

TABLE OF CONTENTS

1.	INTRODUCTION.....	4
1.1	MULTI-YEAR TARIFF (MYT) REGULATIONS	4
1.2	OBJECTIVE OF THE MTR PETITION	4
2.	APPEAL BEFORE HON’BLE ATE.....	4
3.	TRUING UP FOR FY 15-16	5
3.1	CAPITAL EXPENDITURE AND CAPITALIZATION.....	5
3.1.1	DEPRECIATION	5
3.1.2	INTEREST ON LOAN CAPITAL	5
3.1.3	FINANCING PLAN.....	6
3.1.4	RETIREMENT.....	6
3.1.5	RETURN ON EQUITY	6
3.2	OPERATION & MAINTENANCE (O&M) EXPENSES	7
3.2.1	NORMS AS PER MYT REGULATIONS	7
3.2.2	EFFICIENCY GAINS/LOSS IN O&M.....	7
3.2.3	ADDITIONAL EXPENSES RELATED TO OPERATIONS	7
3.3	INTEREST ON WORKING CAPITAL	8
3.4	CONTRIBUTION TO CONTINGENCY RESERVE	8
3.5	INCOME TAX.....	8
3.6	REVENUE FOR FY 15-16.....	8
3.6.1	REVENUE FROM INSTS.....	8
3.6.2	NON-TARIFF INCOME	9
3.6.3	INCOME FROM OTHER BUSINESS.....	9
3.7	INCENTIVE ON AVAILABILITY OF RINFRA-T NETWORK.....	9
3.8	REVENUE GAP / SURPLUS FOR FY 15-16.....	10
4.	TRUING UP FOR FY 16-17	11
4.1	CAPITAL EXPENDITURE AND CAPITALIZATION.....	11
4.1.1	DEPRECIATION	11
4.1.2	INTEREST ON LOAN CAPITAL	11
4.1.3	RETURN ON EQUITY	12
4.2	OPERATION & MAINTENANCE (O&M) EXPENSES	12

4.2.1	NORMS AS PER MYT REGULATIONS	12
4.2.2	EFFICIENCY GAINS/LOSS IN O&M.....	12
4.3	INTEREST ON WORKING CAPITAL	13
4.4	CONTRIBUTION TO CONTINGENCY RESERVE	13
4.5	INCOME TAX.....	13
4.6	REVENUE FOR FY 16-17.....	13
4.6.1	REVENUE FROM INSTS.....	13
4.6.2	NON-TARIFF INCOME	14
4.6.3	INCOME FROM OTHER BUSINESS.....	14
4.7	INCENTIVE ON AVAILABILITY OF RINFRA-T NETWORK.....	14
4.8	REVENUE GAP / SURPLUS FOR FY 16-17.....	15
5.	PROVISIONAL TRUING UP FOR FY 17-18 AND ARR FOR FY 18-19 & FY	
19-20	15
5.1	CAPITAL INVESTMENT PLAN.....	16
5.1.1	FINANCING PLAN.....	16
5.1.2	RETIREMENT.....	17
5.1.3	INTEREST ON LOAN CAPITAL	17
5.1.4	DEPRECIATION	17
5.1.5	RETURN ON EQUITY	18
5.2	OPERATION & MAINTENANCE (O&M) EXPENSES	18
5.3	INTEREST ON WORKING CAPITAL	18
5.4	CONTRIBUTION TO CONTINGENCY RESERVE	19
5.5	INCOME TAX.....	19
5.6	REVENUE.....	19
5.6.1	REVENUE FROM INSTS.....	19
5.6.2	NON-TARIFF INCOME	19
5.6.3	INCOME FROM OTHER BUSINESS.....	20
5.7	CUMULATIVE REVENUE GAP TILL FY 17-18 INCLUSIVE OF CARRYING COST ON REVENUE GAP / SURPLUS FOR FY 15-16 AND FY 16-17	20
5.8	AGGREGATE REVENUE REQUIREMENT	20

LIST OF TABLES

Table 1: Summary – Capital expenditure and Capitalization FY 15-16	5
Table 2: Summary – Actual O&M expense FY 15-16.....	8
Table 3: Truing up Summary for FY 15-16	10
Table 4: Summary – Capital expenditure and Capitalization FY 16-17	11
Table 5: Summary – Actual O&M expense FY 16-17.....	13
Table 6: Truing up Summary for FY 16-17	15
Table 7: Capex and Capitalization FY 17-18.....	16
Table 8: Capex and Capitalization FY 18-19.....	16
Table 9: Capex and Capitalization FY 19-20.....	16
Table 10: O&M expenses FY 17-18 to FY 19-20.....	18
Table 11: Computation of carrying cost.....	20
Table 12: ARR for FY 17-18 to FY 19-20.....	21

1. INTRODUCTION

1.1 Multi-Year Tariff (MYT) Regulations

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

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

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

1.2 Objective of the MTR Petition

Regulation 5.1 (b) of MYT Regulations, 2015 provides for filing of Mid-Term Review (MTR) Petition comprising of truing up for FY 15-16 and FY 16-17, provisional truing up for FY 17-18 and revised ARR forecast for FY 18-19 and FY 19-20. In accordance with the said Regulation, RInfra-Transmission (hereinafter referred to as RInfra-T) has filed the present MTR Petition.

