

Executive Summary of:

MADC True Up Petition for FY 2014-15 and FY 2015-16, Final True Up for FY 2016-17 to FY 2019-20 and Multi Year Tariff Petition for Fourth Control Period from FY 2020-21 to FY 2024-25

1 Executive Summary

As per the provisions of the MERC (Multi Year Tariff) Regulations, 2011, 2015 and 2019, the Petitioner is filing this petition before the Hon'ble Commission for approval of:

1. Final True-Up of FY 2014-15 and FY 2015-16 and determination of gap/surplus as per MERC (Multi Year Tariff) Regulations, 2011
2. Final True-Up of FY 2016-17 to FY 2019-20 and determination of gap/surplus as per MERC (Multi Year Tariff) Regulations, 2015
3. Projections for various components of Aggregate Revenue Requirements for FY 2020-21 to FY 2024-25 and determination of gap/surplus as per MERC (Multi Year Tariff) Regulations, 2019
4. Determination of tariffs for FY 2020-21 to FY 2024-25 as per MERC (Multi Year Tariff) Regulations, 2019

1.1 Aggregate Revenue Requirement (ARR)

1.1.1 The Aggregate Revenue Requirement of the Petitioner for FY 2014-15 to FY 2019-20 has been computed based on the guidelines laid by the Hon'ble Commission in the MERC MYT Regulations, 2011 and 2015.

Table 1-1: ARR of Wire Business for the period FY 2014-15 to FY 2019-20 (Rs. Cr)

Sr. No.	Particulars	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
1	Operation & Maintenance Expenses	0.58	1.65	1.73	1.79	1.85	1.90
2	Depreciation	1.15	3.22	3.22	3.22	3.22	3.22
3	Interest on Loan Capital	2.37	4.40	3.93	3.66	3.39	3.04
4	Interest on Working Capital	0.07	0.27	0.03	0.02	0.03	0.02
5	Interest on deposit from Consumers and Distribution System Users	-	-	0.05	0.06	0.05	0.06
6	Provision for bad and doubtful debts	0.00	0.00	0.00	0.00	0.00	0.00
7	Contribution to contingency reserves	-	0.16	0.16	0.16	0.16	0.16
8	Income Tax	-	-	-	-	-	-
9	Total Revenue Expenditure	4.17	9.69	9.12	8.91	8.68	8.40
10	Add: Return on Equity Capital	0.52	2.91	2.91	2.91	2.91	2.91
11	Aggregate Revenue Requirement	4.69	12.60	12.03	11.82	11.59	11.31
12	Less: Non-Tariff Income	0.00	0.00	0.01	0.01	0.02	0.02
13	Aggregate Revenue Requirement for Distribution Wires Business	4.69	12.60	12.02	11.81	11.58	11.29

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Table 1-2: ARR of Retail Supply Business for FY 2014-15 to FY 2019-20 (Rs. Cr)

Sr. No.	Particulars	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
1	Power Purchase Expenses	3.26	8.34	10.97	17.00	25.60	34.96
2	Operation & Maintenance Expenses	0.19	0.44	0.46	0.49	0.51	0.53
3	Depreciation	0.00	0.00	0.00	0.00	0.00	0.00
4	Interest on Loan	0.00	0.01	0.01	0.01	0.00	0.00
5	Interest on Working Capital	0.03	0.16	-	-	-	-
6	Interest on Consumer Security Deposit	-	-	0.46	0.51	0.44	0.53
7	Write-off of Provision for bad and doubtful debts	0.00	0.01	0.01	0.01	0.01	0.01
8	Contribution to contingency reserves	-	0.00	0.00	0.00	0.00	0.00
9	Switchyard and Transmission line user Charges - AMNEPL	0.11	0.39	0.50	0.67	0.84	1.03
10	Income Tax	-	-	-	-	-	-
11	Total Revenue Expenditure	3.59	9.34	12.41	18.68	27.41	37.06
12	Add: Return on Equity Capital	0.00	0.00	0.00	0.00	0.00	0.00
13	Aggregate Revenue Requirement	3.59	9.34	12.41	18.69	27.41	37.07
14	Less: Non-Tariff Income	0.18	0.51	0.06	0.12	0.14	0.18
15	Aggregate Revenue Requirement for Retail Supply Business	3.42	8.84	12.35	18.56	27.27	36.89

