BEFORE THE MAHARASHTRA ELECTRICITY REGULATORY COMMISSION, MUMBAI

JAIGAD POWERTRANSCO LIMITED (JPTL)

REVISED PETITION FOR APPROVAL OF TRUE UP OF FY 2017-18 & FY 2018 –19, PROVISIONAL TRUE-UP OF FY 2019-20 AS PER MYT REGULATIONS 2015 AND AGGREGATE REVENUE REQUIREMENT FOR CONTROL PERIOD FY 2020-21 TO FY 2024-25 AS PER MYT REGULATIONS 2019

FILED BY

JAIGAD POWERTRANSCO LIMITED

BEFORE THE MAHARASHTRA STATE ELECTRICITY REGULATORY COMMISSION, MUMBAI

PETITION No. 294 of 2019

IN THE MATTER OF

FILING OF REVISED PETITION OF JAIGAD POWERTRANSCO LIMITED (JPTL) FOR APPROVAL OF TRUE UP OF FY 2017-18 AND FY 2018 –19, PROVISIONAL TRUE-UP OF FY 2019-20 UNDER MAHARASHTRA ELECTRICITY REGULATORY COMMISSION (MULTI YEAR TARIFF) REGULATIONS, 2015 AND AGGREGATE REVENUE REQUIREMENT OF CONTROL PERIOD FY 2020-21 TO FY 2024-25 UNDER MAHARASHTRA ELECTRICITY REGULATORY COMMISSION (MULTI YEAR TARIFF) REGULATIONS, 2019 AND UNDER SECTION 62 READ WITH SECTION 86 OF THE ELECTRICITY ACT 2003 AND SUBSEQUENT AMENDMENTS.

AND

IN THE MATTER OF

JAIGAD POWERTRANSCO LIMITED (JPTL),

NANDIWADE, KUNBIWADI, POST – JAIGAD,

RATNAGIRI 415614, MAHARASHTRA

PETITIONER

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ABBREVATIONS

A&G	Administrative & General Expenses
ABFL	Aditya Birla Finance Limited
APTEL	Appellate Tribunal for Electricity
ARR	Aggregate Revenue Requirement
Capex	Capital Expenditure
Ckt-km	Circuit Kilometre
CoD	Commencement of Operation Date
DPC	Delay Payment Charges
FY	Financial Year
GFA	Gross Fixed Assets
H1	Half Year 1 - April to September
H2	Half Year 2 - October to March
HVDC	High Voltage Direct Current
IND AS	Indian Accounting Standard
InSTS	Intra-State Transmission System
IOB	Indian Overseas Bank
IoWC	Interest on Working Capital
ITR	Income Tax Return
JPTL	Jaigad PowerTransco Limited
JSWEL	JSW Energy Limited
kV	Kilo Volt
LIBOR	London Inter-bank Offered Rate
MCLR	*Marginal Cost of Funds-based Lending Rate*
MERC / Commission	Maharashtra Electricity Regulatory Commission
MSETCL	Maharashtra State Electricity Transmission Company Limited
MSLDC	Maharashtra State Load Despatch Centre
MYT	Multi Year Tariff
MYT Regulations, 2015	MERC (Multi Year Tariff), Regulation, 2015
MYT Regulations, 2019	MERC (Multi Year Tariff), Regulation, 2019
NTI	Non-Tariff Income
O & M	Operation & Maintenance
PNB	Punjab National Bank
R&M	Renovation & Modernisation
RBI	Reserve Bank of India
RoE	Return on Equity
S/S	Sub Station
SBI	State Bank of India
TDS	Tax Deducted at Source
TTSC	Total Transmission System Cost

1 EXECUTIVE SUMMARY

1.1 Preamble

Jaigad PowerTransco Company Limited (JPTL) is an intra-state transmission licensee in Maharashtra as per the Transmission License No. 1 of 2009 granted by the Hon'ble Commission. As per provisions of Electricity Act, 2003, JPTL being a transmission licensee, is required to submit its ARR and Tariff Petition as per procedures outlined in Section 61, 62 and 64 of EA 2003, and the governing Regulations thereof.

This section summarises the petition filed by Jaigad PowerTransco Limited for Approval of True Up of FY 2017-18 & FY 2018 –19, Provisional True-Up of FY 2019-20 as per MYT Regulations 2015 and Aggregate Revenue Requirement for Control Period FY 2020-21 to FY 2024-25 as per MYT Regulations 2019.

1.2 True Up for FY 2017-18 and 2018-19

1.2.1 ARR for FY 2017-18 and 2018-19

JPTL has worked out its Aggregate Revenue Requirement for FY 2017-18 and FY 2018-19 as part of True Up exercised, based on audited annual accounts and applied norms wherever applicable as per MERC (Multi Year Tariff) Regulations 2015. The detailed comparison of various cost components is undertaken with cost approved by the Hon'ble Commission as per MERC order in Case No. 167 of 2017 dated 12th September 2018. A summary of the proposed ARR for Truing Up of FY 2017-18 and 2018-19 is presented below:

Table 1: Summary of True-up of FY 2017-18 and 2018-19 (Rs. Crores)

Particulars	Approved	Actual	Net Entitlement after sharing of gains/(losses)	Deviation	Approved	Actual	Net Entitlement after sharing of gains/(losses)	Deviation
	FY 2017-18				FY 2018-19			
Operation & Maintenance Expenses	4.44	4.28	4.37	-0.07	4.79	3.91	4.20	-0.58
Depreciation	29.10	29.10	29.10	0.00	29.12	29.11	29.11	-0.01
Interest on Long-term Loan	24.93	24.81	24.81	-0.12	19.41	19.74	19.74	0.34
Interest on Working Capital	1.75	1.74	0.58	-1.17	1.37	1.52	0.51	-0.86
Income Tax Expense	5.59	6.60	6.60	1.01	5.59	6.03	6.03	0.44
Contribution to Contingency Reserves	1.38	1.38	1.38	0.00	1.38	1.38	1.38	0.00
Total Revenue Expenditure	**67.19**	**67.90**	**66.83**	**-0.35**	**61.65**	**61.70**	**60.98**	**-0.67**
Return on Equity Capital	21.44	21.44	21.44	0.01	21.46	21.46	21.46	0.00
Gross Aggregate Revenue Requirement	**88.61**	**89.34**	**88.28**	**-0.33**	**83.11**	**83.16**	**82.43**	**-0.68**
Less: Non-Tariff Income	0.68	0.68	0.68	0.00	0.79	0.80	0.80	0.01
Add: Incentive	0.00	1.74	1.74	1.74	0.00	1.41	1.41	1.41
Net Aggregate Revenue Requirement	**87.93**	**90.39**	**89.33**	**1.40**	**82.31**	**83.77**	**83.04**	**0.73**
Add: Net Entitlement after sharing of gains/(losses) of refinancing of loan	0.00	0.63	0.63	0.63	0.00	0.91	0.91	0.91
Add: Addition of DPC Considered as NTI for FY 15-16 (Case No. 167 of 2017) _ APTEL Order 250 OF 2016 & IA NO. 899 OF 2017	0.00	16.19	16.19	16.19				
Add: Gap/ (Surplus) for FY 2010-11 to FY 2014-15					-3.45	-3.45	-3.45	0.00
Add: Gap/ (Surplus) for FY 2015-16 & FY 2016-17					-5.28	-5.28	-5.28	0.00
Add: Gap/ (Surplus) for FY 2017-18					-1.95	0.00	0.00	1.95
Carrying Cost/ (Holding Cost) of above Revenue Gap/ (Surplus)					-3.22	-3.22	-3.22	0.00
Add: Recovery of additional income tax of FY 2015-16					0.00	0.74	0.74	0.74
Total Annual Revenue Requirement including past gaps	**87.93**	**107.21**	**106.15**	**18.22**	**68.41**	**73.46**	**72.74**	**4.33**

1.2.2 Revenue gap for FY 2017-18 and FY 2018-19

The Revenue recovery of FY 2017-18 and FY 2018-19 has been considered based on the Intra-State Transmission Charges determined by the Hon'ble Commission vide its order dated Case No. 91 of 2016 dated 22nd July 2016 and as per Case No. 265 of 2018 dated 12th September 2018. Accordingly, considering the past gaps and the revenue recovered during the FY 2017-18 and FY 2018-19, the revenue gap claimed by JPTL is outlined below:

Table 2: Revenue Gap for FY 2017-18 and FY 2018-19 (Rs. Crores)

Sl.No.	Particulars	FY 2017-18	FY 2018-19
1	Total ARR	106.15	72.74
2	ARR recovered through Transmission Tariff	89.42	76.06
3	Revenue Gap	16.73	-3.32

1.3 Provisional Truing up for FY 2019-20

1.3.1 ARR for FY 2019-20

As per the provisions of MERC MYT Regulations, 2015, the provisional true up is carried out by comparing the performance of Transmission licensee with the approved forecast in the MYT order. Accordingly, the comparison of approved ARR as per MERC order in Case No. 167 of 2017 dated 12th September 2018 with the revised forecast based on performance during the first half of FY 2019-20 and other factors is shown in the table below

Table 3: Summary of Provisional True-up of FY 2019-20 (Rs. Crores)

Particulars	Approved	Actual H1	Estimated H2	Estimated
O&M Expenses	5.02	1.95	3.07	5.02
Depreciation	29.16	14.55	14.55	29.11
Interest on Long-term Loan Capital	16.80	8.48	8.48	16.96
Interest on Working Capital	1.51	0.76	0.77	1.52
Income Tax	5.59	2.45	3.58	6.03
Contribution to contingency reserves	1.38	0.00	1.38	1.38
Total Revenue Expenditure	**59.45**	**28.19**	**31.83**	**60.02**
RoE	21.52	10.73	10.73	21.46
Aggregate Revenue Requirement	**80.98**	**38.92**	**42.56**	**81.48**
Less: Non-Tariff Income	0.91	0.45	0.45	0.91
Net Aggregate Revenue Requirement	**80.07**	**38.47**	**42.10**	**80.57**

1.3.2 Revenue gap for FY 2019-20

The Revenue recovery of FY 2019-20 has been considered based on the Intra-State Transmission Charges determined by the Hon'ble Commission vide its order dated Case No. 265 of 2018 dated 12th September 2018. Accordingly, considering estimated revenue to be recovered during the FY 2019-20, the revenue gap claimed by JPTL is outlined below:

Table 4: Revenue Gap for FY 2019-20 (Rs. Crores)

Particulars	FY 2019-20
Total ARR	80.57
ARR recovered through Transmission Tariff	80.07
Revenue Gap / (Surplus)	**0.50**

1.4 Multi Year Tariff petition for the control period FY 2020-21 to FY 2024-25

Based on the MERC MYT Regulations, 2019, JPTL has prepared the projections for the MYT control period of FY 2020-21 to FY 2024-25. The summary of the ARR for the control period is shown below:

Table 5: Aggregate Revenue Requirement for MYT Control Period (Rs. Crores)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
O&M Expenses	5.28	5.44	5.62	5.07	5.27
Depreciation	29.15	29.19	29.18	29.18	29.19
Interest on Long-term Loan Capital	14.32	11.69	8.96	6.23	3.51
Interest on Working Capital	1.72	1.44	1.41	1.37	1.34
Income Tax					
Contribution to contingency reserves	1.38	1.39	1.39	1.39	1.39
Total Revenue Expenditure	**51.86**	**49.13**	**46.56**	**43.24**	**40.69**
RoE	24.83	24.91	24.91	24.91	24.91
Gross Aggregate Revenue Requirement	**76.69**	**74.04**	**71.46**	**68.14**	**65.60**
Less: Non-Tariff Income	1.01	1.12	1.23	1.33	1.44
Net Aggregate Revenue Requirement	**75.68**	**72.92**	**70.24**	**66.81**	**64.15**
Add: Gap/ (Surplus) for True-up for FY 2017-18	16.73				
Add: Gap/ (Surplus) for True-up for FY 2018-19	-3.32				
Add: Gap/ (Surplus) for ARR for FY 2019-20	0.50				
Carrying Cost/ (Holding Cost) for FY 2015-16 to FY 2019-20	7.28				
Total Annual Revenue Requirement including past gaps	**96.87**	**72.92**	**70.24**	**66.81**	**64.15**

1.5 Prayers to the Hon'ble Commission

JPTL respectfully hereby submits the revised Petition and prays that the Hon'ble Commission may:

a. Admit the Petition for Approval of True Up of FY 2017-18 & FY 2018 –19, Provisional True-Up of FY 2019-20 as per MYT Regulations 2015 and Aggregate Revenue Requirement for Control Period FY 2020-21 to FY 2024-25 as per MYT Regulations 2019;

b. Approve the True-up of ARR of JPTL including past gaps and incentive for higher Transmission availability for FY 2017-18 & FY 2018-19 as per MYT Regulations 2015;

c. Approve the Provisional True Up for FY 2019-20 as presented in this Petition as per MYT Regulations 2015;

d. Approve the projected Annual Revenue Requirement for the MYT control period FY 2020-

21 to FY 2024-25 as per MYT Regulations 2019;

e. To allow the overhauling cost of transmission system for the MYT Control Period i.e. FY 2020-21 to FY 2024-25 in addition to normative O&M Expenses;

f. To reconsider the O&M norms on a realistic basis for the MYT Control Period i.e from FY 2020-21 to FY 2024-25;

g. To allow the recovery of the past gaps in the transmission charges as submitted in the petition;

h. To allow the claim of Delay Payment Charges of FY 2015-16, as not to be included in Non-Tariff Income, in line with the Hon'ble APTEL Order and allow the passthrough of subsequent impact of the same on calculation of Tax and incentive for FY 2015-16;

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

j. Pass such other and further orders as deemed fit and proper in the facts and circumstances of the case;

2 INTRODUCTION

2.1 Preamble

This section presents the background and reasons for filing of this Petition.

2.2 Background

a. Jaigad PowerTransco Limited (JPTL) is a Joint Venture between JSW Energy Limited (JSWEL) and Maharashtra State Electricity Transmission Company Limited (MSETCL), set up for developing, operating and maintaining a Transmission Lines along with associated equipment and terminal Bays at MSETCL's New Koyna and Karad Sub-stations. .

Table 6: Details of existing transmission system of JPTL

Name of the Line	Line Length & Voltage Level	District	Grid Interface Point	COD
Jaigad – New Koyna Transmission Line	55 kms - 400 kV Double Circuit (Quad) Transmission Line	Ratnagiri, Maharashtra	MSETCL Substation, New Koyna	7th July 2010
Jaigad – Karad Transmission Line	110 kms - 400 kV Double Circuit (Quad) Transmission Line	Ratnagiri / Satara, Maharashtra	MSETCL Substation, Karad	2nd December 2011

b. The Hon'ble Commission has granted the Transmission License (License No. 1 of 2009) on February 8, 2009, for a period of 25 years to JPTL for establishing, operating and maintaining the above referred transmission system including the associated infrastructure and hence as per Electricity Act, 2003, JPTL is a transmission licensee within the state of Maharashtra for above transmission system.

c. As per provisions of Electricity Act, 2003, Jaigad PowerTransco Limited (JPTL) being an intra-state transmission licensee, is required to submit its True-up, MYT ARR and Tariff Petition as per procedures outlined in Section 61, 62 and 64 of EA 2003, and the governing Regulations thereof.

d. Section 61 of EA 2003, empowers the State Electricity Regulatory Commission to set terms and conditions for determination of tariff. Further, it also lists down certain guiding principles for determination of terms and conditions of tariff such as Multi Year Tariff (MYT) principles and principles to incentivize efficiency in performance.

e. Accordingly, as per Section 36 of EA 2003, Hon'ble Commission notified following Multi Year Tariff Regulations for relevant period under consideration of this petition:

- MERC (MYT) Regulations, 2015 on 8th December 2015 for control period from FY

2016-17 (April 1, 2016) up to FY 2019-20 (March 31, 2020) and amendments thereof.

