulation 68 of the MERC MYT regulations, 2015. However, ARR items such as Depreciation, Interest on long-term loan, Contribution to Contingency Reserves, and Return on Equity, have been considered separately under the Wires Business and Supply Business based on the actual and projected break-up of Fixed Assets between Wires Business and Supply Business, which is in the ratio of around 97.6 : 2.4

4.2 Energy Sales

For projecting the energy sales for the Control Period, MBPPL has considered the estimated energy sales for FY 2015-16 as the base, after normalising the sales in the month of April 2015, during which operational period was only 22 days.

MBPPL has projected the category-wise energy sales for the Control Period in the following manner:

(a) Since, the past sales data is not available, CAGR of 1% has been considered to reflect the inherent growth in energy sales of existing consumers.

(b) Additional sales of 0.5 MU is considered in FY 2016-17, on account of additional occupancy of Building No. 9 & 12.

(c) Additional sales of 0.3 MU is considered in FY 2016-17 for construction power required for construction of Building No. 15 with increased FSI.

(d) Additional sales of 1 MU and 0.5 MU is considered in FY 2017-18 and FY 2018-19 on account of partial occupancy of Building No. 15 and 0.5 MU in FY 2019-20 on account of subsequent full occupancy of Building No. 15.

(e) Since, the construction of Building No. 15 is likely to be completed by FY 2019-20, the additional sales considered towards construction power has been reduced in FY 2019-20.

4.3 Distribution Loss

Based on actual data, the actual distribution loss for the period from April 2015 to December 2015 was 0.58% excluding the transformation losses billed. Further, MBPPL has established the distribution network primarily on higher voltage level of 22 kV and as a result, distribution losses on account of technical loss in the system in the area of supply are very low. Hence, MBPPL has proposed the same distribution loss of 0.58% for each year of the Control Period, for projecting the energy requirement for the Control Period.

4.4 Energy Balance

MBPPL has considered the actual Intra-State Transmission loss of 3.97% for the period from April 2015 to November 2015, based on the State Grid Loss Accounts prepared by MSLDC, and projected the energy requirement for the Control Period, based on projected sales and distribution loss.

4.5 Power Purchase Expenses

MBPPL has projected the power purchase cost for the Control Period as under:

Table 4-1: Projected Power Purchase Cost for the Control Period

<table>
<tr><th>Particulars</th><th>Source</th><th>FY 2016-17</th><th>FY 2017-18</th><th>FY 2018-19</th><th>FY 2019-20</th></tr>
<tr><td rowspan="6">Power Purchase Quantum (MU)</td><td>Source for Base Load as per Medium-Term PPA</td><td>74.46</td><td>74.46</td><td>74.46</td><td>74.46</td></tr>
<tr><td>Source for Peak Load as per Medium-Term PPA</td><td>35.90</td><td>35.90</td><td>35.90</td><td>35.90</td></tr>
<tr><td>Purchase for Solar RPO</td><td>1.00</td><td>1.70</td><td>2.38</td><td>3.11</td></tr>
<tr><td>Purchase for Non-Solar RPO</td><td>9.99</td><td>11.91</td><td>13.09</td><td>14.30</td></tr>
<tr><td>Sale of Surplus Power</td><td>(21.45)</td><td>(10.54)</td><td>(6.86)</td><td>(3.42)</td></tr>
<tr><td>Total</td><td>99.91</td><td>113.43</td><td>118.97</td><td>124.35</td></tr>
<tr><td rowspan="3">Power Purchase Cost (Rs. Crore)</td><td>Source for Base Load as per Medium-Term PPA</td><td>27.94</td><td>27.94</td><td>27.94</td><td>27.94</td></tr>
<tr><td>Source for Peak Load as per Medium-Term PPA</td><td>13.47</td><td>13.47</td><td>13.47</td><td>13.47</td></tr>
<tr><td>Purchase for Solar RPO</td><td>0.71</td><td>1.20</td><td>1.68</td><td>2.20</td></tr>
</table>