Table 1-3: ARR of Wire + Retail Supply Business for the period FY 2014-15 to FY 2019-20 (Rs. Cr)

Sr. No.	Particulars	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
1	Power Purchase Expenses	3.26	8.34	10.97	17.00	25.60	34.96
2	Operation & Maintenance Expenses	0.77	2.09	2.20	2.28	2.36	2.43
3	Depreciation	1.15	3.22	3.22	3.22	3.22	3.22
4	Interest on Loan Capital	2.37	4.41	3.94	3.67	3.39	3.04
5	Interest on Working Capital	0.10	0.42	0.03	0.02	0.03	0.02
6	Interest on Consumer Security Deposit	-	-	0.51	0.56	0.49	0.59
7	Write-off of bad and doubtful debts	0.00	0.01	0.01	0.01	0.02	0.01
8	Contribution to contingency reserves	-	0.16	0.16	0.16	0.16	0.16
9	Switchyard and Transmission line user Charges - AMNEPL	0.11	0.39	0.50	0.67	0.84	1.03
10	MSLDC Fees & Charges	-	-	-	-	-	-
11	Income Tax	-	-	-	-	-	-
12	Total Revenue Expenditure	7.76	19.03	21.53	27.60	36.09	45.46
13	Add: Return on Equity Capital	0.52	2.92	2.92	2.92	2.92	2.92
14	Aggregate Revenue Requirement	8.28	21.95	24.44	30.51	39.01	48.37
15	Less: Non-Tariff Income	0.18	0.51	0.07	0.14	0.16	0.20
16	Net Aggregate Revenue Requirement from Distribution Business	8.10	21.44	24.37	30.37	38.85	48.18

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1.1.2 The Aggregate Revenue Requirement of Petitioner for MYT Control Period FY 2020-21 to FY 2024-25 has been computed based on the guidelines laid by the Hon'ble Commission in the MERC MYT Regulations, 2019.

Table 1-4: ARR of Wire Business for FY 2020-21 to FY 2024-25 (Rs. Cr)

Sr. No.	Particulars	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
1	Operation & Maintenance Expenses	1.62	1.67	1.72	1.77	1.82
2	Depreciation	3.22	3.22	3.22	3.22	3.22
3	Interest on Loan Capital	2.69	2.35	2.00	1.65	1.31
4	Interest on Working Capital	0.02	0.02	0.02	0.02	0.02
5	Interest on deposit from Consumers and Distribution System Users	0.02	0.02	0.02	0.02	0.02
6	Provision for bad and doubtful debts	0.00	0.00	0.00	0.00	0.00
7	Contribution to contingency reserves	0.16	0.16	0.16	0.16	0.16
8	Income Tax	-	-	-	-	-
9	Total Revenue Expenditure	7.73	7.43	7.14	6.84	6.55
10	Add: Return on Equity Capital	2.63	2.63	2.63	2.63	2.63
11	Aggregate Revenue Requirement	10.36	10.06	9.76	9.47	9.18
12	Less: Non-Tariff Income	0.00	0.00	0.00	0.00	0.00
13	Aggregate Revenue Requirement for Distribution Wires Business	10.35	10.06	9.76	9.47	9.18

Table 1-5: ARR of Retail Supply Business for FY 2020-21 to FY 2024-25 (Rs. Cr)

