

## **1. Executive Summary**

### **1.1 Background**

Maharashtra State Electricity Transmission Company Limited (MSETCL) is a State Transmission Utility with a dedicated responsibility of planning, developing, operating and maintaining the State Transmission System to facilitate transmission of electricity from its source to load centers. MSETCL is filing the current Petition for Truing up of Aggregate Revenue Requirement (ARR) for FY 2014-15 and Provisional Truing up of ARR for FY 2015-16 as per Maharashtra Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2011 and projections of ARR for each year of the Third Control Period from FY 2016-17 to FY 2019-20 in accordance with MERC (MYT) Regulations, 2015 along with the impact of disallowed Capitalization for FY 2010-11, FY 2011-12, FY 12-13 and FY 2013-14.

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

Subsequently, the Hon'ble Commission issued the *suo moto* amendment of Intra State Transmission Tariff Order on 14 August, 2014 in Case No. 123 of 2014 revising the tariff for MSETCL for FY 2014-15 and FY 2015-16. MSETCL subsequently filed a review Petition on certain issues related to computation of the transmission tariff.

MSETCL had submitted the Petition to MERC on 28 November, 2014 for Truing up of ARR for FY 2012-13, provisional True up for FY 2013-14 and approval of Revised Estimates of ARR for FY 2014-15 and FY 2015-16. The Hon'ble Commission had forwarded the data gaps and information requirements identified by it on 17 December, 2014. Thereafter, a Technical Validation Session (TVS) was held on 24 December, 2014. MSETCL submitted responses to the data gaps on 19, 22 and 23 December, 2014 and 9 January, 2015 on the data gaps and information requirements.



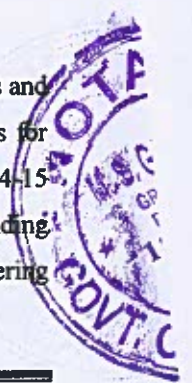
The Hon'ble Commission admitted the Petition on 13 February, 2015. MSETCL issued a Public Notice on 16 February, 2015 inviting comments/suggestions/objections on the Petition. The Public Hearing was held on 11 March, 2015. The Hon'ble Commission issued the Order in Case No. 207 of 2014 on 26 June, 2015. MSETCL had submitted Review Petition (Case No. 105 of 2015) to the Hon'ble Commission in respect of the Order on 4 August, 2015 so that the resultant Revenue Gap after Final Truing up for FY 2012-13 and FY 2013-14, Provisional Truing up for FY 2014-15 and Revised Estimates of ARR for FY 2015-16 is appropriately restated. MSETCL has also filed an appeal with Hon'ble Appellate Tribunal for Electricity on 7<sup>th</sup> August 2015 (Case No. 242 of 2015). Further MERC has passed an order dated 22<sup>nd</sup> December, 2015 in Case No. 105 related to Review petition.

MSETCL received an email from the Hon'ble Commission inviting comments/objections /suggestions on draft MERC (MYT) Regulations, 2015 on September 9<sup>th</sup>, 2015. MSETCL received an email from the Hon'ble Commission on December 8<sup>th</sup>, 2015 for filing of MYT petition by January 15, 2016. MSETCL further received an email from the Hon'ble Commission regarding gazette notification of MERC (MYT) Regulations, 2015 on December 16, 2015. On December 17, 2015 MSETCL requested the Hon'ble Commission to extend the time of filing the MYT petition by March 15, 2016. MSETCL received an email from the Hon'ble Commission for extension of filing the MYT petition by January 31, 2016. The draft MYT petition of MSETCL was discussed in board meeting of MSEB Holding Company Limited on January 28, 2016 wherein certain suggestions were given for improvement in the draft MYT petition. Post the meeting, MSETCL submitted a letter to the Hon'ble Commission requesting for time extension up to February 15, 2016.

MSETCL submitted the Petition for True-up for FY 2014-15, Provisional True-up for FY 2015-16 and ARR for FY 2016-17 to FY 2019-20 on February 10, 2016. The Technical Validation Session (TVS) was conducted on March 4, 2016. Thereafter MSETCL is submitting the revised Petition to the Hon'ble Commission.

## **1.2 The Present Petition**

MSETCL has worked out Truing up for FY 2014-15 in the instant Petition. The Audited Accounts and principles stipulated in the MERC (Multi Year Tariff) Regulations, 2011 have formed the basis for carrying out the Truing up. MSETCL in the current Petition has filed for Truing up of FY 2014-15 along with claim of disallowed capitalization of previous years and has computed the corresponding Impact of Disallowed Capitalization from FY 2010-11 to FY 2013-14 onwards considering



Depreciation including Advance Against Depreciation (AAD), Interest on Long Term loan, Return on Equity and Incentive for Transmission System Availability.