Particulars	Source	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
	Purchase for Non-Solar RPO	5.69	6.79	7.46	8.15
	Sale of Surplus Power	(8.05)	(3.96)	(2.58)	(1.29)
	Total	**39.77**	**45.45**	**47.98**	**50.48**
Average Power Purchase Cost (Rs./kWh)	Source for Base Load as per Medium-Term PPA	3.75	3.75	3.75	3.75
	Source for Peak Load as per Medium-Term PPA	3.75	3.75	3.75	3.75
	Purchase for Solar RPO	7.07	7.07	7.07	7.07
	Purchase for Non-Solar RPO	5.70	5.70	5.70	5.70
	Sale of Surplus Power	3.75	3.75	3.75	3.75
	Total	**3.98**	**4.01**	**4.03**	**4.06**

4.6 Transmission Charges and MSLDC Charges

MBPPL has projected transmission charges at Rs. 0.26/kWh for energy handled during the Control Period, based on the present charges being paid by MBPPL as a STOA consumer. Further, MSDLC Charges have been projected at the same amount of Rs. 0.09 Crore, estimated for FY 2015-16.

At present, MBPPL is paying the transmission charges and MSLDC charges as Short Term Open Access Consumer, as MBPPL is yet to enter into long-term PPA, which is an essential requirement under MERC (Transmission Open Access) Regulations, 2014. However, being a Distribution Licensee, MBPPL is entitled to share the TTSC and MSLDC charges in accordance with the MERC MYT Regulations, 2015. In this regard, MBPPL humbly requests the Hon'ble Commission to determine its share of TTSC and MSLDC charges payable during the Control Period in accordance with the provisions of MERC MYT Regulations, 2015, while determining the Transmission Charges payable by the Distribution Licensees for the Control Period. Once the Hon'ble Commission determines MBPPL's share of the Transmission Charges and MSLDC Charges, the same may be considered by the Hon'ble Commission while approving the ARR for MBPPL for the Control Period.

4.7 Operation & Maintenance Expenses

For MBPPL, the O&M expenses have to be determined for MBPPL on a case-specific basis. In view of the above, MBPPL has projected its O&M expenses for the Control Period as under:

(a) Employee Expenses, A&G Expenses and R&M Expenses estimated for FY 2015-16 have been considered as base expenses and suitable escalation factor has been considered for deriving the O&M Expenses for the Control Period.

(b) As regards the Employee Expenses, MBPPL has entered into a Corporate Services Agreement with its parent organisation KRCSPL. As per the said Agreement, Employee Expenses are payable to KRCSPL at 35 paise per unit of energy sale for FY 2015-16 and further escalation of 12% shall be applied annually, to arrive at the norm for subsequent years.

(c) As regards R&M Expenses, MBPPL has entered into an Agreement with Vatsa Electric Company for repair and maintenance of the distribution network. In this Agreement, escalation factor of 7% has been considered for projecting the R&M expenses for subsequent years. Accordingly, the same escalation factor has been considered for the Control Period.

(d) As regards A&G expenses, the escalation factor of 5.84% has been considered based on the five year average inflation factor considering 60% weightage for WPI and 40% weightage for CPI, in accordance with the approach followed by the Hon'ble Commission in the earlier Tariff Orders for other Utilities.

Further, the O&M expenses have been allocation in the ratio of 65:35 between Wires Business and Supply Business, as specified in the Allocation Matrix.

4.8 Capital Expenditure and Capitalisation

For future years, MBPPL has proposed capitalisation in order to meet the projected demand during the Control Period and development of the Buildings as mentioned earlier. MBPPL has proposed capitalisation towards Non-DPR schemes since capital expenditure to be incurred is less than 10 Crore. No capitalisation has been projected for FY 2019-20, as it is envisaged that Building 15 will also be fully occupied in FY 2019-20, and the construction would be completed in FY 2018-19.