- MERC (MYT) Regulations, 2019 on 1st August 2019 for control period from FY 2020-21 (April 1, 2021) up to FY 2024-25 (March 31, 2025).

f. JPTL has always adhere to the compliance of the Tariff Regulations and had been filing the tariff petition on a periodic basis as per the Regulations. The details of the tariff petition filed and the relevant order passed by the Hon'ble Commission is outlined below:

Table 7: Details of past Petition filed by JPTL

Case No.	Petition details	MERC Order
15 of 2009	Approval of capital expenditure scheme	20-05-2009
97 of 2010	ARR for FY 2010-11	25-05-2011
170 of 2011	True-up of FY 2010-11 and ARR for FY 2011-12	16-05-2012
57 of 2012	Business Plan - MYT for FY 2012-13 to FY 2015-16	20-12-2012
27 of 2013	True-up of FY 2011-12 and MYT for FY 2012-13 to FY 2015-16	16-08-2013
208 of 2014	True-up of FY 2012-13 and FY 2013-14, ARR of FY 2014-15 and FY 2015-16	26-06-2015
12 of 2016	True-up of FY 2014-15, Provisional Truing up of FY 2015-16 and MYT of FY 2016-17 to FY 2019-20	27-06-2016
167 of 2017	True-up of FY 2015-16 and FY 2016-17, Provisional True-up of FY 2017-18 and revised ARR for FY 2018-19 to FY 2019-20	12-09-2018

g. In accordance with MERC (Multi Year Tariff) Regulations 2015 ("MYT Regulations, 2015") for Truing-up of ARR for FY 2017-18 and FY 2018-19, Provisional Truing-up of ARR for FY 2019-20 and In accordance with MERC (Multi Year Tariff) Regulations 2019 ("MYT Regulations, 2019") for determination of ARR for the control period FY 2020-21 to FY 2024-25, JPTL has submitted the petition on 31st October 2019 to the Hon'ble Commission.

h. Subsequently, the Hon'ble Commission has asked for data gap queries Set-1 notified by MERC vide email dated 8th November 2019 against the said case no. 294 of 2019. Also, a Technical Validation Session was carried out with MERC officials on 20th November 2019 on the said data gaps and accordingly, was directed to file the revised Petition post including the changes as claimed in the Data Gaps.

i. In line with the same as per the directions of the Hon'ble Commission, JPTL is submitting the revised petition including the relevant disclosure wherever required and specified in the data gaps which are also enclosed as Annexure 10 to this Petition.

2.3 Approach for filing the petition

a. The Hon'ble Commission has notified the Maharashtra Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2015, (MERC (MYT) Regulations, 2015) vide 8th December 2015, which are applicable for tariff determination for FY 2016-17 to FY 2019-20.

b. The Hon'ble Commission vide its order dated 27th June 2016 vide case no. 12 of 2016 has Approved Annual Revenue Requirement (ARR) for FY 2016-17 to FY 2019-20 under MYT Order.

c. The Hon'ble Commission vide order dated 12th September 2018 vide Case No. 167 of 2017 had approved the provisional true-up for FY 2017-18 and revised ARR for FY 2018-19 to FY 2019-20 and has been considered as "Approved" figures in this Petition.

d. Since FY 2017-18 and FY 2018-19 is complete and annual audited accounts for said year are now available, hence JPTL is filing the true up petition for FY 2017-18 and FY 2018-19 along with the audited accounts and the Provisional True Up for FY 2019-20 as per the provisions of MYT Regulations 2015.

e. As per the provisions of these MYT Regulations, 2015, JPTL is filing the true up petition for FY 2017-18 and FY 2018-19 based on the audited accounts available and provisional truing up for FY 2019-20 based on 6 months actual data and 6 months projection, for consideration of the Hon'ble Commission along with the specified formats providing information on various operational and performance parameters.

f. Also, the Hon'ble Commission has notified Maharashtra Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2019 (MERC (MYT) Regulations, 2019) on 1st August 2019 for control period from FY 2020-21 – FY 2024-25.

g. Accordingly, as per the provisions of MYT Regulations 2019, JPTL is filing the MYT Petition for determination of ARR for FY 2020-21 to FY 2024-25 for consideration of the Hon'ble Commission along with the specified formats providing information on various operational and performance parameters in line with the provisions of the said Regulations.

2.4 Provision of Law

a) The Hon'ble Commission has notified the MYT Regulations, 2015 and 2019. The scope of the regulations includes tariff determination for transmission licensee under the Multi Year Tariff principle. From FY 2016 – 17 onwards, MERC MYT Regulations, 2015 are applicable, hence True Up petition for FY 2017-18, FY 2018-19 and Provisional True

Up for FY 2019-20 are prepared as per the provisions of MERC MYT Regulations, 2015 and MERC MYT Regulations 2019 are applicable for MYT Control Period for FY 2020-21 to FY 2024-25. The relevant clause specifying the Scope of Regulations in MERC MYT Regulations 2015 and 2019 is stated as below:

"3 Scope of Regulations

3.1 The Commission shall determine the Aggregate Revenue Requirement, Tariff and Fees and Charges, including terms and conditions thereof, in accordance with these Regulations for all matters for which the Commission has jurisdiction under the Act, including the following:-

(i) ……………………………:

(ii) For Intra-State transmission of electricity;

(iii) ……………………….;"

b) The provisions for filing petitions during the control period from FY 2016 – 17 to FY 2019 – 20 are defined in the said MERC MYT Regulations, 2015. The relevant para of the regulation is reproduced below which is applicable for filing up of the True Up petition for FY 2017-18, FY 2018-19 and Provisional True Up for FY 2019-20:

"5 Petitions to be filed in the Control Period

…………………………………..

c) True-up Petition for the second and third year of the Control Period shall be filed by November 30, 2019, comprising:

i. Truing-up for FY 2017-18 to be carried out under the Maharashtra Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2015;
ii. Truing-up for FY 2018-19 to be carried out under the Maharashtra Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2015;
iii. Provisional Truing-up for FY 2019-20 to be carried out under the Maharashtra Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2015":

c) The Hon'ble Commission has notified the MYT Regulations, 2019 on 1st August 2019. The provisions for filing petitions for the control period from FY 2020-21 to FY 2024-25 are defined in the said MERC MYT Regulations, 2019. The relevant para of the regulation is reproduced below which is applicable for filing up of the True Up petition for FY 2017-18, FY 2018-19 and Provisional True Up for FY 2019-20 asper MYT Regulations 2015 and ARR as well as tariff determination for the each year of the Control Period i.e. FY 2020-21 to FY 2024-25:

"5 Petitions to be filed in the Control Period

5.1 The Petitions to be filed in the Control Period under these Regulations are as under:

a) Multi-Year Tariff Petition, which is complete in all aspects as per these

Regulations, shall be filed by November 1, 2019 by Generating Companies and Transmission Licensees and SLDC, and by November 30, 2019, by Distribution Licensees, comprising:

i. Truing-up for FY 2017-18 and FY 2018-19 to be carried out under the Maharashtra Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2015:

ii. Provided that the Commission may, if it considers appropriate, carry out the Truing-up for years prior to FY 2017-18 under the Maharashtra Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2015, along with the Truing-up for FY 2017-18, in case such Truing-up is yet to be completed;

iii. Provisional Truing-up for FY 2019-20 to be carried out under the Maharashtra Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2015;

iv. Aggregate Revenue Requirement for each year of the Control Period under these Regulations;

v. Revenue from the sale of power at existing Tariffs and charges and projected revenue gap for each year of the Control Period under these Regulations;

vi. Proposed category-wise Tariff or Fees & Charges for each year of the Control Period under these Regulations".

d) Also, as quoted above, Regulation 5.1(a) of the MYT Regulations, 2019 requires the said Petition to be filed by 1st November 2019 and accordingly this petition is filed by JPTL, in line with the provision of MYT Regulations 2019 within the period as provided in the said Regulations.

e) Accordingly, JPTL is submitting this Petition in accordance with MERC (Multi Year Tariff) Regulations 2015 ("MYT Regulations, 2015") for Truing-up of ARR for FY 2017-18 and FY 2018-19, Provisional Truing-up of ARR for FY 2019-20 and in accordance with MERC (Multi Year Tariff) Regulations 2019 ("MYT Regulations, 2019") for determination of ARR for the control period FY 2020-21 to FY 2024-25 along with specified data formats as provided in Annexure 1 for approval of Hon'ble Commission.

2.5 Petition Structure

The Petition includes the following sections:

Sr. No.	Section	Contents
1.	Section 1	Executive summary of Petition

Sr. No.	Section	Contents
2.	Section 2	Introduction and overall approach to filling the Petition
3.	Section 3	True Up of FY 2017 – 18 and 2018-19
4.	Section 4	Provisional Truing up for FY 2019 – 20
5.	Section 5	Determination of ARR for MYT Control Period i.e. FY 2020-21 to FY 2024-25
6.	Section 6	Prayers to the Hon'ble Commission

3 TRUE UP OF ARR OF FY 2017-18 AND 2018-19

3.1 Preamble

This section outlines actual performance of JPTL for FY 2017-18 and 2018-19. In line with provisions of MYT Regulations, 2015, JPTL hereby submits the True Up Petition comparing the actual performance of JPTL during FY 2017-18 and FY 2018-19 with the forecast approved by the Hon'ble Commission vide MYT Order No. 167 of 2017 dated September 12, 2018 alongwith deviations, if any.

3.2 Provision of Law

For the MYT control period starting from FY 2016-17 to FY 2019-20, the Hon'ble Commission has notified the MYT Regulations, 2015 and the same are applicable for treatment of True Up petition for FY 2017-18 and 2018-19. The scope of the regulations includes tariff determination for transmission licensee under the Multi Year Tariff principle. Accordingly, JPTL is submitting the True Up petition for FY 2017-18 and 2018-19 as per the provisions of MERC MYT Regulations, 2015.

3.3 True Up of Aggregate Revenue Requirement of FY 2017-18 and FY 2018-19

The audited annual accounts for FY 2017-18 and 2018-19 are attached to this petition as Annexure 2 alongwith the financial statements as per Annexure 3. As per the provisions of MYT Regulations, 2015, JPTL seeks true up of its expenses and revenue for FY 2017-18 and 2018-19 and request the Hon'ble Commission to approve the ARR as submitted by JPTL.

3.3.1 Operation and Maintenance Expenses

a. MERC MYT Regulations, 2015 are applicable for tariff determination of transmission licensee for the period up to March 31, 2020. The norms for O & M expenditure for transmission licensees are specified in these regulations, relevant paragraph of the regulation is reproduced below:

> ***"58. Operation and Maintenance expenses:***
> *58.1 The norms for O and M expenses for existing and new Transmission Licensees have been specified on the basis of circuit kilometre of transmission lines and number of bays in the substation of the Transmission Licensee, as given below:*
> *Explanation: For the purpose of applying normative O and M expenses under these Regulations, a 'Bay' shall mean a set of accessories that are required to connect an electrical equipment such as Transmission Line, Bus Section Breakers, Potential Transformers, Power Transformers, Capacitors and Transfer Breaker and the feeders emanating from the bus at sub-Station of Transmission Licensee. Further, the Bays referred to shall include only the Bays at the Transmission substation and shall exclude any Bays of the Generating Station switchyard whose maintenance is usually the responsibility of the Generating Company:*

Provided that for computing the allowable O and M expenses for any Year, 50 per cent of the circuit kilometre of transmission lines and number of bays in the substation of the Transmission Licensee added during the Year shall also be considered:
Provided further that at the time of Truing up along with the Mid-term Review or at the end of the Control Period, the allowable O and M expenses for any Year shall be based on the norms for O and M expenses specified by the Commission in this Regulation and documentary evidence of assets capitalised by the Petitioner, subject to the prudence check of the Commission.
.....
58.5 The norms for O and M expenses for Jaigad PowerTransco Limited (JPTL) shall be:

Sr. No.	***Voltage Level***	***Unit***	***Norms for FY 2017-18***	***Norms for FY 2018-19***
1	*400 kV Transmission Lines*	*Rs. Lakh/ckt km*	*0.44*	*0.46*
2	*400 kV Terminal Bays*	*Rs. Lakh/bay*	*77.84*	*81.73*

b. Accordingly, the Hon'ble Commission vide its order as referred in Clause 3.1, approved O & M expenses of Rs.4.44 Crores against the normative O&M expenses of Rs. 4.58 Crs on provisional Truing-up of ARR for FY 2017-18. The relevant para of the order is reproduced below:

"5.2.6 The Commission approves O&M Expenses of Rs. 4.44 Crore on provisional Truing-up of ARR for FY 2017-18 as per estimation of JPTL".

c. With regards to FY 2018-19, in the said order, the Hon'ble Commission has approved the expenses of Rs. 4.79 Crs as per the norms specified in the MYT Regulations 2015.

d. In line with the Norms as specified in the MYT Regulations 2015 for JPTL, the normative O&M expenses for FY 2017-18 and FY 2018-19 is outlined as below:

Table 8: O & M Expenses for JPTL as per Norms

Particulars	**Unit**	**Normative**	
		FY 2017-18	**FY 2018-19**
Length of Line of 400 kV(A)	ckt. kms.	330.00	330.00
Norms as per Regulations (B)	Rs. lakh/ ckt. kms.	0.44	0.46
Cost (C = A * B)	Rs. Crore	1.45	1.52
No of bays (D)	No.	4.00	4.00
Norms as per Regulations (E)	Rs. lakh/ bay	77.84	81.73
Cost (F = D * E)	Rs. Crore	3.11	3.27
Total O&M expenses (G = C + F)	**Rs. Crore**	**4.57**	**4.79**

e. JPTL submits that the actual O & M expenses for FY 2017-18 are lower than the norms specified in the MYT Regulations. Due to various efforts employed by JPTL in managing and optimising the O & M expenses, the overall O & M expenses for lines & bays has reduced compared with the norms.

Table 9: Actual O & M Expenses for FY 2017 – 18 and FY 2018-19 (Rs. Crores)

Particulars	As per norms	Actual	As per norms	Actual
	FY 2017-18		FY 2018-19	
Employee expense	1.45	1.11	1.52	1.00
Administrative and General expense		1.89		1.09
Repairs and Maintenance expense		0.83		1.38
O&M expenses for lines		**3.83**		**3.48**
O&M expenses for terminal bays as per the contract with MSETCL	3.11	0.45	3.27	0.43
Total O&M expenses	**4.57**	**4.28**	**4.79**	**3.91**

f. With reference to Terminal bay expenses, only the amount payable to MSETCL as per existing O&M arrangement between MSETCL and JPTL is considered, which is enclosed as Annexure 4. However there are certain common cost in relation to maintenance of Bay which cannot be segregated between Lines and Bay and hence has been included in the respective head of O&M Expenses.

g. In relation to the reconciliation of the O&M cost with the audited Financial Statement of JPTL as sought in the data gaps set 1, it is submitted that Other expenses as specified in Note 23 of the financial Statement includes A&G cost, R&M cost and Corporate Social Responsibility expenses whereby JPTL in the Petition has not claimed Corporate Social responsibility. The reconciliation of the same is provided as below:

Table 10: Reconciliaiton of O&M cost with Financial Statement (Rs. Crores)

Particulars	FY 2017-18	FY 2018-19
Other Expenses as per Financial Statement	4.05	3.82
Less: Corporate Social Responsibility not claimed in this petition	0.88	0.90
Net Other expenses	**3.17**	**2.91**
A&G expenses as claimed in Form 2.4	1.89	1.09
R&M expenses as claimed in Form 2.5 (includes R&M expenses of Line + O&M expenses of terminal Bay as per MSETCL contract)	1.28	1.82
Total Expenses claimed in Petition	**3.17**	**2.91**

h. It is submitted that due to attrition, the employee cost for FY 2018-19 has witnessed a downward trend whereby the number of employees has been reduced from number 7 in FY 2017-18 to number 6 in FY 2018-19.

i. Also, A&G expenses has also been reduced in FY 2018-19, due to the fact that since no tariff petition was required to be filed as per MYT Regulations 2015, the related expenses has not been incurred.

j. With respect to R&M expenses, the details of repairs in Plant & Machinery and other expenses is provided as below:

Table 11: Details of R&M expenses for FY 2017-18 and FY 2018-19 (Rs. Crores)

Repair Expenses	FY 2017-18	FY 2018-19
Deployment Work, replacement & dehoisting work, Breakdown work, jumper spacer replacement, Battery bank, Retrofitting Relay work	0.02	0.33
Insulator washing, insulator replacement, and other work.	0.39	0.61
Technician & Engineers for Transmission line O&M & Patrolling Work	0.38	0.39
Terminal Bay Expenses payable to MSETCL	0.45	0.43
Total R&M expenses related to Plant & Machinery	**1.24**	**1.77**
Total R&M expenses related to Buildings	**0.04**	**0.00**
Total R&M expenses related to Civil works	**0.00**	**0.05**
Total R&M Expenses claimed	**1.28**	**1.82**

k. Comparison of O & M Expense as approved by the Hon'ble Commission, normative O & M expenses and actual O & M Expense for FY 2017-18 and 2018-19 is outlined below:

Table 12: Actual O & M Expenses for FY 2017-18 and FY 2018-19 (Rs. Crores)

Particulars	Approved	Normative	Actual	Approved	Normative	Actual
	FY 2017-18			FY 2018-19		
O & M Expenses for line	4.44	1.45	4.28	4.79	1.52	3.91
O & M Expenses for terminal bays		3.11			3.27	
Total O & M Expenses	**4.44**	**4.57**	**4.28**	**4.79**	**4.79**	**3.91**

l. The details related to O & M Expenses i.e. Employee expenses, Administrative & General Expenses and Repairs & Maintenance Expenses is submitted in the Petition formats as per Annexure 1.

m. Accordingly, JPTL request the Hon'ble Commission to approve the submitted O & M Expenses of Rs. 4.28 Crs and Rs. 3.91 Crs for FY 2017-18 and 2018-19 respectively for determination of ARR.