2. APPEAL BEFORE HON'BLE ATE

- The Hon'ble Commission issued order dated 26-06-2015 in Case No. 221 of 2014, against which RInfra-T has filed an appeal bearing Appeal No. 223 of 2015 before the Hon'ble Appellate Tribunal for Electricity (hereinafter referred to as the Hon'ble ATE). The Hon'ble ATE has admitted the appeal and the matter is presently being heard.
- The Hon'ble Commission has issued order dated 22-06-2016 in Case No. 13 of 2016, against which RInfra-T has filed an appeal bearing Appeal No. 237 of 2016 before the Hon'ble ATE. The Hon'ble ATE has admitted the appeal and the matter is presently being heard.

This petition is filed in accordance with the Hon'ble Commission's ruling, without prejudice to RInfra-T's contentions in the said Appeal(s).

3. TRUING UP FOR FY 15-16

In this petition, RInfra-T is submitting the actuals for FY 15-16 with respect to capital expenditure, revenue expenditure and revenue income for the purposes of truing up.

3.1 Capital Expenditure and Capitalization

RInfra-T has incurred an amount of Rs. 50.56 crore towards capital expenditure and actual capitalization has been Rs. 50.35 crore (inclusive of IDC).

A summary of the capital expenditure and capitalization is as follows:

Table 1: Summary – Capital expenditure and Capitalization FY 15-16

Rs. Crore		Actuals	MYT Order
Capital expenditure	DPR	43.20	-
	Non-DPR	7.36	-
	Total	50.56	-
Capitalization	DPR	42.35	42.09
	Non-DPR	8.00	8.00
	Total	50.35	50.09

3.1.1 Depreciation

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

3.1.2 Interest on loan capital

RInfra-T had existing capital expenditure loans from Corporation Bank, Bank of Maharashtra, State Bank of Hyderabad and the South Indian Bank at different rates of interest. During FY 15-16, RInfra-T has been able to refinance / renegotiate these loans resulting in these earlier loans getting replaced with loans from a Consortium of State Bank of India, South Indian Bank and State Bank of Hyderabad, all at an interest rate of 11%. As a result, the weighted average interest rate, which was 11.94% at the beginning of FY 15-16 reduced to 11% towards the end of FY 15-16, when these loans were refinanced / renegotiated.

However, as far as FY 15-16 is concerned, the interest on long-term loans is required to be computed using the weighted average interest rate of the loan portfolio as on 01-04-2015, as per the MYT Regulations, 2011, which is also the methodology applied by the Hon'ble Commission in the MYT order for provisional truing-up of FY 15-16. In any event, as the refinancing happened during the month of March 2016, the benefit of refinancing, in terms of lower interest rate, would only be available from FY 16-17 onwards.

Based on the regulatory opening and closing loan balances, normative repayment equivalent to depreciation and the weighted average interest rate as on 01-04-2015, the allowable Interest on long-term loans for FY 15-16 is computed.

3.1.3 Financing Plan

During the course of the proceedings of the MYT petition in Case No. 13 of 2016, RInfra-T had mentioned about the financing charges being incurred on account of refinancing and that the net benefit to the transmission system users as a result of refinancing at a lower interest rate is much more than the cost of refinancing. In the MYT Order, the Hon'ble Commission had taken cognizance of RInfra-T's submissions and had approved the refinancing. The financing charge paid by RInfra-T for refinancing the loans is Rs. 3.51 crore.

3.1.4 Retirement

RInfra-T submits that it has retired certain assets from the system in FY 15-16 to the extent of Rs. 2.02 crore. The impact of the retirement is adjusted accordingly in Gross Fixed Assets (GFA), Depreciation and Return on Equity. As regards loan capital, since these assets were installed around the year 2000, the corresponding normative loan can be considered as repaid, requiring no adjustment to loan capital on account of retirement.