MBPPL has proposed the capital expenditure only towards the Non-DPR schemes. With regard to the MERC MYT Regulations, 2015, MBPPL respectfully submits that it is a unique Distribution Licensee supplying to a very small area for IT & ITeS specific consumers. In case of MBPPL, the major part of the distribution network in its area of supply has already been laid, and the Application for approval of the related capital expenditure has already been submitted to the Hon'ble Commission along with the DPR. Hence, in case of MBPPL, capital expenditure against DPR schemes will not be required every year, and hence, the above Regulation 23.6 is required to be relaxed for MBPPL, else, MBPPL will not be able to undertake any capital expenditure over the Control Period.

4.9 Debt: Equity Ratio

MBPPL has considered the normative debt:equity ratio of 70:30 as provided in Regulation 26 of the MERC MYT Regulations, 2015. Further, as discussed in the next Section, MBPPL has proposed to not levy any Schedule of Charges, hence, the Consumer Contribution has been projected as zero for the Control Period.

4.10 Depreciation

MBPPL has calculated depreciation as per Regulation 27 of the MERC MYT Regulations, 2015 for the Distribution Wires and Retail Supply Business, separately by applying the average depreciation rate of 5.28% on the average GFA during the year.

4.11 Interest on Loan

MBPPL has computed the Interest on Loan as per Regulation 29 of the MERC MYT Regulations, 2015. For the proposed capitalisation towards Non-DPR schemes, MBPPL intends to take further loans from IDFC Bank Ltd. to finance the proposed capital expenditure. Since, there is outstanding loan from single source, interest rate of 10.90% has been considered for computation of Interest on loan. The normative repayment of the loan has been considered equal to the projected depreciation for the year, in accordance with the MERC MYT Regulations, 2015. The interest has been computed on the projected average balance of the loan during the year.

4.12 Interest on Working Capital and Consumers' Security Deposit

MBPPL has computed the normative Interest on Working Capital as per Regulation 31 of the MERC MYT Regulations, 2015. For computation of working capital requirement, the revenue from sale of power at prevailing tariff has to be considered. The prevailing tariff applicable for MBPPL is the composite tariff for Wires and Supply Business, and hence, separate revenue for Wire and Supply Business at prevailing tariff could not be determined. Hence, interest on working capital has been computed for the composite business and then allocated to the Wires Business and Supply Business as per the Allocation Matrix specified in the MERC MYT Regulations, 2015.

MBPPL has projected the consumer security deposit by adding the incremental revenue of one month on an average, to the previous year's consumers' security deposit amount. The rate of interest for computation of Interest on working capital and consumer security deposit has been considered as 10.80% considering the applicable SBI Base Rate as on the date of filing of Petition (9.30%) plus 150 basis points.

4.13 Return on Equity

MBPPL has computed the Return on Equity Capital for the Control Period in accordance with Regulation 28 of the MERC MYT Regulations, 2015 for Distribution Wires and Retail Supply Business separately.

4.14 Income Tax

The actual Income Tax as per latest Audited Accounts is not available for MBPPL, as it is yet to complete one year of operations as a Distribution Licensee. Further, MBPPL, by virtue of being the SEZ Developer has also engaged in other business also, and hence, the Income Tax paid/payable by MBPPL has to be allocated to the regulated Distribution Business, in accordance with the proviso to Regulation 33.1.

Hence, MBPPL has considered the Income Tax as computed for FY 2015-16 for the Control Period, and allocated the same to the Wires Business and Supply Business based on the Allocation Matrix specified in the MERC MYT Regulations, 2015.

4.15 Provisioning for Bad Debts

MBPPL has not considered provisioning for bad debts as it has not envisaged any outstanding receivables during the Control Period, and also because the Audited Accounts for FY 2015-16 are not available at present, due to which the amount of receivables, if any, are not known.