Sr. No.	Particulars	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
1	Power Purchase Expenses	36.61	37.70	40.83	43.98	47.21
2	Operation & Maintenance Expenses	0.85	0.87	0.90	0.93	0.96
3	Depreciation	0.00	0.00	0.00	0.00	0.00
4	Interest on Loan	0.00	0.00	0.00	0.00	0.00
5	Interest on Working Capital	-	-	-	-	-
6	Interest on Consumer Security Deposit	0.22	0.22	0.22	0.22	0.22
7	Write-off of Provision for bad and doubtful debts	0.02	0.02	0.02	0.02	0.02
8	Contribution to contingency reserves	0.00	0.00	0.00	0.00	0.00
9	Switchyard and Transmission line user Charges - AMNEPL	1.35	1.35	1.35	1.35	1.35
10	Intra-State Transmission Charges - TTSC	3.72	3.90	4.08	4.26	4.39
11	MSLDC Fees & Charges	0.02	0.02	0.02	0.02	0.02
12	Income Tax	-	-	-	-	-
13	Total Revenue Expenditure	42.79	44.09	47.43	50.79	54.18
14	Add: Return on Equity Capital	0.004	0.004	0.004	0.004	0.004
15	Aggregate Revenue Requirement	42.80	44.09	47.44	50.79	54.19
16	Less: Non-Tariff Income	0.01	0.01	0.01	0.01	0.01
17	Aggregate Revenue Requirement for Retail Supply Business	42.78	44.08	47.42	50.78	54.17

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Table 1-6: ARR of Wire + Supply Business for FY 2020-21 to FY 2024-25 (Rs. Cr)

Sr. No.	Particulars	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
1	Power Purchase Expenses	36.61	37.70	40.83	43.98	47.21
2	Operation & Maintenance Expenses	2.46	2.54	2.62	2.70	2.78
3	Depreciation	3.22	3.22	3.22	3.22	3.22
4	Interest on Loan Capital	2.70	2.35	2.00	1.66	1.31
5	Interest on Working Capital	0.02	0.02	0.02	0.02	0.02
6	Interest on Consumer Security Deposit	0.24	0.24	0.24	0.24	0.24
7	Write-off of bad and doubtful debts	0.02	0.02	0.02	0.02	0.03
8	Contribution to contingency reserves	0.16	0.16	0.16	0.16	0.16
9	Switchyard and Transmission line user Charges - AMNEPL	1.35	1.35	1.35	1.35	1.35
10	Intra-State Transmission Charges - TTSC	3.72	3.90	4.08	4.26	4.39
11	MSLDC Fees & Charges	0.02	0.02	0.02	0.02	0.02
12	Income Tax	-	-	-	-	-
13	Total Revenue Expenditure	50.52	51.52	54.57	57.63	60.73
14	Add: Return on Equity Capital	2.63	2.63	2.63	2.63	2.63
15	Aggregate Revenue Requirement	53.15	54.15	57.20	60.26	63.36
16	Less: Non-Tariff Income	0.01	0.01	0.01	0.01	0.01
17	Less: Income from other business	-	-	-	-	-
18	Net Aggregate Revenue Requirement for Distribution Business	53.14	54.14	57.19	60.25	63.35

1.2 Revenue from existing tariff and gap analysis

1.2.1 The Petitioner submits that in Petition filed in Case No. 96 of 2017, revenue gap of Rs.81.02 Crore were computed considering actual data of FY 2014-15 & FY 2015-16, provisional data of FY 2016-17 & FY 2017-18 and projections for FY 2018-19 & FY 2019-20.

1.2.2 The Petitioner during the proceedings of Case No. 96 of 2017 had already initiated the process of seeking approval from Board. Accordingly, in the 71st meeting of Board of Directors of MADC held on 25.02.2020, board has accorded approval for the revenue gap of Rs. 81.02 Crore and provided certified copy of the passed Board Resolution and directed the Petitioner to approach Government of Maharashtra (GoM) for grant of Rs. 81.02 Crore for meeting revenue gap.

1.2.3 However, in the present Petition, considering audited data of FY 2014-15 to FY

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2019-20, the total revenue gap for the period from FY 2014-15 to FY 2019-20 amounts to Rs. 85.90 Crore (consist of cumulative Revenue gap of Rs.68.79 Crore and carrying cost of Rs.17.11 Crore for the period from FY 2014-15 to FY 2019-20). Assuming the receipt of Rs.81.02 Crore as grant from GoM in coming months, the balance net revenue gap will be Rs.4.88 Crore which would be carried forward to FY 2020-21.