3.3.2 Capital Expenditure and Capitalisation

<u>For FY 2017-18</u>

a) JPTL in its petition for provisional true up of FY 2017-18 had estimated capital expenditure and capitalisation of Rs. 0.74 Crore for items like washing truck, binocular, freehold land for office, computer and furniture & fixtures, etc.

b) The Hon'ble Commission vide its order dated September 12, 2018 has approved the capitalisation of Rs. 50 lacs for FY2017-18. The relevant para is reproduced below:

"Commission's Analysis and Ruling

5.3.6 The Commission has noted the submission of JPTL regarding the increase in the overall cost of the office building (including guest house) on account of the reasons outlined in the Petition. As discussed in Section 6.3 of this Order, the office building will be completed in the FY 2019-20 and hence the Commission will provisionally consider the capital expenditure of Rs. 2.77 Crore for office building in the FY 2019-20, subject to final scrutiny at the time of final True-up.

5.3.7 The Commission does not allow partial capitalization of asset unless it is put to use and hence capitalization of Rs. 0.2348 Crore claimed against purchase of freehold land for building the office building is disallowed in FY 2017-18 and capitalization will be allowed along with capitalization of office building in FY 2019-20.

Table 76: Capitalisation during FY 2017-18 as approved by the Commission (Rs. Lakhs)

Sr. No.	Particulars	Head of Assets	FY 2017-18
1.	Washing Truck	Plant & Machinery	44.27
2.	Binocular	Office Equipment	0.24
3.	Freehold Land for office	Land	0.00
4.	Computer	Computer	5.00
5.	Furniture and Fixtures	Furniture & Fixtures	1.00
	TOTAL		**50.51**

5.3.8 The Commission provisionally approves the capitalisation of assets as Rs. 0.50 Crore for FY 2017-18".

<u>For FY 2018-19</u>

c) JPTL in its petition for approval of revised ARR for FY 2018-19 had estimated capitalisation of Rs. 2.07 crores against setting up office, guest house & shed at Chiplun.

d) The Hon'ble Commission vide its order dated September 12, 2018 has approved the capitalisation of Rs. 0.00 crs for FY 2018-19. The relevant para is reproduced below:

<u>"Commission's Analysis and Ruling</u>

6.3.3 In MYT Order, the Commission had approved capital expenditure pertaining to setting up office, guest house & shed at Chiplun for exclusive use of Transmission business. JPTL has provided progress of work and submitted that capitalization will be in FY 2018-19.

6.3.4 This issue has been discussed in para 5.3 of this Order and based on the progress of work, the Commission provisionally approves capitalization of Rs. 2.07 Crore in FY 2019-20. Additionally, the Commission has also disallowed freehold land capitalization of Rs. 0.4630 Crore & Rs. 0.2348 Crore done by JPTL for FY 2016-17 and FY 2017-18 as asset was not put to use. The Commission now approves capitalization of Office including guest house along with the capitalization of freehold land of Rs. 0.6978 Crore in FY 2019-20.

6.3.5 The Commission approves Capitalisation of Rs. 2.77 Crore for FY 2019-20".

e) Accordingly, the actual capitalisation incurred with the relevant block of assets for FY 2017-18 and 2018-19 is highlighted in the table below:

Table 13: Actual Capitalisation for FY 2017-18 and 2018-19

BLOCK	ASSET DESCRIPTION	FY 2017-18	FY 2018-19
P&M	LIVE LINE WASHING TRUCK	44,26,500.00	
P&M	Leakage Clamp Meter	27,376.00	
Office Equipment	Binocular-Nikon-Action 10-22x50 CF	24,199.99	
Computers	Desktop	35,827.15	
Computers	Laptop	41,771.99	
Office Equipment	Water Purifier (UV)		11,890.00
Total		**45,55,675.13**	**11,890.00**

f) Based on the above, JPTL request the Hon'ble Commission to approve the actual capital expenditure and addition to the GFA as outlined below and as specified in Form 3 of the Tariff formats enclosed as per Annexure 1:

Table 14: Capital expenditure and Capitalisation for FY 2017-18 and FY 2018-19 (Rs. Crores)

Sr. No.	Particulars	FY 2017-18		FY 2018-19	
		Approved	Actual	Approved	Actual
1	Capital Expenditure	0.5000	0.4556	0.0000	0.0012
2	Capitalisation	0.5000	0.4556	0.0000	0.0012

3.3.3 Depreciation

a. Regulation 27 of MERC (MYT) Regulation, 2015 provides for computation of depreciation to be estimated by the Petitioner based on capital cost of assets approved by the Hon'ble Commission and rates of depreciation applicable as per Annexure I specified in the Regulation 27.1 (b) of MERC (MYT) Regulation, 2015. Also, the proviso of the clause specifies that if the asset is depreciated to the extent of 70%, then remaining depreciable value as on 31st March of the year to be spread over the balance Useful Life of the asset.

b. Regulation 27.4 of MERC (MYT) Regulation, 2015 also provides for depreciation to be calculated based on average of opening and closing value of assets for assets having achieved commercial operation for only part of the financial year.

c. Accordingly, JPTL has considered actual addition of assets as per audited statement of accounts for calculation of depreciation as per applicable deprecation rate as per Regulations 27.1(b) of the MYT Regulations 2015 for FY 2017-18 and FY 2018-19.

d. Also, the assets of Rs. 14,500/- has been written off from the books of accounts related to Water Purifier and accordingly, the same has been reduced from the GFA and equivalent impact has been provided in calculation of Interest and Return on Equity.

e. Based on the above submission, JPTL hereby submits the calculation of depreciation for FY 2017-18 and FY 2018-19 as outlined below:

Table 15: Depreciation Expenses for FY 2017-18 and FY 2018-19 (Rs. Crores)

Particulars	Approved	Actual	Approved	Actual
	FY 2017-18		FY 2018-19	
Opening GFA	550.73	550.73	551.23	551.19
Addition of GFA	0.50	0.46	0.00	0.001
Retirement of GFA	0.00	0.00	0.00	0.001
Closing GFA	**551.23**	**551.19**	**551.23**	**551.18**
Depreciation	29.10	29.10	29.12	29.11
Average Depn. Rate	5.28%	5.28%	5.28%	5.28%

f. Accordingly, JPTL request the Hon'ble Commission to approve the Depreciation of Rs. 29.10 crs and Rs. 29.11 crs for FY 2017-18 and FY 2018-19 respectively for determination of ARR and as specified in Form 4 of the Tariff formats enclosed as per Annexure 1.

3.3.4 Interest on Loan Capital

a) The Hon'ble Commission has approved a debt equity ratio of 75:25 in its order in Case No. 97 of 2010, during the in-principle approval of project cost of the transmission system for JPTL.

b) The Regulation 26.1 MERC (MYT) Regulation, 2015 specifies the following norms for debt equity ratio for capital expenditure.

"26. Debt-equity ratio—

26.1 For a capital investment Scheme declared under commercial operation on or after April 1, 2016, debt-equity ratio as on the date of commercial operation shall be 70:30 of the amount of capital cost approved by the Commission under Regulation 23, after prudence check for determination of Tariff:

Provided that if the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan for the Generating Company or Licensee or MSLDC for determination of Tariff:"

c) Accordingly, JPTL has considered debt equity ratio of 70:30 for small additional capital expenditure considered from FY 2012-13 onwards in line with norms specified in the Regulation 26.1 of MYT Regulation, 2015. Further, for retired assets, JPTL has reduced the debt component by 75% of the original cost of the retired asset as per the debt equity ratio approved at the time of Capitalisation.

d) The repayment for FY 2017-18 and FY 2018-19 is considered equal to the depreciation for that year as specified in Regulation 29.3 MERC (MYT) Regulation, 2015, relevant para reproduced below:

"The repayment during each year of the Control Period from FY 2016-17 to FY 2019-20 shall be deemed to be equal to the depreciation allowed for that year."

e) As per the clause 29.5 of MYT Regulations 2015, it states as follows:

"29.5 The rate of interest shall be the weighted average rate of interest computed on the basis of the actual loan portfolio at the beginning of each year"

f) JPTL in its earlier petition vide Case No. 167 of 2017 has considered a de-capitalisation of Rs. 5.07 Crs in FY 2016-17 and relevant adjustment was carried out in Depreciation, Loan and Return on Equity. However, the Hon'ble Commission vide its Order dated 12th September 2018 has adopted a different approach whereby the reduction of GFA has been undertaken for two terminal bays on the pro-rata basis from FY 2010-11 and FY 2011-12. Due to the said approach, the ARR from FY 2010-11 onwards has been reworked. The relevant Para from the Order is highlighted below:

"2.1.11 ARR is recoverable only on amount of asset put to use and not on notional amount of asset. Considering the same, the Commission reduced the cost pertaining to two terminal bays on the pro-rata basis and has re-worked ARR from FY 2010-11 onwards. The ARR approved based on final truing-up and re-worked ARR are compared to work out additional recovery by JPTL which is to be passed on through the ARR for FY 2018-19. The methodology adopted for component wise re-working of approved ARR is discussed in subsequent paras.

2.1.12 Capitalization of terminal bays is approved in FY 2010-11 and FY 2011-12 and accordingly, the capitalisation approved for FY 2010-11 and FY 2011-12 has been reduced by Rs. 2.26 Crore and Rs. 2.81 Crore respectively in ratio of capitalized cost for terminal bays. Debt: Equity ratio for the reduction is considered 75:25 which was approved by the Commission at the time of finalisation of the Project Capital Cost".

g) JPTL submits that in the Tariff Order dated 12th September 2018 vide Case No. 167 of 2017, the opening balance for FY 2017-18 has been considered based on the recalculation of loan profile as carried out in Table 6 of the respective Order. However, JPTL submits that while calculating the loan profile, the impact of the debt payment of certain retired assets undertaken in FY 2012-13 and FY 2013-14 from the date of CoD has not been considered and the total amount equivalent to the debt amount of the retired assets, has been deducted from the loan. JPTL request the Hon'ble Commission to consider the impact of debt repayment of the retired assets from the date of CoD till the date of retirement while calculating the opening balance of Loan for FY 2017-18.

h) JPTL submits that the Hon'ble Commission in its Order dated 26th June 2015 vide Case No. 208 of 2014 has already approved the loss on assets written off after adjusting the accumulated depreciation. The details of the same is provided as below:

Table 16: Details of deletion of assets in FY 2012-13 and FY 2013-14

Table 29: Details of deletion of assets in FY 2012-13 as submitted by JPTL (Rs. Crore)

Particulars	FY 2012-13
Gross Value of Insulators	4.92
Accumulated Depreciation	0.46
WDV of Insulators	4.46
Losses on assets written off	2.78

Table 57: Detail of deletion of asset in FY 2013-14 as submitted by JPTL (Rs. Crore)

Particulars	FY 2013-14
Gross Value of Insulator	1.52
Accumulated Depreciation	0.17
WDV of Insulator	1.34
Loss on asset written off	2.91

i) Based on the above submission, JPTL request the Hon'ble Commission to reconsider the calculation for calculation of opening balance of Loan for FY 2017-18 after considering the debt already paid on the retired assets in the respective year. Also, as specified in the Replies to Data Gaps as enclosed in Annexure 10, it is submitted that the details of loan has been calculated in line with Table 6 of MERC Order vide Case No. 167 of 2017 dated 12th September 2019 and only adjustment related to debt repayment against retired assets has been claimed by JPTL. The revised calculation of opening balance for FY 2017-18 for reconsideration of the Hon'ble Commission is outlined as below:

Table 17: Revised calculation of Opening balance of Interest on Loan for FY 2017-18 (Rs. Crores)

Particulars	Details of Loan - True Up Orders Post reconciliation						
	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Opening	-	126.36	394.62	368.73	340.82	311.75	282.74
addition	134.70	277.97	6.23	2.10	0.02	0.06	0.01
repayment	6.65	7.61	28.89	29.04	29.07	29.08	28.98
Outstanding loans towards reduction of assets	1.70	2.11	3.69	1.14	0.01	-	-
Debt repayment against write-off Assets			0.46	0.17			
Cl. Balance	**126.36**	**394.62**	**368.73**	**340.82**	**311.75**	**282.74**	**253.76**

j) Also, during the process of filing of provisional Truing-up of ARR for FY 2017-18, JPTL has submitted that the loan has been refinanced through Aditya Birla Finance Limited (ABFL) at an applicable rate of 9.25%. The details of the refinance arrangement is provided in the subsequent section of this Petition. Accordingly, the weighted average rate of interest at 9.81% and 9.31% is calculated for FY 2017-18 and FY 2018-19 on the basis of original loan portfolio and the revised loan portfolio as per refinancing transaction undertaken by JPTL.

k) Also, in addition to the interest claimed on the normative loan, JPTL has also incurred finance charges such as Refinancing charges and bank charges. It is submitted that New Mortgage deed and agreement was required to enter with security trustee due to change in lender and Loan amount. Accordingly, Stamp duty and security trustee fees were incurred due to refinancing arrangement. However, Bank Charges are normal in nature incurred during business transaction. The details of the Finance charges claimed in the Petition are as outlined below:

Table 18: Details of Finance Charges for FY 2017-18 and FY 2018-19 (Rs.)

Refinancing Charges	Amount in Rs	FY 17-18	FY 18-19
Consultancy Charges	4,13,000		4,13,000
Rating Fees	2,36,000	2,36,000	
Trusteeship Fees	1,78,000	1,78,000	
LLC Fees	11,99,364	11,99,364	
Processing Fees - ABFL	1,13,17,144	1,13,17,144	
Stamp duty	12,31,200	2,00,200	10,31,000
Total Fees	**1,45,74,708**	**1,31,30,708**	**14,44,000**
Financial Fees-sbi cap trusteeship	**1,95,574**	77,574	1,18,000
Bank Charges	**16,641**	11,114	5,527
Total Finance Charges	**2,12,215**	**88,688**	**1,23,527**
Total Refinance and Finance Charges	**1,47,86,923**	**1,32,19,396**	**15,67,527**

l) JPTL submits that in with respect to the petition filed by JPTL in Case no.167 of 2017 for "*Truing-up of ARR for FY 2015-16 and FY 2016-17, Provisional Truing-up of ARR for FY 2017-18 and revised ARR for FY 2018-19 to FY 2019-20*", the total refinance charges were claimed in FY 2017-18. However, JPTL has filed a Petition on 9th January, 2018 under Section 17(3) of the Electricity Act, 2003 for seeking approval of the assignment of Transmission Licence in favour of Security Trustees i.e. SBICAP Trustee Company Limited on behalf of its new lender i.e. Aditya Birla Finance Limited. The Hon'ble Commission vide its Order dated 25th June 2018 in Case No. 29 of 2018 has accord in-principle approval allowing JPTL to create security in favour of SBICAP Trustee Company Limited. Accordingly, post approval of the assignment U/s. 17(3), stamp duty, financial fees and other related expenses were incurred in FY 2018-19.

m) It is further submitted that the financial statement for FY 2017-18 and FY 2018-19 has been prepared in accordance with the Ind AS notified by Ministry of Corporate Affairs. Accordingly, as per IND AS 109, the financial liabilities are initially measured at fair market value and accordingly the transaction cost that are directly attributable is added or deducted from the fair value of the financial liabilities. Also, as per AS 109, the debt instruments against which the assets has been hold to meet the objective is required to be amortised. Therefore, in applying Effective Interest Rate (EIR) method, an entity identifies fees that are an integral part of the EIR of a financial instrument such as loan origination fees. Such fees are treated as an adjustment to the EIR, unless the financial instrument is measured at fair value through profit or loss. Accordingly, where a borrowing is measured at amortised cost, processing fees incurred to avail the borrowing shall form part of the EIR.

n) In accordance with INDAS 109, the refinancing charges has been reduced from the liabilities in the financial statement and has been amortised accordingly. Therefore, the reconciliation of the Debt with the refinancing charges is outlined below:

Table 19: Reconciliation of Refinancing Charges with the debt amount (Rs. Crores)

Particulars	FY 17-18	FY 18-19
Closing Balance of Term Loan as per Bank	**204.33**	**175.43**
Closing Balance of Term Loan as per Financial		
Long Term (as per Note 13)	182.46	153.69
Current Maturity of Long Term (as per Note 16)	20.70	20.691
Total Loan as per Financial	**203.16**	**174.38**
Difference	**1.17**	**1.04**
Opening Finance charges	-	1.17
Addition – Refinancing Cost (as per Table 18 of this Petition)	1.31	0.14
Reduction (debited to interest cost)	0.15	0.29
Closing finance charges	**1.17**	**1.04**

o) Accordingly, the reconciliation of the finance charges claimed in the Petition with the financial statement is outlined as below:

Table 20: Reconciliation of Finance Charges for FY 2017-18 and FY 2018-19

Other Finance charges	FY.2017-18	FY.18-19
Bank Charges	11,114	5,527
Financial Fees-sbi cap trusteeship	77,574	118,000
Interest on Income Tax	79,883	38,147
Total (as per Note 21 of Financial Statement FY 2018-19)	**168,571**	**161,674**
Less: Interest on Income Tax	79,883	38,147
Total Finance Charges claimed in Petition	**88,688**	**1,23,527**

p) Based on the above submission, JPTL hereby submits the calculation of interest on loan and Finance charges for FY 2017-18 and FY 2018-19 as outlined below:

Table 21: Interest on Loan and Finance Charges - FY 2017-18 and FY 2018-19 (Rs. Crores)

Particulars	Approved	Actual	Approved	Actual
	FY 2017-18		FY 2018-19	
Opening balance of Debt	253.12	253.76	224.37	224.99
Addition	0.35	0.32	0.00	0.00
Repayment	29.10	29.10	29.12	29.11
Retirement		0.00		0.00
Closing Debt	224.37	224.99	195.26	195.88
Interest Rate (%)	9.83%	9.81%	9.25%	9.31%
Interest on the Loan	23.47	23.49	19.41	19.59
Finance Charges	1.46	1.32	0.00	0.16
Total Interest and Finance charges	**24.93**	**24.81**	**19.41**	**19.74**

q) JPTL submits that the Auditors certificate certifying the actual opening, repayment and closing loan portfolio along with the weighted average interest rate on loan capital is submitted as reply to Data Gap-1 as Annexure 10 of this petition.

r) JPTL requests the Hon'ble Commission to approve the Interest on loan alongwith the finance charges as submitted above for FY 2017-18 and FY 2018-19 for determination of ARR and as specified in Form 5 of the Tariff formats enclosed as per Annexure 1.