4.16 Contribution to Contingency Reserves

MBPPL has considered the Contribution to Contingency Reserves in accordance with Regulation 34 of the MERC MYT Regulations, 2015 at 0.5% of original cost of fixed assets.

4.17 Non-Tariff Income

MBPPL has projected the Non-Tariff Income of Rs. 0.01 Crore for Retail Supply Business on account of sale of tender documents. No non-tariff income has been envisaged for Distribution Wires Business.

4.18 Aggregate Revenue Requirement

The projected ARR for the Distribution Wires Business for the Control Period is summarised in the Table below:

Table 4-2: Projected ARR for Distribution Wires Business for the Control Period (Rs. Crore)

Sr. No.	Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
1.	O&M expenses	3.82	4.56	5.19	5.90
2.	Depreciation	5.00	5.23	5.63	5.81
3.	Interest on Loan Capital	6.41	6.18	6.16	5.80
4.	Interest on Working Capital	0.02	0.02	0.02	0.02
5.	Interest on Consumers' Security Deposit	0.05	0.05	0.06	0.06
6.	Provision for Bad and Doubtful Debts	-	-	-	-
7.	Contribution of Contingency Reserves	0.47	0.48	0.52	0.55
8.	Income Tax	0.99	0.99	0.99	0.99

Sr. No.	Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
9.	**Total Revenue Expenditure**	**16.76**	**17.51**	**18.55**	**19.12**
10.	Return on Equity	4.38	4.58	4.93	5.09
11.	**Aggregate Revenue Requirement**	**21.14**	**22.09**	**23.48**	**24.22**
12.	Less: Non Tariff Income	0.00	0.00	0.00	0.00
13.	**Total Aggregate Revenue Requirement**	**21.14**	**22.09**	**23.48**	**24.22**

MBPPL requests the Hon'ble Commission to approve the projected ARR for the Wires Business for the Control Period, as shown in the Table above.

The projected ARR for the Retail Supply Business for the Control Period is summarised in the Table below:

Table 4-3: Projected ARR for Retail Supply Business for the Control Period (Rs. Crore)

Sr. No.	Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
1.	Power Purchase Cost	39.77	45.45	47.98	50.48
2.	O&M expenses	2.06	2.46	2.79	3.18
3.	Depreciation	0.13	0.14	0.14	0.14
4.	Interest on Loan Capital	0.17	0.16	0.15	0.14
5.	Interest on Working Capital	0.16	0.15	0.16	0.16
6.	Interest on Consumers' Security Deposit	0.42	0.48	0.50	0.52
7.	Provision for Bad and Doubtful Debts	-	-	-	-
8.	Contribution of Contingency Reserves	0.01	0.01	0.01	0.01
9.	Intra-State Transmission Charges	3.16	3.22	3.27	3.32
10.	MSLDC Fees & Charges	0.09	0.09	0.09	0.09
11.	Income Tax	0.11	0.11	0.11	0.11
12.	**Total Revenue Expenditure**	**46.07**	**52.27**	**55.21**	**58.14**
13.	Return on Equity	0.13	0.13	0.14	0.14
14.	**Aggregate Revenue Requirement**	**46.20**	**52.41**	**55.34**	**58.28**
15.	Less: Non Tariff Income	0.01	0.01	0.01	0.01
16.	**Total Aggregate Revenue Requirement**	**46.20**	**52.40**	**55.33**	**58.27**

MBPPL requests the Hon'ble Commission to approve the projected ARR for the Supply Business for the Control Period, as shown in the Table above.

5 Tariff Philosophy and Tariff Design for the MYT Control Period

5.1 Revenue Gap/(Surplus) at existing tariff

Since, the existing tariff is a composite tariff for Distribution Wires and Retail Supply Business, combined Revenue Gap has been projected for the Control Period.