- 1.2.4 The Petitioner submits that there is precedence of Joint Electricity Regulatory Commission (JERC) allowing Electricity Department, Goa to settle revenue gap through budgetary support (Grant) from Government of Goa. The relevant para of the Tariff Order is provided at Annexure 4. Hence, it can be said that there is precedence where total revenue gap can be reduced by way of budgetary support/ subsidy/ grant and balance revenue gap if any can be proposed for recovery.
- 1.2.5 It is submitted that as the process for availing financial grant from GoM is in interim stage and since Hon'ble Commission has raised query on Rs.81.02 Crore grant, the Petitioner has proposed for creation of regulatory assets for same amount. The Regulatory Assets so created need to be reversed as soon as the grant component is received from GoM. Further, the Petitioner submits that prevailing tariff/ ABR are on lower side compare to Average cost of supply (ACoS), hence proposed tariff in order to recover standalone revenue gap of current control period results in average tariff hike of 49%, 12%, 10% and 2% from FY 2021-22 to FY 2024-25 respectively. In view of such proposed tariff hike for current control period, adding up recovery of past period gap (up to FY 2019-20) to the extent of Rs.81.02 Crore in same control period will result into huge tariff shock to the consumers of Mihan SEZ
- 1.2.6 In view of above difficulty to recover entire revenue gap (including Rs.81.02 Crore), the Petitioner submits that if the total revenue gap approved under true-up and MYT by Hon'ble Commission is within the hike proposed by petitioner the same may be approved for tariff recovery. However, if the approved revenue gap is exorbitantly high for recovery in balance period of MYT of this control period, the same may be carried forward to next control period. It is submitted that the less than 3 years are left under this control period

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and accordingly the recovery of the revenue gap needs to be managed to ensure there is no tariff shock to consumers. Further, the Petitioner submits that in case the amount of Rs.81.02 Crore is received from Government as grant or financial support, the Petitioner will pass on the benefit of the same to consumers in the next tariff petition or Mid-Term Review or adjustment of amount against such recovery of regulatory asset as may be defined by Hon'ble Commission in the Order.

Table 1-7: Gap analysis for the period FY 2014-15 to FY 2019-20 (Rs. Cr)

Particulars	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
Total ARR (A)	8.10	21.44	24.37	30.37	38.85	48.18
Revenue (B)	2.84	11.10	14.16	19.69	24.00	30.73
Revenue Gap (C=A-B)	5.26	10.34	10.21	10.69	14.85	17.45
Consolidated Gap Analysis						
Opening Revenue Gap (D)	-	5.61	17.35	29.70	43.56	62.75
Addition of Gap (E=C)	5.26	10.34	10.21	10.69	14.85	17.45
Add : Carrying Cost (F)	0.35	1.40	2.13	3.17	4.34	5.71
Less : Creation of Regulatory Assets (G)						81.02
Closing of Revenue Gap (H=D+E+F-G)	5.61	17.35	29.70	43.56	62.75	4.88

1.2.7 The total Revenue gap for FY 2020-21 to FY 2024-25 at existing tariff works out to Rs.105.40 Crore. However, considering the opening revenue gap of Rs. 4.88 Crore up to FY 2019-20, revenue gap till FY 2024-25 worked out to Rs.110.29 Crore.

1.2.8 Cumulative revenue gap for the period from FY 2020-21 to FY 2024-25 is as shown below:

Table 1-8: Gap analysis for the period FY 2020-21 to FY 2024-25 (Rs. Cr)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Total ARR (A)	53.14	54.14	57.19	60.25	63.35
Revenue at existing Tariff (B)	31.31	33.92	36.53	39.14	41.75
Revenue Gap at existing Tariff (C=A-B)	21.82	20.22	20.66	21.11	21.60
Cumulative Revenue Gap at Existing Tariff					
Opening Revenue Gap (D)	4.88	26.71	46.92	67.58	88.69
Add : Revenue Gap during the year (E=C)	21.82	20.22	20.66	21.11	21.60
Less : Support from Govt towards Revenue Gap (F)					
Closing Revenue Gap (G=D+E-F)	26.71	46.92	67.58	88.69	110.29

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1.3 Tariff Proposal for the Control Period

1.3.1 The Petitioner has proposed to carry forward the balance revenue gap of the period FY 2014-15 to FY 2019-20 in this control period and accordingly for first year, the revenue gap is of Rs. 26.71 Crore and cumulative Revenue gap at the end of FY 2024-25 is Rs. 110.29 Crore. The Petitioner is proposing to recover stand-alone revenue gap of the current control period, i.e. from FY 2020-21 to FY 2024-25 through tariff hike. The Petitioner has considered tariff increase proposal from FY 2021-22 onwards as FY 202-21 is already over.