3.3.5 Refinancing of Loan

a. During the start of the project, JPTL had arranged debt for funding of capital cost for the said transmission system from SBI, PNB and IOB with an average interest @ 10.60% to 11.50%. Thereafter, to lower the interest burden on the transmission system users/ beneficiaries and thereby reduce the ARR, JPTL refinanced the loan in FY 2017-18 through Aditya Birla Finance Limited (ABFL) at an applicable interest rate of 9.25%, which will be linked to MCLR. The details of loan arrangement from ABFL are enclosed as Annexure 5 to this petition. JPTL has incurred finance charges of Rs. 1.46 Crs for refinance of loan and the details of finance charges are specified in Table 18 of this Petition.

b. As per clause 29.10 of MERC MYT Regulations 2015, specifies that any saving in interest cost due to refinance is to be shared in the ratio of 2:1 and the relevant para is reproduced below:

"29.10 The Generating Company or the Licensee or the MSLDC, as the case may be, shall make every effort to re-finance the loan as long as it results in net savings on interest and in that event, the costs associated with such re-financing shall be borne by the Beneficiaries and the net savings shall be shared between the Beneficiaries and them in the ratio of 2:1, subject to prudence check by the Commission:

Provided that the Generating Company or the Licensee or the MSLDC, as the case may be, shall submit documentary evidence of the costs associated with such re-financing:

Provided further that the net savings in interest shall be calculated as an annuity for the term of the loan, and the annual net savings shall be shared between the entity and Beneficiaries in the specified ratio."

c. Based on the above Regulations, JPTL submits that overall refinancing transaction is resulting into saving of interest for period FY 2017-18 to FY 2024-25. The calculation of the cost benefit analysis of the refinancing transaction and resultant savings in interest cost based on the same is worked out as under:

Table 22: Cost Benefit analysis of Refinancing of Loan (Rs. Crores)

Sr. No.	Particulars	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
1	Opening Balance of Net Normative Loan	253.76	224.67	195.57	166.47	137.38	108.28	79.18	50.09
2	Repayment of Normative loan during the year	29.10	29.10	29.10	29.10	29.10	29.10	29.10	29.10
3	Closing Balance of Net Normative Loan	224.67	195.57	166.47	137.38	108.28	79.18	50.09	20.99
4	Average Balance of Net Normative Loan	239.21	210.12	181.02	151.92	122.83	93.73	64.63	35.54
5	Approved Weighted average Rate of Interest on actual Loans (%)	10.60%	10.60%	10.60%	10.60%	10.60%	10.60%	10.60%	10.60%
6	Interest Expenses as per approved rate	14.79	22.27	19.19	16.10	13.02	9.94	6.85	3.77
7	Actual Weighted average Rate of Interest on actual Loans (%) - due to refinancing	9.26%	9.31%	9.35%	9.35%	9.35%	9.35%	9.35%	9.35%
8	Interest Expenses as per Refinanced Rate	12.91	19.56	16.93	14.20	11.48	8.76	6.04	3.32
9	Saving in interest	1.88	2.71	2.26	1.90	1.54	1.17	0.81	0.44
3	**NPV-Saving @ 9.25% discount factor**	**₹ 9.39**							
4	**Refinancing Cost**	**1.46**							
5	**Net Saving**	**₹ 7.93**							

d. The Hon'ble Commission in its Order dated 12th September 2018 vide Case No. 167 of 2017, has observed that prima facie there is a net saving due to refinancing as per Regulation

29.10 of MYT Regulations 2015, however, the sharing will be undertaken at the time of final truing up. The specific Order has been outlined below from the said order:

> *"5.5.8 Based on cost-benefit analysis, the Commission has observed that prima-facie the refinancing of loan is resulting into net saving as mandated under the provisions of the Regulation 29.10 of the MYT Regulations, 2015.*
>
> *5.5.9 Accordingly, as against claim of JPTL for refinancing cost as well as sharing of gains, the Commission presently approves refinancing cost of Rs. 1.46 Crore subject to prudence check at the time of final Truing-up of ARR for FY 2017-18. The Commission does not undertake sharing of gains/ (losses) at the time of provisional Truing-up and hence sharing of gains will be passed on at the time of final Truing-up. The Commission will consider refinanced interest rate for calculation of interest on loan for remaining period of the control period."*

e. In line with above Regulations, JPTL has claimed share on saving of interest on loan due to refinancing and same is mentioned in the table below:

Table 23: Sharing of Net saving of Interest on loan due to refinancing (Rs. Crores)

Sr. No.	Particulars	FY 2017-18	FY 2018-19
1	Opening Balance of Net Normative Loan	253.76	224.99
2	Less: Reduction of Normative Loan due to retirement or replacement of assets	-	0.00
3	Addition of Normative Loan due to capitalisation during the year	0.32	0.00
4	Repayment of Normative loan during the year	29.10	29.11
5	Closing Balance of Net Normative Loan	224.99	195.88
6	Average Balance of Net Normative Loan	239.37	210.43
7	Approved Weighted average Rate of Interest on actual Loans (%)	10.60%	10.60%
8	Interest Expenses as per approved rate	25.37	22.31
9	Actual Weighted average Rate of Interest on actual Loans (%) - due to refinancing	9.81%	9.31%
10	Interest Expenses as per approved rate	23.49	19.59
11	Saving in interest	1.88	2.72
12	Sharing of interest with consumers as per clause 29.10 of MYT Regulations, 2015	0.63	0.91

f. In line with the above submission and as per the direction of the Hon'ble Commission in its Oder dated 12th September 2018 vide Case No. 167 of 2017, JPTL hereby submits the sharing of interest with consumers due to refinancing of loan as per clause 29.10 of MYT Regulations, 2015 under the determination of ARR for Truing up of FY 2017-18 and FY 2018-19.

3.3.6 Interest on Working Capital

a) Regulation 31.2 of the MYT Regulations, 2015 specifies the methodology for assessment of Working Capital requirements by a Transmission Licensee:

"31.2 Transmission

(a) The working capital requirement of the Transmission Licensee shall cover:

i. Operation and maintenance expenses for one month;

ii. Maintenance spares at one per cent of the opening Gross Fixed Assets for the Year; and

iii. One and a half month equivalent of the expected revenue from transmission charges at the prevailing Tariff;

Minus

iv. Amount held as security deposits in cash, if any, from Transmission System Users:

………………………………."

b) In accordance with the Regulations 31 of MYT Regulations 2015, the following approach has been adopted by JPTL for calculation of working capital requirement:

i. JPTL has considered normative O&M expenses approved in this Order for the purpose of computation of the working capital requirement as against actual expenses;

ii. Maintenance Spares has been considered as 1% of opening GFA;

iii. Being a true-up for FY 2017-18 and FY 2018-19, the expected Revenue considered is as per applicable InSTS order for FY 2017-18 and FY 2018-19 and as per MERC Order for determination of ARR for JPTL vide Case No. 12 of 2016 and 167 of 2017.

c) Interest on working capital is calculated in accordance to Regulation 31.2 (b) of MERC (MYT) Regulation, 2015, relevant para reproduced below:

31.2 (b) Rate of interest on working capital shall be on normative basis and shall be equal to the Base Rate as on the date on which the petition for determination of Tariff is filed, plus 150 basis points:

Provided that for the purpose of Truing-up for any year, interest on working capital shall be allowed at a rate equal to the weighted average Base Rate prevailing during the concerned Year plus 150 basis points."

d) However, MYT Regulations, 2015 was amended by the Hon'ble Commission on 29th November, 2017 whereby the definition of the base rate has been changed as follow:

MYT Regulations 2015	MYT Regulations 2015 (amended)
2. (10) "Base Rate" shall mean the Base Rate of the State Bank of India as declared from time to time;	*2.1 (10) "Base Rate" shall mean the one-year Marginal Cost of Funds-based Lending Rate ('MCLR') as declared by the State Bank of India from time to time;"*

e) Based on the above referred regulation, the weighted average base rate to be considered for computation of interest on working capital has been calculated as below:

Table 24: Interest Rate on working capital Loan for FY 2017-18 and FY 2018-19

Details of Interest on Working Capital for FY 2017-18 & FY 2018-19						
Particulars	**Date**	**No. of Days**	**%**	**Date**	**No. of Days**	**%**
	FY 2017-18			**FY 2018-19**		
Opening SBI Base Rate / MCLR Rare	01-04-2017	91	9.10%	01-04-2018	61	8.15%
Revision in Base Rate by RBI	01-07-2017	92	9.00%	01-06-2018	92	8.25%
Revision in Base Rate by RBI	01-10-2017	59	8.95%	01-09-2018	30	8.45%
Revision in Base Rate as per amendment	29-11-2017	92	7.95%	01-10-2018	70	8.50%
Revision in Base Rate by RBI	01-03-2018	30	8.15%	10-12-2018	111	8.55%
Closing Rate	31-03-2018		8.15%	31-03-2019		8.55%
Weighted Average Rate			**8.68%**			**8.39%**
Plus 150 Basis Point			**1.50%**			**1.50%**
Total Weighted Average Rate			**10.18%**			**9.89%**
https://www.sbi.co.in/portal/web/interest-rates/mclr-historical-data						

f) JPTL has calculated interest on working capital as per norms, as shown is table below:

Table 25: Interest on Working Capital for FY 2017-18 and FY 2018-19 (Rs. Crores)

Particulars	**Approved**	**Actual**	**Approved**	**Actual**
	FY 2017-18		**FY 2018-19**	
O&M for one month	0.38	0.38	0.40	0.40
Maintenance Spares @1% of Op. GFA	5.51	5.51	5.51	5.51
Expected revenue at prevailing tariffs - 1.5 months	11.24	11.18	8.55	9.51
Total Working Capital	**17.13**	**17.07**	**14.46**	**15.42**
Rate of Interest on Working Capital	10.20%	10.18%	9.45%	9.89%
Interest on Working Capital	**1.75**	**1.74**	**1.37**	**1.52**

g) JPTL request the Hon'ble Commission to approve the Interest on Working Capital as submitted above for FY 2017-18 and FY 2018-19 for determination of ARR and as specified in Form 6 of the Tariff formats enclosed as per Annexure 1.

3.3.7 Return on Equity

a) Return on Equity is calculated as per the regulated rate of return of 15.5% on the average opening and closing balance of equity capital for the financial year based on Regulation 28.2 of MERC (MYT) Regulation, 2015

b) JPTL has considered an addition to equity capital at 30% for additional capital expenditure capitalised during the FY 2017-18 and FY 2018-19 as per Regulation 26.1 of MERC (MYT) Regulation, 2015.

c) However, for reduction in the capitalisation in FY 2018-19, the impact of the same has been reduced from Equity @25% considering the approved debt: equity ratio of 75:25.

d) Based on the above provisions, JPTL has calculated the Return on Equity for FY 2017-18 and FY 2018-19 as outlined below:

Table 26: Return on Equity for FY 2017-18 and FY 2018-19 (Rs. Crores)

Particulars	Approved	Actual	Approved	Actual
	FY 2017-18		FY 2018-19	
Opening Equity	138.28	138.28	138.43	138.42
Additions to equity towards capital investments	0.15	0.14	0.00	0.00
Retirement	0.0000	0.0000	0.0000	0.0004
Closing balance of Equity	138.43	138.42	138.43	138.42
ROE @ 15.5 % on the average balance	**21.44**	**21.44**	**21.46**	**21.46**

e) JPTL request the Hon'ble Commission to approve the Return on Equity as submitted above for FY 2017-18 and 2018-19 for determination of ARR and as specified in Form 7 of the Tariff formats enclosed as per Annexure 1.

3.3.8 Contribution to Contingency Reserve

a) The MYT Regulations, 2015 provide as follows regarding contribution to Contingency Reserves, relevant para reproduced below:

"34 Contribution to contingency reserves
34.1 Where the Licensee has made a contribution to the Contingency Reserve, a sum not less than 0.25 per cent and not more than 0.5 per cent of the original cost of fixed assets shall be allowed annually towards such contribution in the calculation of Aggregate Revenue Requirement:

Provided that where the amount of such Contingencies Reserves exceeds five (5) per cent of the original cost of fixed assets, no further contribution shall be allowed:

Provided further that such contribution shall be invested in securities authorised under the Indian Trusts Act, 1882 within a period of six months of the close of the financial Year.

b) Also as per Notification dated 21st April 2017 vide S.O. 1267 (E), In pursuance of Section 20 of the Indian Trusts Act, 1882, the Central Government has added following investment also under consideration: (http://abcaus.in/finmin/specified-securities-for-investment-by-trust.html)

"(f) the infrastructure related debt instruments listed or proposed to be listed in case of fresh issue:—
(i) debt securities issued by a body corporate engaged mainly in the business of development or operation and maintenance of infrastructure, or development, construction or finance of low cost housing;

(ii) securities issued by an infrastructure debt fund operating as a non-banking financial company and regulated by the Reserve Bank of India; or
(iii) units issued by an infrastructure Debt Fund operating as a Mutual Fund and regulated by the Securities and Exchange Board of India;

(g) shares of body corporates listed on any recognised stock exchange which has a market capitalisation of not less than five thousand crore rupees as on the date of investment;

(h) units of mutual funds regulated by the Securities and Exchange Board of India, which have minimum sixty-five per cent of their investment in shares of body corporates listed on a recognised stock exchanges; or"

c) Based on above provisions, JPTL has made a provision for contingency reserve in the audited accounts and has invested as per the MERC MYT Regulations, 2015 estimated on the basis of 0.25% of the Opening GFA. The detail of amount invested is attached in Annexure 6 of the Petition.

Table 27: Contribution to Contingency Reserve for FY 2017-18 and FY 2018-19 (Rs. Crores)

Particulars	Approved	Actual	Approved	Actual
	FY 2017-18		FY 2018-19	
GFA	550.73	550.73	551.23	551.19
Contribution to contingency reserves	1.38	1.38	1.38	1.38

d) JPTL request the Hon'ble Commission to approve the Contribution to Contingency Reserves as submitted above for FY 2017-18 and 2018-19 for determination of ARR and as specified in Form 10 of the Tariff formats enclosed as per Annexure 1.

3.3.9 Income Tax

a) The MYT Regulations, 2015 stipulate that Income Tax for the control period needs to be in line with the actual income tax paid. The same is outlined below:

"33.1 The Commission, in its MYT Order, shall provisionally approve Income Tax payable for each year of the Control Period based on the actual Income Tax paid by the Generating Company or Licensee or MSLDC, in case the Generating Company or Licensee or MSLDC has not engaged in any other regulated or unregulated Business or Other Business, as allowed by the Commission relating to the electricity Business regulated by the Commission, as per latest available Audited Accounts, subject to prudence check:"

b) Also, proviso of Regulations 33.1 of MYT Regulations, 2015 stipulate that Income Tax on account of Delay Payment Charges, Interest on Delay Payment Charges, efficiency gains, Income from Other Business and incentive shall not be a pass through.