3.1.5 Return on Equity

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

3.2 Operation & Maintenance (O&M) expenses

3.2.1 Norms as per MYT Regulations

The Hon'ble Commission in the MYT order in Case No. 13 of 2016 recognized 538.66 circuit kms of 220 kV line length as at the end of FY 15-16 in service. RInfra-T has 115 numbers of 220 kV bays and 371 numbers of 33 kV bays as at the end of FY 15-16, as part of its transmission system. However, for the purposes of allowing normative O&M expenses, the Hon'ble Commission, in the said MYT order, has recognized 104 numbers of 220 kV bays and 366 numbers of 33 kV bays as at the end of FY 15-16. RInfra-T has challenged the said issue of lower bays consideration by the Hon'ble Commission before the Hon'ble ATE.

However, without prejudice to its contentions in the Appeal, RInfra-T has worked out normative O&M expenses (as per norms provided for in Regulation 61.6 of the MYT Regulations, 2011) considering the circuit kms and bays approved by the Hon'ble Commission in the MYT order.

The total O&M expenses as per norms amounts to Rs. 40.66 crore.

3.2.2 Efficiency gains/loss in O&M

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

The normative expenses of Rs. 40.66 crore ought to be compared with actual expenses of Rs. 43.15 crore (excluding corporate expense allocation, SCADA charges, land usage charges and electricity charges) resulting in controllable efficiency loss of Rs. 2.49 crore.

Regulation 14.2 of the MYT Regulations, 2011 provides the mechanism for sharing of gains on account of controllable factors. Thus, vide the said Regulation, 2/3rd of the loss i.e. Rs. 1.66 crore shall be borne by RInfra-T.

3.2.3 Additional expenses related to operations

RInfra-T, in the MYT Petition in Case No. 13 of 2016, had submitted that there are certain additional expenses arising out of newer developments as well as certain cost identification / regrouping being carried out by RInfra within the transmission and distribution businesses, so as to have complete ring fencing and arms length business transactions between the two entities. RInfra-T had submitted that these expenses were not part of historical O&M expenses which were used for developing MYT norms.

The Hon'ble Commission, in the MYT Order, was kind enough to grant approval of such expenses in addition to the O&M expenses applicable as per norms. In accordance with the above, RInfra-T is claiming the actual expenses for FY 15-16 against these heads.

On the basis of the aforesaid, the summary of the actual O&M expenses as claimed by RInfra-T for FY 15-16 is as follows:

Table 2: Summary – Actual O&M expense FY 15-16

O&M expenses (Rs. crore)	Actuals	MYT Order / Normative	Difference
Base O&M expenses	43.15	40.66	2.49
Efficiency loss to be borne by RInfra-T	(1.66)	-	(1.66)
Corporate allocation	2.57	2.34	0.23
Energy charges	3.81	3.81	-
SCADA charges	1.17	1.17	-
Land usage charges	3.86	3.86	-
Total O&M expenses	52.89	51.85	1.04

3.3 Interest on Working Capital

Working capital requirement has been calculated as per Regulation 35.2 of the MYT Regulations, 2011. The rate of interest is considered as that has been approved by Hon'ble Commission in MYT order in Case No. 13 of 2016 i.e. 14.75%.

3.4 Contribution to Contingency Reserve

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

3.5 Income Tax

RInfra-T has computed Income tax based on the established and approved practice of determining stand-alone Regulatory Profit before Tax (PBT) for Transmission business.

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

3.6 Revenue for FY 15-16

3.6.1 Revenue from InSTS

As regards revenue from transmission charges, it has been computed –

- a. for April 2015 and May 2015 based on the Hon'ble Commission Order dated 14-08-2014 in Case No. 123 of 2014, which approved the charges at Rs. 33.31 crore per month and
- b. for June 2015 to March 2016, based on the Hon'ble Commission's Order dated 26-06-2015 in Case No. 57 of 2015, which approved the charges at Rs. 17.41 crore per month.

Thus, revenue from transmission charges has been considered at Rs. 240.68 crore.

3.6.2 Non-Tariff Income

Major heads of Non-Tariff Income (NTI) are explained hereunder:

- Interest on contingency reserve investments: The contingency reserve investments are made in GoI securities and accordingly interest is computed.
- Liquidated damages: The liquidated damages received from vendors on account of delay in the scheduled delivery date of various equipments is considered in NTI.
- Realization of exchange gain / loss: The forex gain / (loss) due to rate difference in material receipt date and actual payment date / year end date is considered in NTI.
- Sale of scrap: The amount received from sale of scrap is considered in NTI.
- Rental income from land usage: RInfra-T is receiving rental charges from RInfra-D on the basis of the MoM entered into between RInfra-T and RInfra-D for land usage charges. The same is accordingly considered as NTI.
- Delayed Payment Charge: The Hon'ble Commission, in the MYT order in Case No. 13 of 2016, has considered the DPC of Rs. 45.89 crore due to RInfra-T as on 31-03-2016 as part of Non-Tariff Income. RInfra-T has challenged the said matter before the Hon'ble ATE. Without prejudice to the appeal, RInfra-T is considering the said amount as NTI in FY 15-16 in the present petition.