MSETCL has further worked out provisional Truing up for FY 2015-16 in the instant Petition. The provisional Accounts and principles stipulated in the MERC (Multi Year Tariff) Regulations, 2011 have formed the basis for carrying out the provisional Truing up.

Further, in the instant Petition, MSETCL has computed the ARR for FY 2016-17 to FY 2019-20 in accordance with the provisions of the MERC (MYT) Regulations, 2015.

Following sections give an overview of the Petition:

### **1.2.1 Impact of Disallowed Capitalization of Assets for Previous Years**

MSETCL has worked out the impact of disallowed capitalisation from FY 2010-11 to FY 2013-14 for depreciation including AAD, interest on long term loan, return on equity and incentive on transmission availability pertaining to such assets. The additional impact of such disallowed capitalisation has been computed as the difference between MSETCL's claim of depreciation, interest expense, ROE and incentive for transmission availability for FY 2010-11 to FY 2013-14 in this Petition and the amounts approved by the Hon'ble Commission in its Order in Case No. 207 of 2014.





**Table 1 Impact of claim of Disallowed Capitalisation from FY 2010-11 to FY 2013-14**

(Rs. Crore)

| Particulars                                   | FY 2010-11  | FY 2011-12  | FY 2012-13  | FY 2013-14   | Total        |
|---|-------------|-------------|-------------|--------------|--------------|
| Difference in Interest on long term loan      | 0.86        | 2.37        | 6.88        | 14.55        | 24.67        |
| Difference in ROE                             | 0.31        | 0.82        | 2.44        | 5.34         | 8.91         |
| Incentive on Transmission system availability | 0.02        | 0.11        | 0.18        | 0.54         | 0.85         |
| Depreciation including AAD                    | 0.00        | 3.39        | 0.00        | 6.68         | 10.07        |
| <b>Total</b>                                  | <b>1.19</b> | <b>6.70</b> | <b>9.50</b> | <b>27.11</b> | <b>44.50</b> |

**1.2.2 Truing-up of ARR for FY 2014-15**

MSETCL is filing this Petition for True-up of ARR for FY 2014-15 as the Audit Annual Accounts for FY 2014-15 are available. From the summary it can be seen that Aggregate Revenue Requirement (ARR) as filed in this Petition is less than approved by the Hon'ble Commission in Order in Case No. 207 of 2014 on account of higher Non-Tariff Income. Other heads of ARR like Operations and Maintenance expenses, depreciation, interest expense as claimed in this Petition are also less as compared to figures approved by Hon'ble Commission.

**Table 2 Truing-up Summary for FY 2014-15**

Rs. Crores

| Particulars   | MTR Order in Case No. 207 of 2014 | Normative | Petition | Net Entitlement of MSETCL after sharing of gain/(Loss) | True-Up requirement |
|---|-----------------------------------|-----------|----------|--|---------------------|
| Operation & Maintenance Expenses net of wage revision and service tax on lease rent | 1,450.78                          | 1,449.57  | 1,242.61 | 1,380.59   | (70.19)             |
| Impact of wage revision   | -                                 | -         | 42.01    | 42.01  | 42.01               |
| Impact of service tax on Lease Rent   | -                                 | -         | 1.06     | 1.06   | 1.06                |