"33.1 ....

Provided further that no Income Tax shall be considered on the amount of income from Delayed Payment Charges or Interest on Delayed Payment or Income from Other Business, as well as on the income from any source that has not been considered for computing the Aggregate Revenue Requirement:

Provided that no Income Tax shall be considered on the amount of efficiency gains and incentive approved by the Commission, irrespective of whether or not the amount of such efficiency gains and incentive are billed separately.

....

33.4 Income Tax on any income stream from sources other than the Business regulated by the Commission shall not constitute a pass-through component in Tariff, and Income Tax on such other income shall be borne by the Generating Company or Licensee or MSLDC, as the case may be."

c) The actual income tax paid for FY 2017-18 and FY 2018-19 has been computed considering the Minimum Alternate Tax, whereby the details of the Advance tax and Self-Assessment Tax paid and TDS is outlined below and interest paid on income tax is excluded:

Table 28: Details of Income Tax Paid for FY 2017-18 & FY 2018-19 (Rs. Crores)

Statement of Income Tax Paid		
Particulars	**FY 2017-18**	**FY 2018-19**
1st Advance Tax - 15/6	0.86	0.82
2nd Advance Tax - 14/9	1.63	1.63
3rd Advance Tax - 14/12	1.66	1.29
4th Advance Tax - 14/03	1.36	1.49
S.A. Tax	0.16	0.05
TDS	1.68	1.41
Total	**7.35**	**6.69**
Less: Interest	0.00	0.01
Total	**7.34**	**6.69**

d) Actual Income Tax payment challan and ITR acknowledgement for FY 2017-18 and FY 2018-19 is attached to this petition as Annexure 7 and request the Hon'ble Commission to kindly approve the same on actual basis. JPTL submits that no penalty has been paid on the income tax for any of the financial year.

e) Also, in line with the clause 33.4 of MYT Tariff Regulations, Income from other business has not been considered as a part of the income for calculation of income tax and only the income related to contingency reserves has been considered for exclusion of the same from the profit. The details of the income from other business is provided as below:

Table 29: Details of Other Income for FY 2017-18 and FY 2018-19 (Rs. Crs)

As Per Audited Accounts	FY 17-18	FY 18-19	Remark
Other income			
1. Interest income			
Delayed payment surcharge	0.02	0.02	Income not considered as per clause 33.1 of MYT Regulations 2015
Financial assets	0.70	0.83	Total Interest Income from G Sec Investment (G Sec Investment amount is higher then contingency reserve amount)
2. Others			
Gain on sale of current investments	2.11	1.34	Income from Mutual Fund
Net gain arising on financial assets designated as at FVTPL	0.03	0.02	Income from Fair Value of Mutual fund as per INDAS
Total Other Income as per Books of Accounts	**2.87**	**2.21**	
Less: Non Tariff Income as per ARR	0.68	0.80	Income on Contingency Reserve Investment
Income from Other Business	**2.18**	**1.41**	Considered for calculation of income tax

f) Based on the above, computation of the net tax payable after reducing gains, Income from Other Business and incentive from the taxable income, the Net tax proposed to be claimed in the truing up is as under:

Table 30: Net Income Tax calculation as per Regulations for FY 2017-18 & FY 2018-19 (Rs. Crores)

Particular	FY 2017-18		FY 2018-19	
	Actual	(excluding gains & incentive)	Actual	(excluding gains & incentive)
Profit Before Tax	**34.16**	**34.16**	**30.79**	**30.79**
Less:				
Income from other business		2.18		1.41
Gain/(loss)		-0.43		0.18
Incentive		1.74		1.41
Book Profit	**34.16**	**30.68**	**30.79**	**27.79**
Tax payable on book profit	7.34	6.60	6.69	6.03
Interest on tax				
Net Tax	**7.34**	**6.60**	**6.69**	**6.03**
Income Tax Rate	**21.50%**	**21.50%**	**21.71%**	**21.71%**

g) As outlined in Table 29 of this Petition and in accordance with Clause 33 of MYT Regulations 2015, JPTL has reduced Profit before Tax by income from other business which includes Gain on sale of current investment of current mutual funds which have been funded from internal accruals, Delay Payment Surcharge, Incentive on transmission availability and efficiency gains. Based on the derived Profit before Tax, the income tax is calculated in proportion to the actual income tax paid for the respective Financial Year.

h) Accordingly, JPTL claims income tax against the approved amount for FY 2017-18 and FY 2018-19, which is outlined as below:

Table 31: Income Tax for FY 2017-18 and FY 2018-19 (Rs. Crores)

Particulars	Approved	Actual	Approved	Actual
	FY 2017-18		FY 2018-19	
Income Tax	5.59	6.60	5.59	6.03

i) JPTL request the Hon'ble Commission to approve the Income Tax as claimed for FY 2017-18 and 2018-19 for determination of ARR and as specified in Form 9 of the Tariff formats enclosed as per Annexure 1.

3.3.10 Non-Tariff Income:

a) As per Regulation 34.1 of MERC MYT Regulations, 2015, out of the revenue recovered, the amount accumulated against the contribution to contingency reserve is required to be invested in securities authorized under Indian Trust Act, 1882 within six months of the close of the financial year, the income from such investment shall be treated as non-tariff income.

b) Also, as per Regulations 59.1 of MERC MYT Regulations 2015, the Non-Tariff Income shall be deducted from Aggregate Revenue Requirement in determining the Annual Transmission Charges of the Transmission Licensee. However, first Proviso of 59.2 of MYT Regulations 2015 clearly states that interest earned from investments made out of Return on Equity shall not be included in Non-Tariff Income:

Provided that the interest earned from investments made out of Return on Equity corresponding to the regulated Business of the Transmission Licensee shall not be included in Non-Tariff Income.

c) Accordingly, the Non-Tariff Income claimed in the Petition is related to income from contingency reserves, the detail calculation of which is provided as below:

Table 32: Calculation of Income on Contingency Investment for FY 2017-18 & FY 2018-19 (Rs. Crores)

Financial Year	Purchase Date	Int Rate	Cont. Reserve As per Tariff Order	FY 2017-18	FY 2018-19
FY 2010-11 to FY 2012-13	06-08-2014	8.28%	**3.22**	0.27	0.27
FY 2013-14	29-09-2014	8.33%	1.39	0.12	0.12
FY 2014-15	30-09-2015	8.28%	1.39	0.12	0.12
FY 2015-16	07-12-2016	9.23%	1.39	0.13	0.13
FY 2016-17	25-09-2017	8.28%	1.38	0.06	0.11
FY 2017-18	25-09-2018	8.32%	1.38		0.06
Total Interest on Cont. Reserve Investment			**10.15**	**0.68**	**0.80**

d) The balance amount of income as provided in Note 19 of the Financial Statements includes Delay Payment Surcharge, Gain on Sale of Current Investment (ear-marked from income from own funds which have been funded from internal accruals), etc is not considered as per MYT Regulations 2015 .

e) Accordingly, JPTL is only claiming the interest on contingency reserve investment and request the Hon'ble Commission to approve the same as Non-Tariff income.

Table 33: Non- Tariff Income for FY 2017-18 and FY 2018-19 (Rs. Crores)

Particulars	Approved	Actual	Approved	Actual
	FY 2017-18		FY 2018-19	
Non-Tariff Income	0.68	0.68	0.79	0.80

3.3.11 Incentive on Transmission Availability:

a) The MERC MYT Regulations, 2015 specify the following:

"57.2 The Transmission Licensee shall be entitled to incentive on achieving annual availability beyond the target availability, in accordance with the following formula:

Incentive = Annual Transmission Charges x (Annual availability achieved – Target Availability) / Target Availability;

Where,
Annual transmission Charges shall correspond to Aggregate Revenue Requirement for each year of the Control Period for the particular Transmission Licensee within the State:

Provided that no incentive shall be payable above the availability of 99.75 % for AC system and 98.5 % for HVDC system:"

b) Based on the MYT Regulations, 2015, it provides for incentive on achieving

Transmission Availability above 98%. The actual transmission system availability is 99.63% for FY 2017-18 and 99.67% for FY 2018-19. The System Availability based on certification by Maharashtra State Load Despatch Centre (MSLDC) is enclosed as Annexure 8 to this petition.

c) Accordingly, JPTL has computed the incentive for Transmission System in accordance with the said Regulations and the determined ARR in this Petition. The incentive calculated is shown in the following Table:

Table 34: Incentive on higher transmission system availability for FY 2017-18 and FY 2018-19

Particulars	FY2017-18	FY 2018-19
Annual Transmission Charges (Rs. Crore)	104.41	82.54
Target Availability (%)	98.00%	98.00%
Actual Availability Achieved (%)	99.63%	99.67%
Upper Cap for Incentive Availability	99.75%	99.75%
Incentive (Rs. Crore)	1.74	1.41

3.3.12 Sharing of Gains and Losses

O&M Expenses

a) The relevant provisions of MERC (MYT) Regulation, 2015 stipulating the sharing of gains/losses due to controllable factors is reproduced below:

"11. Mechanism for sharing of gains or losses on account of controllable factors

11.1 The approved aggregate gain to the Generating Company or Licensee or MSLDC on account of controllable factors shall be dealt with in the following manner:

(a) Two-third of the amount of such gain shall be passed on as a rebate in Tariff over such period as may be stipulated in the Order of the Commission under Regulation 8.4;

(b) The balance amount of such gain shall be retained by the Generating Company or Licensee or MSLDC.

11.2 The approved aggregate loss to the Generating Company or Licensee or MSLDC on account of controllable factors shall be dealt with in the following manner:

(a) One-third of the amount of such loss may be passed on as an additional charge in Tariff over such period as may be stipulated in the Order of the Commission under Regulation 8.4;

(b) The balance amount of such loss shall be absorbed by the Generating Company or Licensee or MSLDC."

b) The O & M expense of JPTL for the said transmission system is significantly less than the norms specified for JPTL in the relevant Regulations. As defined in the MERC MYT Regulations, 2015, JPTL submits that the expenditure incurred for O & M expenses were controllable due to various efficiency measures implemented by JPTL for optimising and managing the O & M expenses.

c) As per the provisions of the Regulation 11 of the MYT Regulations, 2015, the O&M expenses of licensee are controllable in nature. Accordingly, the difference between the actual O&M expenses as claimed by JPTL and the normative entitlement is shared with the beneficiaries in line with the MYT Regulations, 2015.

Interest on Working Capital

d) With regards to Sharing of gains/ loss on the interest on working capital, MYT Regulations, 2015 states the following:

"31.6 For the purpose of Truing-up for each year, the variation between the normative interest on working capital computed at the time of Truing-up and the actual interest on working capital incurred by the Generating Company or Licensee or MSLDC, substantiated by documentary evidence, shall be considered as an efficiency gain or efficiency loss, as the case may be, on account of controllable factors, and shared between it and the respective Beneficiary or consumer as the case may be, in accordance with Regulation 11."

e) It is submitted that there is no actual working capital loan availed for the FY 2017-18 and FY 2018-19 and the same is met through internal accrual of the organization.

f) As per Regulation 31.6 of MYT Regulations, 2015, variation between normative interest on working capital computed at the time of True-up and actual interest on working capital is considered as an efficiency gain or efficiency loss and shared between JPTL and the respective Beneficiaries.

Summary of Sharing of Gains / losses

g) Accordingly, the net entitlement after sharing of gains as shown in the following Table is considered for sharing of efficiency gains in accordance with the MERC MYT Regulations, 2015 as shown in the table below:

Table 35: Sharing of Gains and Losses for FY 2017-18 and FY 2018-19 (Rs. Crores)

FY 2017-18						
Particulars	Normative	Actual	Entitlement as per Regulations/ Order	Variation	1/3rd of efficiency gain and 2/3rd of Efficiency loss retained by JPTL	Net entitlement after sharing of gains /losses
O & M Expense	4.57	4.28	4.57	0.29	0.10	4.37
Interest on working capital	1.74		1.74	1.74	0.58	0.58
Total	**6.30**	**4.28**	**6.30**	**2.03**	**0.68**	**4.95**
FY 2018-19						
Particulars	MYT Order	Actual	Entitlement as per Regulations/ Order	Variation	1/3rd of efficiency gain and 2/3rd of Efficiency loss retained by JPTL	Net entitlement after sharing of gains /losses
O & M Expense	4.79	3.91	4.79	0.88	0.29	4.20
Interest on working capital	1.52		1.52	1.52	0.51	0.51
Total	**6.31**	**3.91**	**6.31**	**2.40**	**0.80**	**4.71**

h) Based on the above submission, JPTL request the Hon'ble Commission to approve the approves the net entitlement for O&M expenses and IoWC Expenses on Truing-up of ARR for FY 2017-18 and FY 2018-19 after sharing of gains/ (losses) as per Regulation 11 and 31.6 of MYT Regulations, 2015.

3.4 Additional Claims

3.4.1 Additional claim with regards to DPC claimed in FY 2015-16

a) The Hon'ble Commission vide order dated 26-06-2015 considered Delayed Payment Charges (DPC) or the interest receivable by JPTL from the transmission system users on delayed payment of transmission tariff, amounting to Rs. 16.73 Crore as Non-Tariff Income (NTI) of JPTL and consequently reduced the said amount from the ARR for FY 2015-16.

b) Accordingly, JPTL filed an appeal bearing no. 250 of 2015, before the Hon'ble Appellate Tribunal for Electricity ("APTEL") on this issue amongst other issues. While the aforesaid Appeal was pending for adjudication, the Hon'ble Commission, in Case No. 12 of 2016, undertook the exercise of Truing up of ARR for FY 2014-15, provisional Truing up for FY 2015-16 and approval of ARR for the period of FY 2016-17 to FY 2019-20. During the said exercise the Hon'ble Commission despite noting that the DPC of Rs. 16.73 Crore, which had been reduced from the ARR of FY 2015-16 vide order dated 26.06.2015 has not been realized in the FY 2015-16, still reduced the unrealized amount of DPC along with interest (now amounting to Rs. 20.22 Crore because of accrual of interest, at that stage) as Non-Tariff Income of the Appellant and revised the ARR for FY 2015-16 accordingly.

c) The Hon'ble Commission included DPC as part of Non-Tariff Income of JPTL and passed an order dated 27-06-2016 in Case No 12 of 2016 against which JPTL had filed an appeal bearing no. 242 of 2016 before the Hon'ble APTEL on the said issue. However, the Hon'ble APTEL heard both Appeal No. 250 of 2015 and 242 of 2016 together and by two different orders of even date (i.e. 11.05.2017) dismissed both the Appeals, without considering the contentions raised by JPTL. Therefore, JPTL filed a second appeal against the order passed by the Hon'ble APTEL in Appeal 242 of 2016, before the Supreme Court.

d) Since the above matter regarding Delayed Payment Charges & the interest accrued on it is pending with the Supreme Court, the Hon'ble Commission vide its order dated 12th September 2018 in Case No. 167 of 2017 has considered DPC of Rs. 20.22 Crs as Non-Tariff Income as per MYT Regulations 2011, to be recovered in FY 2015-16. Also, it was stated in the said order that any order by Hon'ble Supreme Court will be implemented appropriately:

"3.12.7 In MYT Order, the State Transmission Utility (STU) provided, details of the DPC due to each Transmission Licensee from it as on 31 March, 2016. DPC of Rs. 20.22 Crore yet is to be recovered by JPTL from TSUs, i.e. mainly Distribution Licensees. Though the issue related to treatment of DPC is pending before the Hon'ble Supreme Court, there is no stay to the Commission's Order. Hence, in line with the stand taken in the MYT Order, the Commission has considered this amount as Non-Tariff Income to be recovered in FY 2015-16 over and above the interest income on investment of the contribution to Contingency Reserves. Any Order by the Hon'ble Supreme Court in the matter of the DPC will be implemented appropriately by the Commission as and when it is issued."

e) However with the recent development post the issuance of this order, the Hon'ble APTEL in Appeal No. 250 OF 2016 & IA NO. 899 OF 2017 dated 29th May 2019, has provided a judgement that MYT Regulations 2011 does not explicitly considered Delay Payment Surcharge as Non-Tariff Income. The requisite para of the order is reproduced below:

"6.15 As regards statutory provision, MYT Regulations, 2011 does not specifically provide that DPC shall be Non-Tariff Income in case of Transmission Business. Hence, in our view, it is bereft of any statutory backing. Since the said Regulation is silent, taking recourse of similar provision in generation business does not help. We are of the view that under such circumstance, the Respondent Commission ought to have followed the correct principle based on correct logic and interpretation. The Respondent Commission attempted to support its argument that the list of NTI for transmission business is indicative and therefore treatment similar to that of Generation Business was considered. We cannot accede to such argument. Having open end in the

Regulation does not mean that Respondent Commission can apply any Regulation. If the intention was to consider DPC as NTI even for Transmission Business, the Commission would have included the same in the Regulations 46.1 as well. When there is vacuum in the Regulations, the Respondent Commission could have drawn analogy from MYT Regulations, 2015 which has recognized the issue and appropriately incorporated the provision to exclude DPC from NTI.