3.6.3 Income from Other Business

RInfra has let out space on its substation rooftops for installation of BTS towers of Reliance Communication Ltd. In accordance with Regulation 63.1 of the MYT Regulations, 2011, RInfra-T has considered 1/3rd of the amount received after netting of tax as Income from Other Business.

3.7 Incentive on Availability of RInfra-T network

Maharashtra State Load Despatch Centre (MSLDC) has certified the transmission system availability for RInfra-T at 99.83% for FY 15-16.

On conjoint reading of the Regulations 60.1 and 60.2 of the MYT Regulations, 2011, RInfra-T has computed the incentive on Transmission availability by restricting the availability to 99.75%. The Annual Transmission Charges considered for determining incentive are net off Non-Tariff Income and Income from Other Business. The incentive amount is Rs. 3.97 crore.

3.8 Revenue Gap / Surplus for FY 15-16

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

Table 3: Truing up Summary for FY 15-16

Sr. No.	Particulars (Rs. crore)	Actuals (for Final True-up)	MYT Order (Prov. True-up)	Difference
	Expenditure			
1	Operation & Maintenance expenses	52.89	51.85	1.05
2	Interest on long-term loan capital	70.12	70.11	0.01
3	Financing charges	3.51	-	3.51
4	Depreciation	61.18	61.18	-
5	Return on Equity	74.22	74.21	0.01
6	Interest on working capital	5.39	5.33	0.05
7	Contribution to contingency reserve	3.59	3.59	-
8	Income Tax	22.29	27.94	(5.65)
A	Total expenditure	293.18	294.20	(1.02)
9	Availability incentive	3.97	-	3.97
B	Total ARR	297.15	294.20	2.95
	Revenue			
10	Revenue from InSTS	240.68	240.68	-
11	Non Tariff income	48.74	48.82	(0.08)
12	Income from other business	0.03	0.02	0.01
C	Total revenue	289.45	289.52	(0.07)
D	Cumulative Revenue Gap till FY 2013-14 inclusive of carrying cost	12.94	12.94	-
E	Revenue Gap / (surplus) for FY 2014-15	(21.32)	(21.32)	-
F	Impact of ATE Judgment in Appeal No. 139 of 2012	8.72	8.72	-
G	Revenue Gap / (Surplus) = (B – C + D + E + F)	8.07	5.04	3.03
H	Carrying cost on gap for half year	0.30		0.30
I	Revenue Gap / (Surplus) = G + H	8.37	5.04	3.33

RInfra-T requests the Hon'ble Commission to kindly approve the abovementioned revenue gap for FY 15-16.

4. TRUING UP FOR FY 16-17

In this petition, RInfra-T is submitting the actuals for FY 16-17 with respect to capital expenditure, revenue expenditure and revenue income for the purposes of truing up.

4.1 Capital Expenditure and Capitalization

RInfra-T has incurred an amount of Rs. 49.82 crore towards capital expenditure and actual capitalization has been Rs. 22.12 crore (inclusive of IDC).

A summary of the capital expenditure and capitalization is as follows:

Table 4: Summary – Capital expenditure and Capitalization FY 16-17

Rs. Crore		Actuals	MYT Order
Capital expenditure	DPR	42.49	-
	Non-DPR	7.33	-
	Total	49.82	-
Capitalization	DPR	18.52	74.70
	Non-DPR	3.60	11.27
	Total	22.12	85.97

4.1.1 Depreciation

Regulation 27.1 of MYT Regulations, 2015 provides for the methodology for computation of depreciation. Depreciation is computed according to the said Regulation. Depreciation has been claimed on the Opening GFA (Gross Fixed Asset) and also on the assets added during the year (proportionately based on actual date of addition).

4.1.2 Interest on loan capital

It is submitted that no fresh loans have been taken either for refinance of opening CWIP as on 01-04-2016 or for funding incremental capital expenditure during FY 16-17. Capex and capitalization during FY 16-17 is, therefore, funded through internal funds, to be considered at normative debt: equity ratio of 70:30.

As far as truing up of FY 16-17 is concerned, the interest on long-term loans is required to be computed by considering first proviso to 29.5 of the MYT Regulations, 2015.

RInfra-T submits that it has computed the weighted average rate of interest on the basis of actual loan portfolio during the year. The weighted average interest rate amounts to 10.99%.

Based on the regulatory opening and closing loan balances, normative repayment equivalent to depreciation and the weighted average interest rate, the allowable Interest on long-term loans for FY 16-17 is computed.

4.1.3 Return on Equity

For FY 16-17, the Return on Equity (RoE) has been computed at 15.5% on equity capital at the beginning of the year plus 50% of the equity portion for the assets capitalized during the year. This is as per Regulation 28.2 and 28.3 of the MYT Regulations, 2015.