Table 5-1: Projected Revenue Gap/(Surplus) at existing Tariff for the Control Period (Rs. Crore)

Sr. No.	Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
1.	ARR for Distribution Wires Business	21.14	22.09	23.48	24.22
2.	ARR for Retail Supply Business	46.20	52.40	55.33	58.27
3.	ARR for Combined Wire Business & Retail Supply Business	67.33	74.49	78.81	82.49
4.	Less: Revenue at Existing Tariff	64.20	72.13	74.82	76.56
5.	**Revenue Gap/(Surplus)**	**3.13**	**2.35**	**3.99**	**5.92**
6.	Add: Revenue Gap/(Surplus) for FY 2015-16	(0.44)	0.00	0.00	0.00
7.	**Resultant Revenue Gap/(Surplus)**	**2.69**	**2.35**	**3.99**	**5.92**

From the above Table, it is observed that there is a Revenue Gap for each year of the Control Period, as the revenue at the existing tariff does not meet the ARR of the Wires Business and Supply Business. Hence, the tariff is required to be increased in order to recover the ARR of the Wires Business and Supply Business.

Accordingly, MBPPL has determined the revenue required to be recovered from the revised tariff for Wires Business and Supply Business. While computing such revenue requirement, the revenue surplus for FY 2015-16 has been considered against the ARR of the Supply Business for FY 2015-16. The revenue requirement to be recovered from the revised tariff for the Control Period is determined as under:

Table 5-2: Projected Revenue Requirement from Revised Tariff for the Control Period (Rs. Crore)

Sr. No.	Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
1.	ARR for Distribution Wires Business	21.14	22.09	23.48	24.22
2.	ARR for Retail Supply Business	45.75	52.40	55.33	58.27
3.	ARR for (Wire + Retail Supply Business)	66.89	74.49	78.81	82.49
4.	Average Cost of Supply (Rs. /kWh)	7.01	6.88	6.94	6.95

5.2 Determination of Wheeling Charges

Hence, common Wheeling charges have been proposed for HT and LT category based on the ARR for Wires Business and projected energy sales as under:

Table 5-3: Proposed Wheeling Charges for the Control Period

Sr. No.	Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
1.	ARR for Distribution Wires Business (Rs. Crore)	21.14	22.09	23.48	24.22
2.	Energy Sales (MU)	95.39	108.30	113.59	118.72
3.	Wheeling Charges (Rs./kWh)	2.22	2.04	2.07	2.04

MBPPL requests the Hon'ble Commission to approve the Wheeling Charges as proposed above for the Control Period.

5.3 Philosophy for Retail Supply Tariff

MBPPL proposes the following tariff philosophy for the determination of Retail Supply Tariff for the Control Period:

Reduction of Cross-subsidy

At present, the applicable ceiling tariff for the area of supply of MBPPL is the tariff of MSEDCL for industrial and commercial categories. The cross-subsidies between consumer categories in MSEDCL's area of supply is a historical legacy, and the

Hon'ble Commission is attempting to reduce the cross-subsidies through appropriate tariff design every year. If the same tariff design is continued for MBPPL's area of supply, then the cross subsidy structure will continue between commercial and industrial Consumers.

The Electricity Act, 2003 also mandates gradual reduction of cross-subsidies in a progressive manner in the area of supply of licensee. In order to achieve this objective of the Electricity Act, 2003, and since, the tariff for MBPPL is being determined for the first time, MBPPL desires that from the beginning itself, there is no cross-subsidy between consumer categories in its area of supply. Hence, MBPPL has proposed category-wise tariffs in such a manner that the Average Billing Rate (ABR) for each consumer category shall be equal to the Average Cost of Supply (ACoS). This will reduce/eliminate the cross-subsidy in the area of supply of MBPPL and consumers will be benefited.

Rationalisation of Tariff Categories

The existing tariff schedule applicable to the area of supply of MBPPL includes two HT categories, viz., HT Industrial (HT-I) and HT Commercial (HT-II) and two LT Categories having three and two sub-categories, viz., LT Commercial (LT-II-A, LT II-B and LT-II-C) and LT Industrial (LT V-A and LT V-B).