6.16 Also considering provisions of Section 61, it is incumbent on the Respondent Commission not to disregard the determination of tariff following the commercial principles. Considering DPC as Not-tariff Income is clearly against such principle. All the more when there is no explicit Regulation framed under MYT Regulations 2011.

6.17 In view of above, there is no doubt that such treatment to consider DPC as non tariff income is incorrect. Also, in such a situation a pragmatic way to ensure that Principle of Equity prevails would be to not consider DPC as Non-Tariff Income. Accordingly we decide that DPC shall not be considered as Non-Tariff Income."

f) Based on the above Judgement, it is clear that DPC cannot be treated as Non-Tariff Income as per MYT Regulations 2011 and the same cannot be treatd as a case specifid Order but is related to the applicability of MYT Regulations 2011 as a whole.

g) Accordingly, JPTL request the Hon'ble Commission to reconsider the calculation of ARR for FY 2015-16 and exclude the DPC amount of Rs. 20.22 Crs from Non-Tariff Income. In line with the above submission, by reversal of such provisions, the subsequent effect will also be on the calculation of income tax and incentive for FY 2015-16.

h) The detailed calculation of impact on Income tax due to exclusion of DPC amount of Rs. 20.22 Crs in FY 2015-16 is outlined as below:

Table 36: Revised Income tax due to exclusion of DPC in FY 2015-16

Particular	FY 2015-16		
	Actual	Approved	Revised
Profit Before Tax	**65.25**	**65.25**	**65.25**
Less:			
Income from other business		1.31	1.31
Gain/(loss)		2.51	2.51
Incentive		2.35	2.35
DPC			20.22
Book Profit	**65.25**	**59.08**	**38.86**
Tax payable on book profit	13.93	12.61	8.30
Interest on tax			

Particular	FY 2015-16		
	Actual	Approved	Revised
Net Tax	**13.93**	**12.61**	**8.30**
Income Tax Rate	**21.35%**	**21.35%**	**21.35%**

i) The detailed calculation of impact on incentive due to exclusion of DPC amount of Rs. 20.22 Crs in FY 2015-16 is outlined as below:

Table 37: Revised Incentive due to exclusion of DPC in FY 2015-16

Particular	FY 2015-16		
	Norms	Approved	Revised
Annual Transmission Charges	Rs. Crore	73.48	89.38
Target Availability	%	98.00%	98.00%
Actual Availability Achieved	%	99.78%	99.78%
Upper Cap for Incentive Availability	%	99.75%	99.75%
Incentive	%	1.31	1.60

j) Based on the above submission, JPTL has re-calculated the total amount to be claimed related to FY 2015-16 with regards to non-inclusion of DPC amount and request the Hon'ble Commission to approve the same for recovery in ARR for FY 2015-16 as outlined below:

Table 38: Calculation of Impact of DPC on ARR for FY 2015-16 (Rs. Crores)

Additional Impact of DPC disallowed	FY 2015-16
DPC considered as Non-Tariff Income	20.22
Tax on DPC	-4.32
Additional incentive	0.28
Total Impact	**16.19**

3.4.2 Recovery of Additional Income Tax of FY 2016-17

a) JPTL submits that the Hon'ble Commission vide its order dated 12th September 2018 in Case No. 167 of 2017, the Hon'ble Commission has considered the total amount of DPC of Rs. 20.22 crs in True-up of FY 2015-16 whereas JPTL in accounts has considered DPC of Rs. 16.73 Crs in FY 2015-16 and Rs. 3.49 Crs in FY 2016-17. This has resulted into double counting of Rs. 3.49 Crs in FY 2016-17 and hence JPTL has sought review of the tariff order dated 12th September 2018 in Case No. 167 of 2017.

b) The Hon'ble Commission vide its order dated 29th November 2018 in Case No. 310 of 2018, has considered the fact submitted by JPTL and allows recovery of Additional Income Tax of Rs 0.74 Crores for FY 16-17.

c) Accordingly, the approved amount of Rs. 0.74 Crs has been claimed in FY 2018-19 considering that the fact that in case the same was allowed in Case No. 167 of 2017, the amount might have been recovered in FY 2018-19.

3.4.3 Revenue Gap of Past Years:

a) The Hon'ble Commission, as per Para 6.12.2 of its Order dated September 12, 2018 has approved the recovery of following Gap / (Surplus) of past years in FY 2018-19:

Table 39: Approved Recovery of Past Gap / (Surplus) in FY 2018-19

Sr. No.	Particulars	Rs. Crs
1.	Gap/ (Surplus) for FY 2010-11 to FY 2014-15	(3.45)
2.	Gap/ (Surplus) for FY 2015-16 & FY 2016-17	(5.28)
3.	Gap/ (Surplus) for FY 2017-18*	(0.00)
4.	Carrying Cost/ (Holding Cost) of above Revenue Gap/ (Surplus)	(3.22)
5.	Recovery of additional income tax of FY 2015-16	0.74
6.	**Total Past Gap allowed to be recovered in FY 2018-19**	**(11.21)**

** - Gap / (Surplus) as approved by the Hon'ble Commission is considered revised based on Final True-up of FY 2017-18 and claimed in FY 2020-21*

b) Accordingly, JPTL has claimed the past revenue gap as approved by Hon'ble Commission in ARR for FY 2018-19.

3.5 Annual Aggregate Revenue Requirement for FY 2017-18 and 2018-19:

Based on the parameters as explained and submitted in the above section, the Annual Revenue Requirement for JPTL for FY 2017-18 and FY 2018-19 is summarized in the table below:

Table 40: Annual Aggregate Revenue Requirement for FY 2017-18 and 2018-19 (Rs. Crores)

Sl. No.	Particulars	Approved	Actual	Net Entitlement after sharing of gains/(losses)	Deviation	Approved	Actual	Net Entitlement after sharing of gains/(losses)	Deviation
		FY 2017-18				FY 2018-19			
1	Operation & Maintenance Expenses	4.44	4.28	4.37	-0.07	4.79	3.91	4.20	-0.58
2	Depreciation	29.10	29.10	29.10	0.00	29.12	29.11	29.11	-0.01
3	Interest on Long-term Loan	24.93	24.81	24.81	-0.12	19.41	19.74	19.74	0.34
4	Interest on Working Capital	1.75	1.74	0.58	-1.17	1.37	1.52	0.51	-0.86
5	Income Tax Expense	5.59	6.60	6.60	1.01	5.59	6.03	6.03	0.44
6	Contribution to Contingency Reserves	1.38	1.38	1.38	0.00	1.38	1.38	1.38	0.00
7	**Total Revenue Expenditure**	**67.19**	**67.90**	**66.83**	**-0.35**	**61.65**	**61.70**	**60.98**	**-0.67**
8	Return on Equity Capital	21.44	21.44	21.44	0.01	21.46	21.46	21.46	0.00
9	**Gross Aggregate Revenue Requirement**	**88.61**	**89.34**	**88.28**	**-0.33**	**83.11**	**83.16**	**82.43**	**-0.68**
10	Less: Non-Tariff Income	0.68	0.68	0.68	0.00	0.79	0.80	0.80	0.01
11	Add: Incentive	0.00	1.74	1.74	1.74	0.00	1.41	1.41	1.41
12	**Net Aggregate Revenue Requirement**	**87.93**	**90.39**	**89.33**	**1.40**	**82.31**	**83.77**	**83.04**	**0.73**
13	Add: Net Entitlement after sharing of gains/(losses) of refinancing of loan	0.00	0.63	0.63	0.63	0.00	0.91	0.91	0.91
14	Add: Addition of DPC Considered as NTI for FY 15-16 (Case No. 167 of 2017) _APTEL Order 250 OF 2016 & IA NO. 899 OF 2017	0.00	16.19	16.19	16.19				
15	Add: Gap/ (Surplus) for FY 2010-11 to FY 2014-15					-3.45	-3.45	-3.45	0.00
16	Add: Gap/ (Surplus) for FY 2015-16 & FY 2016-17					-5.28	-5.28	-5.28	0.00
17	Add: Gap/ (Surplus) for FY 2017-18					-1.95	0.00	0.00	1.95
18	Carrying Cost/ (Holding Cost) of above Revenue Gap/ (Surplus)					-3.22	-3.22	-3.22	0.00
19	Add: Recovery of additional income tax of FY 2015-16					0.00	0.74	0.74	0.74
20	**Total Annual Revenue Requirement including past gaps**	**87.93**	**107.21**	**106.15**	**18.22**	**68.41**	**73.46**	**72.74**	**4.33**

3.6 Revenue gap of FY 2017-18 and FY 2018-19

a) For FY 2017-18, the ARR (Revenue) recovered through transmission tariff is Rs. 89.88 Crores as per Case no. 12 of 2016 - dated 27th June 2016 and as per Transmission Tariff of Intra-State Transmission System for 3rd Control Period FY 2016-17 to FY 2019-20 as per Case No. 91 of 2016 dated 22nd July 2016.

b) For FY 2018-19, the recovery of transmission charges has been undertaken with respect to 2 orders as specified below:

   i. Applicability of Case no. 12 of 2016 - dated 27th June 2016 and as per Transmission Tariff of Intra-State Transmission System for 3rd Control Period FY 2016-17 to FY 2019-20 as per Case No. 91 of 2016 dated 22nd July 2016 for 5 months i.e. till August 2018

   ii. Applicability of Case No. 167 of 2017 - dated 12th September 2018 and as per Revision of Intra-State Transmission Tariff as per Case No. 265 of 2018 dated 12th September 2018 i.e. from September 2018 to March 2019.

c) Accordingly, the revenue entitled to recover for FY 2017-18 and FY 2018-19 as per the above specified order and considered for calculation of revenue gap, is outlined as below in the following table. However, JPTL submits that inadvertently, the rebate claimed in the Original petition for FY 2017-18 was Rs. 0.09 Crs which actually is Rs. 0.46 Crs. JPTL seeks condonation for such error and has rectified the same in the revised Petition.

Table 41: Revenue entitled to recover for FY 2017-18 and FY 2018-19 (Rs. Crores)

Revenue Reconciliation	FY 2017-18	FY 2018-19
As per Case no. 12 of 2016 - dated 27th June 2016	89.88	86.93
As per Case no. 167 of 2017 - dated 12th September 2018		68.42
Less: Rebate	-0.46	-0.07
Revenue recovered for the year	89.42	76.06

d) JPTL submits that the rebate has been provided to the beneficiaries as per Clause 35.1 of the MYT Regulations 2015 whereby 1% rebate is allowed on billed amount, if paid within 7 days of presentation of bills and the same is claimed as expenses in line with with provision 35.3 of MYT Regulations 2015. The relevant clause is outlined below for reference:

"35.1 For payment of bills of generation Tariff or transmission charges or MSLDC Fees and Charges within 7 days of presentation of bills, through Letter of Credit or otherwise or through NEFT/RTGS, a rebate of 1% on billed amount, excluding the taxes, cess, duties, etc., shall be allowed".

35.3 All rebates or incentives earned by the Generating Company or Licensee or MSLDC shall be considered under its Non-Tariff Income, while all rebates or incentives given by the Generating Company or Licensee or MSLDC shall be allowed as an expense for the Generating Company or Licensee or MSLDC."

e) It is submitted that the revenue recognition in the audited Financial statement is in line with the principle of accrual basis of accounting. However, the revenue considered in the Petition for calculation of Gap / (Surplus) is as per the recovery allowed by the Hon'ble Commission in the relevant order. Accordingly in line with the reply to the data gap set 1, raised by Hon'ble Commission, JPTL hereby submits the reconciliaition of the revenue with the financial statements:

Table 42: Revenue Reconciliation with Financial Statement (Rs. Crores)

Sr	Reconciliation of Revenue	FY 17-18	FY 18-19
	Approved ARR as per MERC Order No. 12 of 2016 and 167 of 2017	89.88	68.42
	Rebate	-0.46	-0.07
A	**Revenue from transmission operations**	**89.42**	**68.34**

Sr	Reconciliation of Revenue	FY 17-18	FY 18-19
	Impact due to Truing up order and provisions		
	Already Provision Recognised in FY 17-18 Books towards truing up		11.03
	Income Tax allowed as per MERC Order No. 310 of 2018		0.74
	Estimated Provision	-0.71	0.68
B	**Impact due to Truing up order and provisions**	**-0.71**	**12.44**
C	**Revenue as per financial statement = (A+B)**	**88.70**	**80.78**

f) Considering the past gaps and the revenue recovered during the FY 2017-18 and FY 2018-19, the revenue gap claimed by JPTL is outlined below and is request the Hon'ble Commission to allow the same along with the carrying cost.

Table 43: Revenue Gap for FY 2017-18 and FY 2018-19 (Rs. Crores)

Sl.No.	Particulars	FY 2017-18	FY 2018-19
1	Total ARR	106.15	72.74
2	ARR recovered through Transmission Tariff	89.42	76.06
3	Revenue Gap	16.73	-3.32

g) It is submitted that JPTL has claimed the above revenue gap alongwith its carrying cost while determining the ARR of FY 2020-21 and request the Hon'ble Commission to allow the recovery of the same while determining the transmission charges for FY 2020-21.

4 PROVISIONAL TRUE UP OF ARR OF FY 2019-20

4.1 Preamble

a. This section outlines the provisional true up of FY 2019-20 whereby it highlights the Performance for FY 2019-20 based on half year results.

b. As per the provisions of MYT Regulations, 2015, JPTL hereby submits the provisional true up for FY 2019-20 comparing actual performance during April to September (H1) and revised estimates for October to March (H2) of FY 2019-20 with forecast approved by Hon'ble Commission vide Tariff Order dated September 12, 2018 in Case No. 167 of 2017.

4.2 Provision of Law

a. For MYT control period from FY 2016 – 17 onwards, Hon'ble Commission has notified the MYT Regulations, 2015 and the same are applicable for treatment of provisional true up petition for FY 2019-20.

b. JPTL seeks the provisional true up of expenses and revised revenue for FY 2019-20 as per the MYT Regulations, 2015.

4.3 Provisional True Up of FY 2019-20

4.3.1 Operation and Maintenance Expenses

a. MERC MYT Regulations, 2015 are applicable for tariff determination of transmission licensee for the period up to March 31, 2020. The norms for O & M expenditure for transmission licensees are specified in these regulations, relevant paragraph of the regulation is reproduced below:

> ***"58. Operation and Maintenance expenses:***
> *58.1 The norms for O and M expenses for existing and new Transmission Licensees have been specified on the basis of circuit kilometre of transmission lines and number of bays in the substation of the Transmission Licensee, as given below:*
>
> *Explanation: For the purpose of applying normative O and M expenses under these Regulations, a 'Bay' shall mean a set of accessories that are required to connect an electrical equipment such as Transmission Line, Bus Section Breakers, Potential Transformers, Power Transformers, Capacitors and Transfer Breaker and the feeders emanating from the bus at sub-Station of Transmission Licensee. Further, the Bays referred to shall include only the Bays at the Transmission substation and shall exclude any Bays of the Generating Station switchyard whose maintenance is usually the responsibility of the Generating Company:*

Provided that for computing the allowable O and M expenses for any Year, 50 per cent of the circuit kilometre of transmission lines and number of bays in the substation of the Transmission Licensee added during the Year shall also be considered:

Provided further that at the time of Truing up along with the Mid-term Review or at the end of the Control Period, the allowable O and M expenses for any Year shall be based on the norms for O and M expenses specified by the Commission in this Regulation and documentary evidence of assets capitalised by the Petitioner, subject to the prudence check of the Commission.

.....