|  |                 |          |                   |                 |                |
|--|-----------------|----------|-------------------|-----------------|----------------|
| Depreciation Expenses  | 788.76          | -        | 775.50            | 775.50          | (13.26)        |
| Interest on Loan Capital   | 763.57          | -        | 759.03            | 759.03          | (4.54)         |
| Interest on Working Capital and on Consumer Security Deposits                            | 112.86          | 112.66   | 2.58              | 75.96           | (36.90)        |
| Other Interest and Finance Charges   | 10.04           | -        | 1.94              | 1.94            | (8.10)         |
| Other Expenses   | 6.18            | -        | -                 | -               | (6.18)         |
| Income Tax   | 577.44          | -        | 692.61            | 692.61          | 115.17         |
| Contribution to contingency reserves   | 48.20           | -        | 48.72             | 48.72           | 0.52           |
| <b>Total Revenue Expenditure</b>   | <b>3,757.83</b> | <b>-</b> | <b>3,566.06</b>   | <b>3,777.42</b> | <b>19.58</b>   |
| Add: Return on Equity Capital  | 761.40          | -        | 764.66            | 764.66          | 3.26           |
| <b>Aggregate Revenue Requirement</b>   | <b>4,519.23</b> | <b>-</b> | <b>4,330.72</b>   | <b>4,542.08</b> | <b>22.85</b>   |
| Less: Non-Tariff Income  | 196.02          | -        | 269.77            | 269.77          | 73.75          |
| Less: Income from Wheeling Charges from Goa and Dadra and nagar Haveli and other sources | 90.17           | -        | 61.91             | 61.91           | (28.26)        |
| Less: Income from PoC charges for Inter-State lines                                      | -               | -        | 20.09             | 20.09           | 20.09          |
| <b>Aggregate Revenue Requirement from Transmission</b>                                   | <b>4,233.04</b> | <b>-</b> | <b>3,978.95</b>   | <b>4,190.31</b> | <b>(42.74)</b> |
| Add: Incentive on transmission Availability of HVAC system                               | -               | -        | 59.73             | 59.73           |                |
| Add: Incentive on transmission Availability of HVDC system                               | -               | -        | 18.55             | 18.55           |                |
| <b>Revenue from transmission tariff</b>  |                 | <b>-</b> | <b>5,044.14</b>   | <b>5,044.14</b> |                |
| Revenue Gap/(Surplus) for current year   |                 | <b>-</b> | <b>(986.92)</b>   | <b>(775.56)</b> |                |
| Impact of past period Disallowed capitalization  |                 | <b>-</b> | <b>44.50</b>      | <b>44.50</b>    |                |
| Revenue Gap/(Surplus) till previous year   |                 | <b>-</b> | <b>(171.11)</b>   | <b>(171.11)</b> |                |
| Cumulative Revenue Gap/(Surplus) till the year   |                 | <b>-</b> | <b>(1,113.53)</b> | <b>(902.17)</b> |                |



### 1.2.3 Provisional Truing-up of ARR for FY 2015-16

MSETCL is filing this Petition for Provisional True-up of ARR for FY 2015-16 as the provisional Half Yearly Accounts for FY 2015-16 ending September, 2015 are available. From the summary it can be seen that Aggregate Revenue Requirement (ARR) as filed in this Petition is less than the one that is approved by the Hon'ble Commission in Order in Case No. 207 of 2014 on account of higher Non-Tariff Income. Other heads of ARR like Depreciation, Interest on Working Capital, Income Tax as claimed in this Petition are also less as compared to figures approved by Hon'ble Commission.

**Table 3 Provisional Truing-up Summary for FY 2015-16**

| Particulars  | MTR Order<br>in Case No.<br>207 of 2014 | Normative | Petition | Rs. Crore              |
|--|---|-----------|----------|------------------------|
|  |   |           |          | Provisional<br>True-up |
| Operation & Maintenance Expenses   | 1,608.35                                | 1,606.80  | 1,405.79 | (202.56)               |
| Depreciation Expenses  | 872.54                                  |           | 862.37   | (10.17)                |
| Interest on Loan Capital   | 811.85                                  |           | 740.13   | (71.72)                |
| Interest on Working Capital and on Consumer Security Deposits                            | 73.63                                   | 73.63     | 58.12    | (15.51)                |
| Other Interest and Finance Charges   | 10.38                                   |           | 5.46     | (4.92)                 |
| Other Expenses   | 6.31                                    |           | -        | (6.31)                 |
| Income Tax   | 47.05                                   |           | 26.62    | (20.43)                |
| Contribution to contingency reserves   | 52.08                                   |           | 52.09    | 0.01                   |
| Total Revenue Expenditure  | 3,482.19                                |           | 3,150.57 | (331.62)               |
| Add: Return on Equity Capital  | 810.11                                  |           | 813.91   | 3.80                   |
| Aggregate Revenue Requirement  | 4,292.30                                |           | 3,964.48 | (327.82)               |
| Less: Non-Tariff Income  | 681.07                                  |           | 161.81   | (519.26)               |
| Less: Income from Wheeling Charges from Goa and Dadra and Nagar Haveli and other sources | 90.17                                   |           | 61.91    | (28.26)                |
| Less: Income from PoC charges for Inter-State lines                                      | 0.00                                    |           | 59.10    | 59.10                  |



|  |                 |  |                 |               |
|--|-----------------|--|-----------------|---------------|
| <b>Aggregate Revenue Requirement from Transmission</b>   | <b>3,521.06</b> |  | <b>3,681.66</b> | <b>160.60</b> |
| <b>Revenue from transmission tariff</b>  |                 |  | <b>3,159.26</b> |               |
| Revenue Gap/(Surplus) for current year   |                 |  | 522.40          |               |
| Revenue Gap/(Surplus) till previous year   |                 |  | (902.17)        |               |
| Impact of past period Disallowed capitalization approved by MERC vide order in case no 207 of 2014                     |                 |  | 82.53           |               |
| Impact of revised return on equity & incentive on higher availability on account of Review Order in case no 79 of 2014 |                 |  | 15.48           |               |
| Carrying Cost / (Holding Cost)   |                 |  | 47.13           |               |
| Cumulative Revenue Gap/(Surplus) till the year   |                 |  | (234.63)        |               |