MBPPL has proposed the following categories/sub-categories for revised tariff:

(a) HT Supply Category (HT)
(b) LT Supply Category and load ≤ 20 kW (LT A)
(c) LT Supply Category and load above 20 kW (LT B)

Time of Day Tariff

The issues related to ToD tariff in MBPPL area of supply are summarised as under:

(a) The consumers in MBPPL area are having fixed load pattern and are governed by fixed working hours. The loads of such consumers are not likely to shift to night hours merely because of introduction of night off-peak rebate.
(b) The objective of ToD tariffs is not to earn additional revenue because consumers cannot shift their consumption, but to incentivise shifting of

consumption from peak to off-peak hours, to optimise the power purchase costs.

(c) After understanding the load pattern of the SEZ area, MBPPL has already optimised its power purchase expenses by contracting the power for two different time slots.

(d) MBPPL is having its peak load during the afternoon hours, hence, there is no need to shift the load from evening peak hours to afternoon timings.

In view of the above, MBPPL proposes to discontinue the Time of Day tariff for its area of supply. MBPPL humbly requests the Hon'ble Commission to approve the discontinuation of Time of Day tariff for the area of supply of MBPPL from FY 2016-17 onwards.

Mechanism for Harmonics Penalty

In order to maintain the quality supply of power, the Hon'ble Commission has mandated the Distribution Licensees to maintain quality of power and has specified the Standards of Performance for Distribution Licensees and the Supply Code, which require adherence to IEEE STD 519-1992.

The supply provided by MBPPL is within the prescribed harmonic level of 5 % V_{THD}. However, the load of IT & ITeS consumers is prone to injecting harmonics in the system. As per IEEE STD 519-1992, allowable level of Total Voltage Distortion (V_{THD}) is 5 and for Total Current Distortion (I_{THD}), it is 20. From the month of May to September 2015, MBPPL has conducted 115 tests to check harmonics introduced into the electrical system by the consumers. The test results show that 43 consumers have violated the allowable I_{THD} levels.

In view of the provisions given in MERC Supply Code and precedence in other States, MBPPL proposes to introduce harmonics penalty of 5% additional energy charge (Wheeling Charges plus Energy Charges) for the consumers who violate harmonics level as specified in IEEE STD 519-1992.

5.4 Tariff Proposal for the Control Period from FY 2016-17 to FY 2019-20

Based on the tariff philosophy discussed in the earlier paragraphs, MBPPL proposes the following tariff for its area of supply for the Control Period from FY 2016-17 to FY 2019-20 in such a way that Average Billing Rate for each tariff category will match Average Cost of Supply.

Table 5-4: Proposed Tariff for the Control Period

Year	Consumer Category	Fixed Charges (Rs./month)	Energy Charges (Rs./kWh)	Wheeling Charges (Rs./kWh)
FY 2016-17	HT	220 per kVA	4.23	2.22
	LT A (0-20 kW)	220	4.61	2.22
	LT B (>20 kW)	220 per kVA	3.94	2.22
FY 2017-18	HT	220 per kVA	4.33	2.04
	LT A (0-20 kW)	220	4.67	2.04
	LT B (>20 kW)	220 per kVA	4.03	2.04
FY 2018-19	HT	220 per kVA	4.35	2.07
	LT A (0-20 kW)	220	4.70	2.07
	LT B (>20 kW)	220 per kVA	4.09	2.07
FY 2019-20	HT	220 per kVA	4.45	2.04
	LT A (0-20 kW)	220	4.74	2.04
	LT B (>20 kW)	220 per kVA	4.16	2.04

MBPPL humbly requests the Hon'ble Commission to approve the category-wise tariffs for the Control Period as proposed above.