58.5 The norms for O and M expenses for Jaigad PowerTransco Limited (JPTL) shall be:

Sr. No.	***Voltage Level***	***Unit***	***Norms for FY 2019-20***
1	*400 kV Transmission Lines*	*Rs. Lakh/ckt km*	*0.48*
2	*400 kV Terminal Bays*	*Rs. Lakh/bay*	*85.82*

b. Accordingly, the Hon'ble Commission in its Tariff Order dated September 12, 2018 in Case No. 167 of 2017, has approved the net O&M expenses of Rs. 5.02 Crs for FY 2019-20 based on the norms stipulated under the MYT Regulations, 2015.

c. In line with the Norms as specified in the MYT Regulations 2015 for JPTL, the normative O&M expenses for FY 2019-20 is outlined as below:

Table 44: O & M Expenses for JPTL as per Norms

Normative O &M			
Particulars	**Unit**	**Approved**	**FY 2019-20 (Estimated)**
Length of Line (A)	ckt. kms.	330	330
Norms as per Regulations (B)	Rs. lakh/ ckt. kms.	0.48	0.48
Cost (C = A * B)	Rs. Crore	1.58	1.58
No of bays (D)	No.	4.00	4.00
Norms as per Regulations (E)	Rs. lakh/ bay	85.82	85.82
Cost (F = D * E)	Rs. Crore	3.43	3.43
Total O&M expenses (G = C + F)	Rs. Crore	5.02	5.02

d. JPTL submits that the actual O & M expenses for FY 2019-20 is in line with the norms specified in the MYT Regulations, as JPTL has undertaken all its efforts for managing and optimising the O & M expenses.

Table 45: Actual O & M Expenses for FY 2019-20 (Rs. Crores)

Particulars	As per norms	H1 (Actual)	H2 (Projected)	Estimated
Employee expense	1.58	0.81	0.81	1.63
Administrative and General expense		0.60	0.98	1.58
Repairs and Maintenance expense		0.31	0.61	0.92
O&M expenses for lines		**1.72**	**2.40**	**4.12**
O&M expenses for terminal bays as per the contract with MSETCL	3.43	0.23	0.67	0.90
Total O&M expenses	**5.02**	**1.95**	**3.07**	**5.02**

e. With reference to Terminal bay expenses, only the amount payable to MSETCL as per existing O&M arrangement between MSETCL and JPTL is considered, which is enclosed as Annexure 4. However there are certain common cost in relation to maintenance of Bay which cannot be segregated between Lines and Bay and hence has been included in the respective head of O&M Expenses. Also, it is submitted that as per the O&M arrangement between JPTL and MSETCL, all major spares and maintenance work alongwith OEM services are under JPTL scope.

f. Also, A&G expenses has also been increased in FY 2019-20 as compared to FY 2018-19, as the tariff petition is to be filed as per MYT Regulations 2015. Accordingly, the related expenses such as tariff petition fees, advertisement cost, etc will be incurred and has been considered.

g. With respect to R&M expenses, the details of repairs in Plant & Machinery is provided as below:

Table 46: Details of R&M expenses for FY 2019-20 (Rs. Crores)

Repair Expenses	H1 (Actual)	H2 (Estimated)	FY 2019-20
Deployment Work, replacement & dehoisting work, Breakdown work, jumper spacer replacement, Battery bank, Retrofitting Relay work	0.10	0.11	0.21
Insulator washing, insulator replacement, and other work.	0.01	0.30	0.31
Technician & Engineers for Transmission line O&M & Patrolling Work	0.20	0.20	0.40
Terminal Bay Expenses	0.23	0.67	0.90
Total R&M expenses related to P&M	**0.54**	**1.28**	**1.82**

h. Comparison of O & M Expense as approved by the Hon'ble Commission, normative O & M expenses and estimated O & M Expense for FY 2019-20 is outlined below:

Table 47: Estimated O & M Expenses for FY 2019-20 (Rs. Crores)

Particulars	Approved	Normative	Estimated
O & M Expenses for line	1.58	1.58	5.02
O & M Expenses for terminal bays	3.43	3.43	
Total O & M Expenses	**5.02**	**5.02**	**5.02**

i. The details related to O & M Expenses i.e. Employee expenses, Administrative & General Expenses and Repairs & Maintenance Expenses is submitted in the Petition formats as per Annexure 1.

j. Accordingly, JPTL request the Hon'ble Commission to approve the estimated O & M Expenses of Rs. 5.02 Crs for FY 2019-20 for determination of ARR.

4.3.2 Capital Expenditure and Capitalization

a) The Hon'ble Commission vide its order dated September 12, 2018 has approved the capitalisation of Rs. 2.77 crs for FY 2019-20. The relevant para is reproduced below:

"Commission's Analysis and Ruling

6.3.3 In MYT Order, the Commission had approved capital expenditure pertaining to setting up office, guest house & shed at Chiplun for exclusive use of Transmission business. JPTL has provided progress of work and submitted that capitalization will be in FY 2018-19.

6.3.4 This issue has been discussed in para 5.3 of this Order and based on the progress of work, the Commission provisionally approves capitalization of Rs. 2.07 Crore in FY 2019-20. Additionally, the Commission has also disallowed freehold land capitalization of Rs. 0.4630 Crore & Rs. 0.2348 Crore done by JPTL for FY 2016-17 and FY 2017-18 as asset was not put to use. The Commission now approves capitalization of Office including guest house along with the capitalization of freehold land of Rs. 0.6978 Crore in FY 2019-20.

6.3.5 The Commission approves Capitalisation of Rs. 2.77 Crore for FY 2019-20".

b) JPTL submits that it has already initiated the process to establish office premises and guest house at its own premises. The project is behind schedule due to delay in identifying a suitable land parcel at a convenient location for establishing the office, whereby suitable freehold land was finally purchased and Mutation entry updated in the name of JPTL in the month of September 2018. The materialisation of the tender related to other works such as Civil, Electrical, architectural and design work, etc has been stated and offer from various vendor received and negotiation and placing of order are in process and same is expected to placed in current Financial year. Therefore the expected completion of the construction of office building and office building is likely to be completed in FY 2020-21.

c) Based on the above, JPTL request the Hon'ble Commission to condone the delay in capitalisation of the work related to office at Chiplun and allow the expenditure related to the same in FY 2020-21.

d) Accordingly, the expected capitalisation to be incurred with the relevant block of assets for FY 2019-20 is highlighted in the table below:

Table 48: Actual Capitalisation for FY 2019-20 (Rs. Crores)

BLOCK	H1 (Actual)	H2 (Estimated)	FY 2019-20
Office Equipment	0.00	0.05	0.05
Computers	0.00	0.01	0.01
Total	**0.00**	**0.06**	**0.06**

e) Based on the above, JPTL request the Hon'ble Commission to approve the estimated capital expenditure and addition to the GFA as outlined below and as specified in Form 3 of the Tariff formats enclosed as per Annexure 1:

Table 49: Capital expenditure and Capitalisation for FY 2019-20 (Rs. Crores)

Sr. No.	Particulars	FY 2019-20	
		Approved	Estimated
1	Capital Expenditure	2.7700	0.0600
2	Capitalisation	2.7700	0.0600

4.3.3 Depreciation

a) Regulation 27 of MERC (MYT) Regulation, 2015 provides for computation of depreciation to be estimated by the Petitioner based on capital cost of assets approved by the Hon'ble Commission and rates of depreciation applicable as per Annexure I specified in the Regulation 27.1 (b) of MERC (MYT) Regulation, 2015. Also, the proviso of the clause specifies that if the asset is depreciated to the extent of 70%, then remaining depreciable value as on 31st March of the year to be spread over the balance Useful Life of the asset.

b) Regulation 27.4 of MERC (MYT) Regulation, 2015 also provides for depreciation to be calculated based on average of opening and closing value of assets for assets having achieved commercial operation for only part of the financial year.

c) Accordingly, JPTL has considered actual addition of assets for H1 (i.e. April 2019 to

September 2019) and estimated addition of assets (i.e. October 2019 to March 2020) as provided in Table 48 of this petition for calculation of depreciation as per applicable deprecation rate as per Regulations 27.1(b) of the MYT Regulations 2015 for FY 2019-20.

d) Also, the accumulated depreciation for Computers exceeds 70% of Gross Fixed Assets and therefore in line with proviso of Regulations 27.1.(b) of MYT Regulations, 2015 the depreciation is calculated by spreading the remaining depreciable value over the balance Useful Life of the asset. It is submitted that the useful life of the computer considered is for 15 years and accordingly the same has been calculated in accordance with the Regulations.

e) Based on the above submission, JPTL hereby submits the calculation of depreciation for FY 2019-20 as outlined below:

Table 50: Depreciation Expenses for FY 2019-20 (Rs. Crores)

Particulars	Approved	Estimated
Opening GFA	551.23	551.18
Addition of GFA	2.77	0.06
Retirement of GFA	0.00	0.00
Closing GFA	554.00	551.24
Depreciation	**29.16**	**29.11**
Average Depreciation rate	**5.28%**	**5.28%**

f) Accordingly, JPTL request the Hon'ble Commission to approve the Depreciation of Rs. 29.11 Crs for FY 2019-20 for determination of provisional ARR and as specified in Form 4 of the Tariff formats enclosed as per Annexure 1.

4.3.4 Interest on Loan Capital

a) The Regulation 26.1 MERC (MYT) Regulation, 2015 specifies the following norms for debt equity ratio for capital expenditure.

"26. Debt-equity ratio—
26.1 For a capital investment Scheme declared under commercial operation on or after April 1, 2016, debt-equity ratio as on the date of commercial operation shall be 70:30 of the amount of capital cost approved by the Commission under Regulation 23, after prudence check for determination of Tariff:

Provided that if the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan for the Generating Company or Licensee or MSLDC for determination of Tariff:"

b) JPTL has considered debt: equity ratio of 70: 30 for small additional capitalisation estimated for FY 2019-20 in line with norms specified in the Regulation 26.1 of MYT Regulations.

c) The repayment is considered equal to the depreciation for the year as specified in Regulation 29.3 MERC (MYT) Regulation, 2015, relevant para is reproduced below:

"29.3 The repayment during each year of the Control Period from FY 2016-17 to FY 2019-20 shall be deemed to be equal to the depreciation allowed for that year."

d) Also, as per the clause 29.5 of MYT Regulations 2015, it states as follows:

"29.5 The rate of interest shall be the weighted average rate of interest computed on the basis of the actual loan portfolio at the beginning of each year"

e) Also, as details provided in para 3.3.4(j) of this Petition, JPTL has refinanced the loan through Aditya Birla Finance Limited (ABFL) at an applicable rate of 9.25% link to MCLR and will be reset on every 30th August of each year as per the Refinancing arrangement and enclosed as per Annexure 5. Accordingly, the weighted average rate of interest for FY 2019-20 is estimated to be 9.35% for FY 2019-20.

f) With regards to Finance Charges, as per Regulations 29.8 of MYT Regulations 2015, the finance charges is required to be allowed by the Hon'ble Commission at the time of Truing-up and hence has not been claimed in the Petition.

g) Based on the above submission, JPTL hereby submits the calculation of interest on loan for FY 2019-20 as outlined below:

Table 51: Interest on Loan and Finance Charges - FY 2019-20 (Rs. Crores)

Particulars	Approved	Estimated
Opening balance of Debt	195.26	195.88
Addition	1.94	0.04
Repayment	29.16	29.11
Retirement	0.00	0.00
Closing Debt	168.04	166.81
Interest Rate (%)	9.25%	9.35%
Interest on the Loan	**16.80**	**16.96**

h) JPTL requests the Hon'ble Commission to approve the Interest on loan as submitted above for FY 2019-20 for determination of provisional ARR and as specified in Form 5 of the Tariff formats enclosed as per Annexure 1.

4.3.5 Refinancing of Loan

a. As submitted by JPTL in para 3.3.5, there is resultant net saving due to refinance of loan as provided in Table 22. Therefore, as mandated under the provisions of the Regulation 29.10 of the MYT Regulations, 2015, JPTL is entitled for sharing of gains in the ratio of 2:1 and the relevant para is reproduced below:

"29.10 The Generating Company or the Licensee or the MSLDC, as the case may be, shall make every effort to re-finance the loan as long as it results in net savings on interest and in that event, the costs associated with such re-financing shall be borne by the Beneficiaries and the net savings shall be shared between the Beneficiaries and them in the ratio of 2:1, subject to prudence check by the Commission:

Provided that the Generating Company or the Licensee or the MSLDC, as the case may be, shall submit documentary evidence of the costs associated with such re-financing:

Provided further that the net savings in interest shall be calculated as an annuity for the term of the loan, and the annual net savings shall be shared between the entity and Beneficiaries in the specified ratio."

b. However, the Hon'ble Commission in its Order dated 12th September 2018 vide Case No. 167 of 2017, has observed that the sharing will be undertaken at the time of final truing up. The specific direction has been outlined below from the said order:

"5.5.9 Accordingly, as against claim of JPTL for refinancing cost as well as sharing of gains, the Commission presently approves refinancing cost of Rs. 1.46 Crore subject to prudence check at the time of final Truing-up of ARR for FY 2017-18. The Commission does not undertake sharing of gains/ (losses) at the time of provisional Truing-up and hence sharing of gains will be passed on at the time of final Truing-up. The Commission will consider refinanced interest rate for calculation of interest on loan for remaining period of the control period."

c. Accordingly, JPTL has not claimed any sharing of gains / (Losses) during provisional truing up of FY 2019-20 and will be claiming the same at the time of filing of the petition for final true-up of FY 2019-20.

4.3.6 Interest on Working Capital

a) Regulation 31.2 of the MYT Regulations, 2015 specifies the methodology for assessment of Working Capital requirements by a Transmission Licensee:

"31.2 Transmission

(a) The working capital requirement of the Transmission Licensee shall cover:

i. Operation and maintenance expenses for one month;

ii. Maintenance spares at one per cent of the opening Gross Fixed Assets for the Year; and

iii. One and a half month equivalent of the expected revenue from transmission charges at the prevailing Tariff;

minus

iv. Amount held as security deposits in cash, if any, from Transmission System Users: *"*

b) In accordance with the Regulations 31 of MYT Regulations 2015, the following approach has been adopted by JPTL for calculation of working capital requirement:

i. JPTL has considered normative O&M expenses for the purpose of computation of the working capital requirement;

ii. Maintenance Spares has been considered as 1% of opening GFA of FY 2019-20;

iii. The expected Revenue considered is as per applicable InSTS order for FY 2019-20 vide Case No. 265 of 2018 and MERC Order for determination of ARR for JPTL vide Case No. 12 of 2016 and 167 of 2017.

c) Interest on working capital is calculated in accordance to Regulation 31.2 (b) of MERC (MYT) Regulation, 2015, relevant para reproduced below:

31.2 (b) Rate of interest on working capital shall be on normative basis and shall be equal to the Base Rate as on the date on which the petition for determination of Tariff is filed, plus 150 basis points:

Provided that for the purpose of Truing-up for any year, interest on working capital shall be allowed at a rate equal to the weighted average Base Rate prevailing during the concerned Year plus 150 basis points."

d) Based on the above specified clause, Base Rate has been considered based on the amendment issued by the Hon'ble Commission on 29th November, 2017 whereby the definition of the base rate has been changed as follow:

2.1 (10) "Base Rate" shall mean the one-year Marginal Cost of Funds-based Lending Rate ('MCLR') as declared by the State Bank of India from time to time;"

e) Based on the above referred regulation, the Rate of interest on working capital considered is Base Rate i.e. one-year MCLR based Lending Rate ('MCLR') as declared by the State Bank of India as on 1st October 2019 is 8.05% plus 150 basis points.

f) JPTL has calculated interest on working capital for FY 2019-20 as per norms, as shown is table below:

Table 52: Interest on Working Capital for FY 2019-20 (Rs. Crores)

Particulars	Approved	H1	H2	Estimated
O&M for one month	0.42	0.16	0.26	0.42
Maintenance Spares @1% of Op. GFA	5.51	2.76	2.76	5.51
Expected revenue at prevailing tariffs - 1.5 months	10.01	5.00	5.00	10.01
Total Working Capital	**15.94**	**7.92**	**8.02**	**15.94**
Rate of Interest on Working Capital	9.45%	9.55%	9.55%	9.55%
Interest on Working Capital	**1.51**	**0.76**	**0.77**	**1.52**

g) JPTL request the Hon'ble Commission to approve the Interest on Working Capital as submitted above for FY 2019-20 for determination of Provisional ARR and as specified in Form 6 of the Tariff formats enclosed as per Annexure 1.

4.3.7 Return on Equity

a) Return on Equity is calculated as per the regulated rate of return of 15.5 % on the average opening and closing balance of equity capital for the financial year based on Regulation 28.2 of MERC (MYT) Regulation, 2015.

b) JPTL has considered addition to equity capital at 30 % for additional estimated capital expenditure capitalised during the FY 2019-20 as per Regulation 26.1 of MERC (MYT) Regulation, 2015.

c) Based on the above provisions, JPTL has calculated the Return on Equity for FY 2019-20 as outlined below:

Table 53: Return on Equity for FY 2019-20 (Rs. Crores)

Particulars	Approved	Estimated
Opening Equity	138.43	138.42
Additions to equity towards capital investments	0.83	0.02
Retirement	0.00	0.00
Closing balance of Equity	139.26	138.44
ROE @ 15.5 % on the average balance	**21.52**	**21.46**

d) JPTL request the Hon'ble Commission to approve the Return on Equity as submitted above for FY 2019-20 for determination of provisional ARR and as specified in Form 7 of the Tariff formats enclosed as per Annexure 1.