4.2 Operation & Maintenance (O&M) expenses

4.2.1 Norms as per MYT Regulations

As elaborated in Section 3.2.1 in the present Petition, RInfra-T has worked out the normative O&M expenses for FY 16-17 by considering the opening circuit kms. and bays equal to the closing circuit kms and bays as at the end of FY 15-16. As regards the 5 Nos. of 33 kV bays considered by the Hon'ble Commission being unutilized, connectivity to one (1) 33 kV was established by TSU in FY 16-17. Accordingly, to recompute normative O&M allowance, the said bay has been considered. The total O&M expenses as per norms amounts to Rs. 53.21 crore.

4.2.2 Efficiency gains/loss in O&M

Variation in O&M expenses is attributed to Controllable factors vide Regulation 9.2 (f) of the MYT Regulations, 2015. The variation is computed as the differential between the normative allowance vis-à-vis the actual O&M expenses.

In FY 16-17, there has been a demand by PWD of Rs. 0.18 crore (Rs. 0.09 crore p.a. for FY 15-16 and FY 16-17) towards ground rental charges for cable laying for Gorai-Borivali line. RInfra-T submits that in the past till FY 15-16, no such demand has ever been raised and correspondingly the past actual O&M expenses on which the norms are based do not include any such expenditure. Therefore, RInfra-T requests the Hon'ble Commission to allow these expenses over and above the normative allowance as per line length and bays.

The normative expenses of Rs. 53.21 crore ought to be compared with actual expenses of Rs. 55.24 crore (excluding PWD charges) resulting in controllable efficiency loss of Rs. 2.03 crore.

Regulation 11.2 of the MYT Regulations, 2015 provides the mechanism for sharing of loss on account of controllable factors. Thus, vide the said Regulation, 2/3rd of the loss i.e. Rs. 1.36 crore shall be borne by RInfra-T.

On the basis of the aforesaid, the summary of the actual O&M expenses as claimed by RInfra-T for FY 16-17 is as follows:

Table 5: Summary – Actual O&M expense FY 16-17

O&M expenses (Rs. crore)	Actuals	MYT Order / Normative	Difference
Base O&M expenses	55.24	53.21	2.03
Efficiency loss to be borne by RInfra-T	(1.36)	-	(1.36)
PWD charges	0.18	-	0.18
Total O&M expenses	54.07	53.21	0.86

4.3 Interest on Working Capital

Working capital requirement has been calculated as per Regulation 31.2 of the MYT Regulations, 2015. The rate of interest is considered as per proviso to Regulation 31.2(b) of the MYT Regulations, 2015 i.e. 10.79%.

4.4 Contribution to Contingency Reserve

Contribution to Contingency Reserve has been computed as per Regulation 34.1 of the MYT Regulations, 2011 i.e. 0.25 % of Opening GFA.

4.5 Income Tax

RInfra-T has computed Income tax based on the established and approved practice of determining stand-alone Regulatory Profit before Tax (PBT) for Transmission business.

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

4.6 Revenue for FY 16-17

4.6.1 Revenue from InSTS

As regards revenue from transmission charges, it has been computed –

- a. for April 2016 to June 2016, based on the Hon'ble Commission's Order dated 22-07-2016 in Case No. 57 of 2015, which approved the charges at Rs. 17.41 crore per month and

- b. for July 2016 to March 2017, based on the Hon'ble Commission's Order dated 26-06-2015 in Case No. 91 of 2016, which approved the charges at Rs. 24.40 crore per month (Rs. 292.79 crore per annum).

Thus, revenue from transmission charges has been considered at Rs. 271.82 crore.

4.6.2 Non-Tariff Income

Major heads of Non-Tariff Income (NTI) are explained hereunder:

- Interest on contingency reserve investments: The contingency reserve investments are made in GoI securities and accordingly interest is computed.
- Liquidated damages: The liquidated damages received from vendors on account of delay in the scheduled delivery date of various equipments is considered in NTI.
- Realization of exchange gain / loss: The forex gain / (loss) due to rate difference in material receipt date and actual payment date / year end date is considered in NTI.
- Sale of scrap: The amount received from sale of scrap is considered in NTI.
- Rental income from land usage: RInfra-T is receiving rental charges from RInfra-D on the basis of the MoM entered into between RInfra-T and RInfra-D for land usage charges. The same is accordingly considered as NTI.
- Delayed Payment Charge: As per Regulation 36.3 of the MYT Regulations, 2015, DPC earned by the Licensee shall not be considered under its NTI. In accordance with the aforesaid Regulation, the DPC received by RInfra-T in FY 16-17 is not considered under NTI for ARR purpose.