Since, in the proposed tariff, Average Billing Rate for each consumer category is matched with the Average Cost of Supply, the cross-subsidy is proposed to be eliminated. The proposed cross-subsidy trajectory during the Control Period is given in the following Table:

Table 5-5: Proposed Cross-Subsidy Trajectory for the Control Period

Category	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
	Approved in Tariff Order	Projected	Projected	Projected	Projected
HT Category	100%	100%	100%	100%	100%
LT A (0-20 kW)	85%	100%	100%	100%	100%
LT B (0-20 kW)	98%	100%	100%	100%	100%

5.5 Determination of Cross Subsidy Surcharge

MBPPL has computed CSS by adopting the Formula stipulated in the Tariff Policy, as under:

Table 5-6: Proposed Cross-Subsidy Surcharge for the Control Period

Year	Consumer Category	T	C	L	C*(1+L %)	D	CSS
		Rs./kWh	Rs./kWh	%	Rs./kWh	Rs./kWh	Rs./kWh
FY 2016-17	HT	7.01	3.75	4.55%	3.92	2.22	0.86
	LT A (0-20 kW)	7.01	3.75	4.55%	3.92	2.22	0.86
	LT B (>20 kW)	7.01	3.75	4.55%	3.92	2.22	0.87
FY 2017-18	HT	6.88	3.75	4.55%	3.92	2.04	0.92
	LT A (0-20 kW)	6.88	3.75	4.55%	3.92	2.04	0.92
	LT B (>20 kW)	6.88	3.75	4.55%	3.92	2.04	0.91
FY 2018-19	HT	6.94	3.75	4.55%	3.92	2.07	0.95
	LT A (0-20 kW)	6.94	3.75	4.55%	3.92	2.07	0.95
	LT B (>20 kW)	6.94	3.75	4.55%	3.92	2.07	0.94
FY 2019-20	HT	6.95	3.75	4.55%	3.92	2.04	0.99
	LT A (0-20 kW)	6.95	3.75	4.55%	3.92	2.04	0.99
	LT B (>20 kW)	6.95	3.75	4.55%	3.92	2.04	0.99

MBPPL humbly requests the Hon'ble Commission to approve the category-wise Cross Subsidy Surcharge for the Control Period as proposed above.

5.6 Schedule of Charges

Hon'ble Commission vide Order dated June 13, 2014 has approved the same Schedule of Charges for MBPPL's area of supply that is applicable in the MSEDCL area of supply.

MBPPL is serving the consumers located inside one complex, hence, there is no additional cost incurred in serving consumers for disconnection, reconnection, application for connection, etc. Further, MBPPL has already outsourced the R&M activities, hence, there is no additional expense incurred for providing this additional service to the consumers.

In view of this, MBPPL proposes to discontinue the existing Schedule of Charges from FY 2016-17 onwards.

6 Prayers

MBPPL prays to the Hon'ble Commission as under:

i. To admit the MYT Petition as per the provisions of MERC (MYT) Regulations 2015 as amended from time to time and consider for further proceedings before the Hon'ble Commission;
ii. To approve the provisional truing up and revenue gap/(surplus) for FY 2015-16 and recovery of the same through tariff, as proposed by MBPPL;
iii. To approve the ARR for FY 2016-17 to FY 2019-20 and its recovery through tariff and approve the tariff schedule, as proposed by MBPPL;
iv. To determine MBPPL's share of the Transmission Charges and MSLDC Charges, and consider the same while approving the ARR for MBPPL for the Control Period
v. To approve the discontinuation of levy of Schedule of Charges to be recovered from the consumers.
vi. To waive the requirement of publishing a Public Notice in at least two English and two Marathi language daily newspapers widely circulated in the area to which the Petition pertains.

vii. Condone any inadvertent omissions, errors, short comings and permit MBPPL to add/change/modify/alter this filing and make further submissions as may be required at a future date; and

viii. Pass such other and further Orders as deemed fit and proper in the facts and circumstances of the case.