1.3.2 The Petitioner further submit that it has proposed two-part tariff (with separate element for wheeling charge also) for the Period from FY 2021-22 to FY 2024-25 in line with Commission's earlier direction.

1.3.3 The Proposed Tariff for FY 2020-21 to FY 2024-25 is as shown below:

Table 1-9: Proposed Tariff for FY 2020-21 to FY 2021-22

Category	FY 2020-21			FY 2021-22		
	Demand Charges	Wheeling Charges	Energy Charges	Demand Charges	Wheeling Charges	Energy Charges
	Rs./Month /Rs.KW/Month	(Rs./kWh)	(Rs./kWh)	Rs./Month /Rs.KW/ Month	(Rs./kWh)	(Rs./kWh)
HT Category						
Industrial	-	-	4.39	370	0.55	4.00
Commercial	-	-	4.83	370	0.55	5.60
LT Category						
Industrial	-	-	4.39	270	1.29	3.90
Commercial	-	-	4.83	300	1.29	5.05
Residential	-	-	3.95	100	1.29	2.85
Street Light	-	-	3.95	110	1.29	4.35
Public Services	-	-	3.95	250	1.29	3.70

Table 1-10: Proposed Tariff for FY 2022-23 to FY 2024-25

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Category	FY 2022-23			FY 2023-24			FY 2024-25		
	Demand Charges	Wheeling Charges	Energy Charges	Demand Charges	Wheeling Charges	Energy Charges	Demand Charges	Wheeling Charges	Energy Charges
	Rs./Month /Rs.KW/Month	(Rs./kWh)	(Rs./kWh)	Rs./Month /Rs.KW/Month	(Rs./kWh)	(Rs./kWh)	Rs./Month /Rs.KW/Month	(Rs./kWh)	(Rs./kWh)
HT Category									
Industrial	380	0.55	4.70	390	0.52	5.41	400	0.51	5.47
Commercial	380	0.55	7.05	390	0.52	8.10	400	0.51	8.75
LT Category									
Industrial	285	1.31	4.29	300	1.26	4.72	320	1.24	5.43
Commercial	285	1.31	5.60	300	1.26	6.15	320	1.24	7.05
Residential	105	1.31	3.15	110	1.26	3.45	120	1.24	3.80
Street Light	120	1.31	4.79	130	1.26	5.26	140	1.24	5.42
Public Services	265	1.31	4.26	280	1.26	5.11	300	1.24	5.87

1.3.4 Accordingly, the Petitioner requests Hon'ble Commission to approve the proposed tariff for MYT Control Period FY 2020-21 to FY 2024-25 as shown in above table.

1.3.5 The proposed tariff from FY2021-22 to FY 2024-25 will enable the Petitioner to recover standalone revenue gap for the period from FY 2020-21 to FY 2024-25. Accordingly, at the end of FY 2024-25, balance revenue gap will be Rs.0.82 Crore. The Petitioner proposes that it will ensure the recovery of revenue gap of Rs.0.82 Crore as given in the table below through efficiency measures.

Table 1-11: Cumulative revenue gap at proposed Tariff for FY2020-21 to FY2024-25

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Total ARR (A)	53.14	54.14	57.19	60.25	63.35
Revenue at Proposed Tariff (B)	31.31	50.51	60.77	71.62	77.91
Revenue Gap at Proposed Tariff (C=A-B)	21.82	3.63	-3.59	-11.38	-14.56
Cumulative Revenue Gap at Proposed Tariff					
Opening Revenue Gap (D)	4.88	26.71	30.34	26.75	15.38
Add : Revenue Gap during the year (E=C)	21.82	3.63	-3.59	-11.38	-14.56
Less : Support from Govt for funding of Gap (F)					
Closing Revenue Gap (G=D+E-F)	26.71	30.34	26.75	15.38	0.82