4.6.3 Income from Other Business

RInfra has let out space on its substation rooftops for installation of BTS towers of Reliance Communication Ltd. In accordance with Regulation 60 of the MYT Regulations, 2015, RInfra-T has considered 2/3rd of the amount received as Income from Other Business.

4.7 Incentive on Availability of RInfra-T network

Maharashtra State Load Despatch Centre (MSLDC) has certified the transmission system availability for RInfra-T at 99.80% for FY 16-17.

On conjoint reading of the Regulations 57.1 and 57.2 of the MYT Regulations, 2015, RInfra-T has computed the incentive on Transmission availability by restricting the availability to 99.75%. The incentive amount is Rs. 2.15 crore.

4.8 Revenue Gap / Surplus for FY 16-17

The revenue gap / surplus for FY 16-17 is arrived at on comparing the revenue received from InSTS and the Aggregate Revenue Requirement (net of Non Tariff Income and Income from Other Business). The summary of ARR for FY 16-17 is tabulated below:

Table 6: Truing up Summary for FY 16-17

Sr. No.	Particulars (Rs. crore)	Actuals	MYT Order	Difference
	Expenditure			
1	Operation & Maintenance expenses	54.07	53.19	0.88
2	Interest on long-term loan capital	60.50	62.87	(2.37)
3	Depreciation	63.52	65.47	(1.95)
4	Return on Equity	75.86	77.33	(1.47)
5	Interest on working capital	5.76	6.03	(0.27)
6	Contribution to contingency reserve	3.71	3.71	-
7	Income Tax	25.21	27.94	(2.73)
A	Total expenditure	288.63	296.53	(7.91)
8	Availability incentive	2.15	-	2.15
B	Total ARR	290.78	296.53	(5.75)
	Revenue			
9	Revenue from InSTS	271.82	292.79	(20.98)
10	Non Tariff income	4.30	2.96	1.34
11	Income from other business	0.09	0.05	0.04
C	Total revenue	276.21	295.80	(19.59)
D	Carrying cost on FY 14-15 gap / (surplus)	(5.77)	(5.77)	-
E	Cumulative Revenue Gap / (surplus) up to FY 2015-16	5.04	5.04	-
F	Revenue Gap / (Surplus) = (B – C + D + E)	13.84	-	13.84
G	Holding cost for half year	0.63		0.63
H	Revenue Gap / (Surplus) = F + G	14.47		14.47

RInfra-T requests the Hon'ble Commission to kindly approve the abovementioned revenue gap for FY 16-17.

5. PROVISIONAL TRUING UP FOR FY 17-18 AND ARR FOR FY 18-19 & FY 19-20

In this section, RInfra-T is submitting the provisional actuals for FY 17-18 for the purposes of provisional truing up of FY 17-18, along with the projected ARR for FY 18-19 and FY 19-20 as per the provisions of the relevant Regulations of MYT Regulations, 2015.

5.1 Capital Investment Plan

The capital expenditure and capitalization (inclusive of IDC) is as follows for FY 17-18 (provisional actual) and for FY18-19 and FY 19-20 (projected):

Table 7: Capex and Capitalization FY 17-18

Particulars (Rs. crore)	Capex	Capitalization	Capitalization
	Provisional actual		MYT Order
DPR (Schemes approved)	81.22	73.45	123.42
DPR (Schemes yet to be initiated) – DPR not submitted yet	-	-	-
Non-DPR	4.87	10.84	20.00
Total	86.09	84.29	143.42

Table 8: Capex and Capitalization FY 18-19

Particulars (Rs. crore)	Capex	Capitalization	Capitalization
	Revised Projection		MYT Order
DPR (Schemes approved)	114.00	17.68	9.80
DPR (Schemes yet to be initiated) – DPR not submitted yet	181.00	-	-
Non-DPR	15.00	3.00	1.96
Total	310.00	20.68	11.76

Table 9: Capex and Capitalization FY 19-20

Particulars (Rs. crore)	Capex	Capitalization	Capitalization
	Revised Projection		MYT Order
DPR (Schemes approved)	193.76	353.17	-
DPR (Schemes yet to be initiated) – DPR not submitted yet	639.36		-
Non-DPR	20.00	30.00	-
Total	853.11	383.17	-

5.1.1 Financing Plan

It is submitted that no fresh loans have been taken either for refinance of opening CWIP as on 01-04-2017 or for funding incremental capital expenditure during FY 17-18. The funding for capital expenditure schemes for FY 18-19 and FY 19-20 is, at present, envisaged through debt: equity capital structure of 70:30.

5.1.2 Retirement

RInfra-T submits that it has retired certain assets from the system in FY 17-18 to the extent of Rs. 0.62 crore. The impact of the retirement is adjusted accordingly in Gross Fixed Assets (GFA), Depreciation, Loan capital and Return on Equity.