**1.2.4 Aggregate Revenue Requirement for the period from FY 2016-17 to FY 2019-20, Revenue Gap and Impact on Transmission Tariff**

MSETCL is filing this MYT Petition for determination of ARR for the period 2016-17 to 2019-20 in accordance with the provisions of the MERC (MYT) Regulations, 2015.

**Table 4 Summary of Projected ARR for the period FY 2016-17 to FY 2019-20**

| Particulars   | Rs. Crore  |            |            |            |
|---|------------|------------|------------|------------|
|   | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 |
| Operation & Maintenance Expenses                              | 1,476.08   | 1,549.88   | 1,627.37   | 1,708.74   |
| Depreciation Expenses   | 961.54     | 1,053.44   | 1,139.94   | 1,224.23   |
| Interest on Loan Capital                                      | 786.60     | 829.53     | 850.04     | 857.95     |
| Interest on Working Capital and on Consumer Security Deposits | 58.12      | 58.12      | 58.12      | 58.12      |
| Other Interest and Finance Charges                            | 5.46       | 5.46       | 5.46       | 5.46       |
| Income Tax  | 90.11      | 95.96      | 209.77     | 221.15     |



|  |                 |                 |                 |                 |
|--|-----------------|-----------------|-----------------|-----------------|
| Contribution to contingency reserves   | 56.65           | 61.45           | 65.51           | 69.62           |
| <b>Total Revenue Expenditure</b>   | <b>3,434.56</b> | <b>3,653.83</b> | <b>3,956.21</b> | <b>4,145.27</b> |
| Add: Return on Equity Capital  | 422.21          | 449.63          | 982.90          | 1,036.26        |
| <b>Aggregate Revenue Requirement</b>   | <b>3,856.77</b> | <b>4,103.46</b> | <b>4,939.11</b> | <b>5,181.53</b> |
| Less: Non-Tariff Income  | 229.97          | 237.57          | 245.56          | 253.97          |
| Less: Income from Wheeling Charges from Goa and Dadra and Nagar Haveli and other sources | 61.91           | 61.91           | 61.91           | 61.91           |
| Less: Income from PoC charges for Inter-State lines                                      | 178.55          | 178.55          | 178.55          | 178.55          |
| <b>Aggregate Revenue Requirement from Transmission</b>                                   | <b>3,386.34</b> | <b>3,625.43</b> | <b>4,453.09</b> | <b>4,687.09</b> |
| Cumulative Revenue gap/(surplus) till FY 2015-16   | (234.63)        |                 |                 |                 |
| <b>Net Revenue required from transmission tariff</b>                                     | <b>3,151.71</b> |                 |                 |                 |

### 1.2.5 Impact on Transmission Tariff for FY 2016-17

Based on the revenue gap/(surplus) submitted in this Petition, there should be an overall increase of Rs. 38.98 Crore in the per month recovery of transmission tariff for the FY 2016-17 as against current transmission tariff of Rs. 223.66 crores per month. The impact of the proposed revenue surplus in this Petition on the transmission tariff for the distribution licensees in the State is shown in the Table below:



**Table 5 Impact on Transmission Tariff for FY 2016-17**

(Rs. Crore)

| Particulars  | % Contribution | DISCOMs contribution in MSETCL ARR approved in Case No. 207 of 2014 | DISCOMs contribution in MSETCL ARR based on current Petition | Difference    |
|--|----------------|---|--|---------------|
| MSEDCL   | 83.05%         | 2,229.01  | 2,617.50   | 388.48        |
| TPC-D  | 5.01%          | 134.47  | 157.90   | 23.44         |
| RInfra-D   | 7.36%          | 197.54  | 231.97   | 34.43         |
| BEST   | 4.57%          | 122.66  | 144.03   | 21.38         |
| <b>Total</b>   | <b>100%</b>    | <b>2,683.94</b>   | <b>3,151.71</b>  | <b>467.77</b> |
| <b>Monthly Recovery from Transmission Tariff by MSETCL</b> |                | <b>223.66</b>   | <b>262.64</b>  | <b>38.98</b>  |