5.1.3 Interest on Loan Capital

RInfra-T has considered the opening normative loan balance for FY 17-18 to FY 19-20 as equal to closing normative loan balance of FY 16-17 to FY 18-19 respectively. 70% of the capitalization for FY 17-18 to FY 19-20 is considered as asset addition during each year.

In accordance with Regulation 29.3 of the MYT Regulations, 2015, the repayment during each year shall be deemed to be equal to the depreciation allowed for that year.

As far as provisional truing up of FY 17-18 is concerned, the interest on long-term loans is required to be computed by considering first proviso to 29.5 of the MYT Regulations, 2015. RInfra-T submits that it has computed the weighted average rate of interest on the basis of actual loan portfolio during the year. The weighted average interest rate amounts to 10.49%.

In accordance with Regulation 29.5 of the MYT Regulations, 2015, RInfra-T has worked out its actual likely loan balance as on 1st April of each year for FY 18-19 & FY 19-20 considering the actual cumulative repayments upto 31st March of each year as per loan repayment schedules of various banks.

For FY 18-19, the interest rate considered is as is prevailing as on the 1st of April 2018. For FY 19-20, the interest rate considered is as prevailing on 31-05-2018. The weighted average rate is then worked out using the interest rates of different banks and the outstanding actual loan balances as on 1st April of each year of FY 18-19 and FY 19-20. The weighted average interest rate amounts to 9.98% for FY 18-19 and 10.48% for FY 19-20. The interest rate so determined is then applied on the normative loan balance (after considering depreciation equivalent repayment) to determine interest chargeable to ARR, in accordance with the MYT Regulations, 2015.

5.1.4 Depreciation

RInfra-T has considered the opening GFA for FY 17-18 to FY 19-20 as equal to closing GFA of FY 16-17 to FY 18-19 respectively.

Depreciation for FY 17-18 has been claimed on the Opening GFA and also on the assets added during the year (proportionately based on actual date of addition).

The estimated asset addition to different asset classes during FY 18-19 and FY 19-20 is considered in the same proportion as the opening GFA for that year.

Depreciation has been computed in accordance with Regulation 27 of the MYT Regulations, 2015.

5.1.5 Return on Equity

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

5.2 Operation & Maintenance (O&M) expenses

RInfra-T has estimated the addition of circuit kms and bays for each year based on the proposed completion of various capital works. Norms have been applied as provided in Regulation 58.4 of the MYT Regulations, 2015 for voltages that already exist in RInfra-T system.

It is further submitted that as elaborated in the O&M section for FY 16-17, there has been a demand from PWD for which payment has been made in FY 16-17 and the same has been considered as over and above normative allowance for FY 16-17. RInfra-T has made payment of Rs. 0.09 crore in FY 17-18, as well to PWD. On similar basis, RInfra-T has estimated PWD charges for FY 18-19 and FY 19-20 based on the demand raised by PWD. RInfra-T is claiming the PWD charges over and above normative O&M expenses for FY 17-18 to FY 19-20 and requests the Hon'ble Commission to consider the same.

The O&M expenses as presently estimated by RInfra-T are as follows:

Table 10: O&M expenses FY 17-18 to FY 19-20

	FY 17-18	FY 18-19	FY 19-20
	Provisional actual	Revised Projection	
Circuit Km. basis (as per norms)	3.35	3.52	3.78
Number of Bays basis (as per norms)	53.19	56.54	61.24
Ground Rent charges – PWD	0.09	0.09	0.09
Total	56.62	60.15	65.12

5.3 Interest on Working Capital

For FY 17-18 to FY 19-20, working capital requirement has been calculated as per Regulation 31.2 of the MYT Regulations, 2015.

For FY 17-18 to FY 19-20, the rate of interest is considered as per MYT (First Amendment) Regulations, 2017 i.e. 10.20% for FY 17-18 and 9.75% for FY 18-19 & FY 19-20.

5.4 Contribution to Contingency Reserve

MYT Regulations, 2015 provide for Contribution to Contingency Reserve (CR) at 0.25% of Opening GFA. 0.25% is applied on the opening GFA for each year of FY 17-18 to FY 19-20.

5.5 Income Tax

Vide Regulation 33.1 of the MYT Regulations, 2015, the Income Tax for RInfra-T has been provisionally considered, for FY 17-18 to FY 19-20, at the same level as worked out for FY 16-17 in this petition.

5.6 Revenue

5.6.1 Revenue from InSTS

For revenue from transmission charges for FY 17-18, the same is as per the InSTS Order dated 22-07-2017 in Case No. 91 of 2016 i.e. billed revenue of Rs. 310.15 crore per annum.

For revenue from transmission charges for FY 18-19 and FY 19-20, RInfra-T is considering the expected revenue from transmission charges same as the projected ARR for the said years, inclusive of the resultant gap / surplus for FY 15-16 to FY 17-18 as presented in this petition.

5.6.2 Non-Tariff Income

Major heads of Non-Tariff Income based on provisional actual for FY 17-18 and projections for FY 18-19 and FY 19-20 is as explained hereunder:

- Rental income from land usage: Based on the MoM, the land usage charges received/receivable by RInfra-T for FY 17-18 to FY 19-20 is considered as NTI.
- Interest on contingency reserve investments: The contingency reserve investments are to be made in GoI securities and accordingly interest is computed.
- Other heads: The other items of NTI such as liquidated damages, scrap sale, etc. for FY 17-18 is considered based on provisional actuals. For FY 18-19 and FY 19-20, these heads cannot be projected with any degree of certainty at this point in time. Hence, no forecast for other elements is presently included in the Non-Tariff Income.

5.6.3 Income from Other Business

RInfra has let out space on its substation rooftops for installation of BTS towers of Reliance Communication Ltd. In accordance with Regulation 60 of the MYT Regulations, 2015, RInfra-T has considered 2/3rd of the amount received as Income from Other Business

5.7 Cumulative Revenue Gap till FY 17-18 inclusive of Carrying cost on Revenue Gap / Surplus for FY 15-16 and FY 16-17

The carrying cost on the revenue gap / (surplus) of FY 15-16 has been worked out as per the terms of the MYT Regulations, 2011 i.e. at the SBI PLR. The SBI PLR for FY 15-16 is 14.75%, which was also considered by the Hon'ble Commission in the MYT Order.

For FY 16-17 & FY 17-18, the carrying cost is considered at 10.79% and 10.20%, in accordance with the reasoning given earlier.

Accordingly, RInfra-T has computed the carrying cost and cumulative revenue gap / surplus at the end of FY 17-18 as provided in the table below. Carrying cost is considered by excluding the availability incentive.

Table 11: Computation of carrying cost

Particulars	Rs. Crore
Incremental Revenue gap for FY 15-16	3.33
Revenue gap for FY 16-17	14.47
Provisional revenue gap / (surplus) for FY 17-18	(25.05)
Carrying cost on revenue gap for FY 15-16	0.14
Carrying cost on revenue gap for FY 16-17	1.26
Cumulative revenue gap / (surplus) with carrying cost	(5.85)

RInfra-T proposes to recover the said amount in FY 18-19 alone and not spread it over to FY 19-20 as well, so as to avoid further carrying cost. On the said revenue surplus, RInfra-T has worked out carrying cost for half year since the recovery/refund in FY 18-19 would be evenly spread throughout the year. This further carrying cost amounts to Rs. 0.29 crore.

5.8 Aggregate Revenue Requirement

Based on the individual elements described above, the total projected Aggregate Revenue Requirement (ARR) for FY 17-18 to FY 19-20 is as shown in the table below:

Table 12: ARR for FY 17-18 to FY 19-20

Sr. No.	Particulars (Rs. crore)	FY 17-18		FY 18-19		FY 19-20	
		MYT Order	Provisional actual	MYT Order	Revised Projection	MYT Order	Revised Projection
	Expenditure						
1	Operation & Maintenance expenses	57.16	56.62	61.36	60.15	64.42	65.12
2	Interest on long-term loan capital	64.18	54.89	62.09	49.20	54.25	58.67
3	Depreciation	71.29	64.78	75.32	69.27	75.58	79.61
4	Return on Equity	82.66	78.31	86.27	80.74	86.54	90.13
5	Interest on working capital	6.40	5.97	6.72	5.50	6.70	6.05
6	Contribution to contingency reserve	3.92	3.76	4.28	3.97	4.31	4.02
7	Income Tax	27.94	25.21	27.94	25.21	27.94	25.21
A	Total expenditure	313.55	289.56	323.98	294.04	319.73	328.81
	Revenue other than from InSTS						
8	Non Tariff income	3.34	4.37	3.77	3.82	4.34	4.21
9	Income from other business	0.06	0.09	0.06	0.09	0.06	0.09
B	ARR (A - 8 - 9)	310.15	285.10	320.15	290.13	315.33	324.52
C	Revenue from InSTS	310.15	310.15	320.15	(5.85)	315.33	
D	Cumulative Revenue Gap till end of FY 17-18				(5.85)		
E	Carrying cost on cumulative revenue gap				(0.29)		
E	Net ARR (B – C + D + E)	-	-	-	284.00	-	324.52

RInfra-T requests the Hon'ble Commission to approve the aforesaid ARR to be recovered from Transmission Tariff for FY 18-19 and FY 19-20.