4.3.8 Contribution to Contingency Reserve

a) Contribution to Contingency Reserve is based on MERC (MYT) Regulation, 2015, relevant para is reproduced below:

"34. Contribution to Contingency Reserves—

34.1 Where the Licensee has made a contribution to the Contingency Reserve, a sum *not less than 0.25 per cent and not more than 0.5 per cent of the original cost of fixed assets shall be allowed annually towards such contribution in the calculation of Aggregate Revenue Requirement:*

Provided that where the amount of such Contingency Reserves exceeds five (5) per cent of the original cost of fixed assets, no further contribution shall be allowed:

Provided further that such contribution shall be invested in securities authorised under the Indian Trusts Act, 1882 within a period of six months of the close of the Year".

b) Based on above provisions, JPTL has submitted the expected contingency reserves of 0.25% of the Opening GFA after considering the capitalisation expected in FY 2019-20.

Table 54: Contribution to Contingency Reserve for FY 2019-20 (Rs. Crores)

Particulars	Approved	Estimated
GFA (Rs Cr)	551.23	551.18
Contingency Reserve	1.38	1.38

c) JPTL request the Hon'ble Commission to approve the Contingency Reserves as submitted above for FY 2019-20 for determination of ARR and as specified in Form 10 of the Tariff formats enclosed as per Annexure 1.

4.3.9 Income Tax

a) The MYT Regulations, 2015 stipulate that Income Tax for the control period needs to be in line with the actual income tax paid for the previous year. The same is outlined below:

"33.1 The Commission, in its MYT Order, shall provisionally approve Income Tax payable for each year of the Control Period based on the actual Income Tax paid by the Generating Company or Licensee or MSLDC, in case the Generating Company or Licensee or MSLDC has not engaged in any other regulated or unregulated Business or Other Business, as allowed by the Commission relating to the electricity Business regulated by the Commission, as per latest available Audited Accounts, subject to prudence check:"

b) Accordingly, JPTL is claiming Income tax of Rs. 6.03 Crs for FY 2019-20 in line with the actual claimed in FY 2018-19.

Table 55: Income Tax for FY 2019-20 (Rs. Crores)

Particulars	Approved	H1 (Actual)	H2 (Projected)	Estimated
Income Tax	5.59	2.45	3.58	6.03

4.3.10 Non-Tariff Income:

a) As per Regulation 34.1 of MERC MYT Regulations, 2015, the amount accumulated against the contribution to contingency reserve is required to be invested in securities authorized under Indian Trust Act, 1882 within six months of the close of the financial year, and the income from such investment shall be treated as non-tariff income.

b) Also, as per Regulations 59.1 of MERC MYT Regulations 2015, the Non-Tariff Income shall be deducted from Aggregate Revenue Requirement in determining the Annual Transmission Charges of the Transmission Licensee.

c) Accordingly, the Non-Tariff Income claimed in the Petition is related to income from contingency reserves, the detail calculation of which is provided as below:

Table 56: Expected Income on Contingency Investment for FY 2019-20 (Rs. Crores)

Financial Year	Purchase Date	Int Rate	Cont. Reserve As per Final ARR	FY 2019-20
FY 10-11 to FY 2012-13	06-08-2014	8.28%	**3.22**	0.27
FY 2013-14	29-09-2014	8.33%	1.39	0.12
FY 2014-15	30-09-2015	8.28%	1.39	0.12
FY 2015-16	07-12-2016	9.23%	1.39	0.13
FY 2016-17	25-09-2017	8.28%	1.38	0.11
FY 2017-18	25-09-2018	8.32%	1.38	0.11
FY 2018-19 (average)	September 2019	7.73%	1.38	0.05
Total Interest on Cont. Reserve Investment			**11.52**	**0.91**

d) Accordingly, JPTL is only claiming the expected interest on contingency reserve investment and request the Hon'ble Commission to approve the same as Non-Tariff income.

Table 57: Non- Tariff Income for FY 2019-20 (Rs. Crores)

Particulars	Approved	Estimated
Non- Tariff Income	0.91	0.91

4.4 Annual Aggregate Revenue Requirement for FY 2019-20:

a) Based on the parameters as explained and submitted in the above section, the Annual Revenue Requirement for JPTL for FY 2019-20 is summarized in the table below with the break-up of H1 (April 2018 to September 2018) and H2 (revised estimates for October 2019 to March 2020):

Table 58: Aggregate Revenue Requirement for FY 2019-20

Particulars	Approved	Actual H1	Estimated H2	Estimated
O&M Expenses	5.02	1.95	3.07	5.02
Depreciation	29.16	14.55	14.55	29.11
Interest on Long-term Loan Capital	16.80	8.48	8.48	16.96
Interest on Working Capital	1.51	0.76	0.77	1.52
Income Tax	5.59	2.45	3.58	6.03
Contribution to contingency reserves	1.38	0.00	1.38	1.38
Total Revenue Expenditure	**59.45**	**28.19**	**31.83**	**60.02**
RoE	21.52	10.73	10.73	21.46
Aggregate Revenue Requirement	**80.98**	**38.92**	**42.56**	**81.48**
Less: Non-Tariff Income	0.91	0.45	0.45	0.91
Net Aggregate Revenue Requirement	**80.07**	**38.47**	**42.10**	**80.57**

4.5 Revenue Gap / Surplus of FY 2019-20

a) The revenue proposed for FY 2019-20 is based on the approved recovery of transmission charges has been undertaken as per Case No. 167 of 2017 - dated 12th September 2018 and as per Revision of Intra-State Transmission Tariff as per Case No. 265 of 2018 dated 12th September 2018.

b) As per the Tariff Order dated 12th September 2018 vide Case No. 167 of 2017, the Hon'ble Commission has approved the ARR of Rs. 80.07 Crs as outlined below:

7 RECOVERY OF TRANSMISSION CHARGES

In accordance with the Transmission Pricing Framework and the MYT Regulations, 2015, the approved ARR for a particular financial year of the 3rd Control Period is to be considered for recovery through the TTSC of that financial year. As JPTL forms a part of the InSTS, the approved ARR for FY 2018-19 and FY 2019-20 shall be allowed to be recovered through the InSTS Transmission Tariff Orders.

c) Accordingly, based on the revised ARR proposed by JPTL for provisional truing up of FY 2019-20 and the approved revenue to be recovered, JPTL here by submits the resultant Gap / (Surplus) as outlined below and request the Hon'ble Commission to allow the same along with the carrying cost:

Table 59: Revenue Gap / Surplus for FY 2019-20

Particulars	FY 2019-20
Total ARR	80.57
ARR recovered through Transmission Tariff	80.07
Revenue Gap / (Surplus)	**0.50**

d) It is submitted that JPTL has claimed the above revenue gap alongwith its carrying cost while determining the ARR of FY 2020-21 and request the Hon'ble Commission to allow the recovery of the same while determining the transmission charges for FY 2020-21.

5 ARR FOR THE MYT CONTROL PERIOD FY 2020-21 to FY 2024-25

5.1 Preamble

This section outlines the calculation of Aggregate Revenue Requirement for MYT Control Period consisting of FY 2020-21 to FY 2024-25. JPTL hereby filing the MYT Petition for the determination of ARR for the MYT Control Period FY 2020-21 to FY 2024-25 as per the provisions of the MERC (MYT) Regulations, 2019 notified on 1st August 2019, for consideration of the Hon'ble Commission along with the specified formats providing information on various operational and performance parameters in line with the provisions of the said Regulations

5.2 Provision of Law

For MYT control period from FY 2020-21 to FY 2024-25 onwards, the Hon'ble Commission has notified the MYT Regulations, 2019 and the same are applicable for determination of ARR for FY 2020-21 to FY 2024-25. The relevant clause specifying the Scope of Regulations in MERC MYT Regulations 2019 is stated as below:

> ***"3 Scope of Regulations***
> *3.1 The Commission shall determine the Aggregate Revenue Requirement, Tariff and Fees and Charges, including terms and conditions thereof, in accordance with these Regulations for all matters for which the Commission has jurisdiction under the Act, including the following:-*
> *(i) ....:*
> *(ii) For Intra-State transmission of electricity;*
> *(iii) ....;"*

5.3 Determination of ARR for MYT Control Period FY 2020-21 to FY 2024-25

5.3.1 Operation and Maintenance Expenses

a. MERC MYT Regulations, 2019 are applicable for tariff determination of transmission licensee for the control period up from FY 2020-21 to FY 2024-25. The norms for O & M expenditure for transmission licensees are specified in these regulations, relevant paragraph of the regulation is reproduced below:

> ***"61 Operation and Maintenance expenses:***
> *61.1 The norms for O and M expenses for existing and new Transmission Licensees have been specified on the basis of circuit kilometre of transmission lines and number of bays in the substation of the Transmission Licensee, as given below:*
>
> *Explanation: For the purpose of applying normative O and M expenses under these Regulations, a 'Bay' shall mean a set of accessories that are required to connect an electrical equipment such as Transmission Line, Bus Section Breakers, Potential Transformers, Power Transformers, Capacitors and Transfer Breaker and the feeders*

emanating from the bus at sub-Station of Transmission Licensee. Further, the Bays referred to shall include only the Bays at the Transmission substation and shall exclude any Bays of the Generating Station switchyard whose maintenance is usually the responsibility of the Generating Company:

..

61.5 The norms for O and M expenses for Jaigad PowerTransco Limited (JPTL) shall be:

Table 60: O & M Norms for JPTL for the Control period

Sr. No.	Voltage Level	Unit	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
1	400 kV Transmission Lines	Rs. Lakh/ckt km	0.44	0.45	0.47	0.49	0.51
2	400 kV Terminal Bays	Rs. Lakh/bay	77.04	80.01	83.09	86.29	89.61

b. In line with the Norms as specified in the MYT Regulations 2019 for JPTL, the normative O&M expenses for control period, from FY 2020-21 to FY 2024-25, is outlined as below and has been claimed in the Petition for determination of ARR:

Table 61: Normative O & M Expenses for the Control period

Particulars	Unit	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Length of Line (A)	ckt. kms.	330	330	330	330	330
Norms as per Regulations (B)	Rs. lakh/ ckt. kms.	0.44	0.45	0.47	0.49	0.51
Cost (C = A * B)	Rs. Crore	1.45	1.49	1.55	1.62	1.68
No of bays (D)	No.	4.00	4.00	4.00	4.00	4.00
Norms as per Regulations (E)	Rs. lakh/ bay	77.04	80.01	83.09	86.29	89.61
Cost (F = D * E)	Rs. Crore	3.08	3.20	3.32	3.45	3.58
Total normative O&M expenses (G = C + F)	**Rs. Crore**	**4.53**	**4.69**	**4.87**	**5.07**	**5.27**

c. Further, JPTL submits that the O&M norms as approved by the Hon'ble Commission in MYT Regulations 2019 has witnessed a downward trend as compared to previous year. The O&M Norms comparison in MYT Regulations 2015 and 2019 is identified as below:

Table 62: O&M Norms as per MYT Regulations 2015 & 2019

Voltage Level	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	
	MYT Regulations 2015				
400 kV Transmission Lines (ckt/km)	0.42	0.44	0.46	0.48	
400 kV Terminal Bays (Rs Lakh/bay)	74.13	77.84	81.73	85.82	

Voltage Level		FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
		MYT Regulations 2019				
400 kV Transmission Lines (ckt/km)		0.44	0.45	0.47	0.49	0.51
400 kV Terminal Bays (Rs Lakh/bay)		77.04	80.01	83.09	86.29	89.61

d. As can be witnessed from the above table, the O&M norms of FY 2020-21 is restated at the level of FY 2016-17 and is reduced by ~10% in FY 2020-21 as compared to the norms of FY 2019-20. This may result in under-recovery of O & M cost and may also result in control on the maintenance activities which may affect the transmission system as well as its availability.

e. Also, it is submitted that the revised norms in the MYT Regulations 2019 as compared to norm specified in MYT Regulations 2015 has witnessed decreasing trend, which may not be possible for the assets, which has already served the life of more than 10 years. Usually the general principle is that the O &M cost increases as the assets grow older due to various reasons. JPTL submits that it envisages increase in Transmission O&M costs over the next regulatory period 2020-25 for following reasons:

- For smooth operation of this transmission network & to ensure the transmission availability as per the MERC norms, continuous monitoring / patrolling & regular preventive maintenance of line and bays are necessary.
- As the assets has already served the life of more than 10 years, the occurrence of preventive maintenance is higher compare to the new assets for which JPTL is required to maintain resources such as Spares, T&P's, manpower, machinery, patrolling vehicles and other resources to monitor the lines & bays. Further due to ageing of equipment need for servicing and replacement of spares parts will increase.
- Also due to ageing of Lines and Bay like circuit breaker, isolators, LA etc, there is a probability of increase in corrective and breakdown maintenance of assets particularly involving substation terminal bays. All bay equipment's have completed around 10 years of service in harsh weather condition prevailing in Konkan region and may need major servicing/overhauling works.
- The routine maintenance of Bays are been carried out by MSETCL as per O&M contract between MSETCL and JPTL. The MSETCL guidelines for equipment testing and condition based monitoring is attached herewith as per Annexure 9 of this Petition.

f. JPTL submits that all bay equipment's have completed around 10 years of service in harsh weather condition prevailing in Konkan region and may need major servicing/overhauling works. Also, the maintenance of circuit breakers deserves special consideration because of their importance for routine switching and for protection of other equipment's in the bay. Hence, it is planned to carry out the overhauling of breakers in the next MYT as both the receiving stations are major grid stations in Western Maharashtra under MSETCL network with connectivity with generating stations like, JSWEL-Jaigad, Dabhol Power, Pophali hydro Power, Wind mill generations etc. grid stability is at most priority for smooth operations of all the equipment's.JPTL has already received communication from MSETCL regarding overhauling of all the circuit breakers and isolators. Also, the inspection was carried out by

G.E. whereby it is clearly stated that “Both breakers are Clear faulty operation intruption by Line & DCRM signature is abnormal & CRM results also high, so GE Engineer recommeded to overhauling (Poles & Mechanism) of above Both breakers”.

g. JPTL submits that the O&M Norms as per MYT Regulations 2019, is estimated on the basis of previous years’ actual expenses, however, JPTL has not incurred any expenses towards terminal bay overhauling from the date of CoD as the same was not a regular activity and is required to be undertaken on periodical basis based on equipment condition. JPTL hereby envisages to incur the expenses on overhauling and is estimaiting an additional expenditure of ~Rs. 2.25 Crs on all 4 bays which is spread in first 3 years of the MYT Control Period and has claimed INR 0.75 Crs/year till FY 2022-23. It is submitted that Overhauling of equipment will ensure full availability of terminal bays without any system interruption and the same is a part of Maintenance R&M activities which is required to be undertaken for system maintenance. JPTL humbly submits that existing O&M norm will not be sufficient to cover the expected additional actual O&M expenditure. The details of the Communication from MSETCL and inspection report is enclosed as per Annexure 9.

h. JPTL also submits that considering the overhauling of the transmission system which includes the Circuit breaker and isolators, the same will result in improvement in the efficiency of the assets, smooth operations with higher availability of the system, lower interruption, etc. Accordingly, JPTL request the Hon’ble Commission to allow the additional estimated expenditure of Rs. 0.75 Crs /year till FY 2022-23 as an O&M expenditure to carry out the overhauling of the system.

i. Accordingly, in line with the Norms as specified in the MYT Regulations 2019 for JPTL and additional expenses claimed due to overhauling, the O&M expenses for control period, from FY 2020-21 to FY 2024-25, is outlined as below and has been claimed in the Petition for determination of ARR:

Table 63: O&M cost as claimed for MYT Control Period (Rs. Crores)

Particulars	Unit	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Normative O & M Expenses for line	Rs. Crore	1.45	1.49	1.55	1.62	1.68
Normative O & M Expenses for terminal bays	Rs. Crore	3.08	3.20	3.32	3.45	3.58
O & M Expenses against overhauling	Rs. Crore	0.75	0.75	0.75	0.00	0.00
Total O & M Expenses	Rs. Crore	**5.28**	**5.44**	**5.62**	**5.07**	**5.27**

j. Therefore JPTL request the Hon’ble Commission to reconsider the norms on a realistic basis and approve the O&M cost based on certain escalation based on the previous year, i.e. FY 2020-21 or actuals as will be submitted during true-up petition.

k. JPTL also request the Hon'ble Commission to allow the overhauling cost of transmission system for the MYT Control Period i.e. FY 2020-21 to FY 2024-25 in addition to normative O&M expenses.

5.3.2 Capital Expenditure and Capitalization

a) The Hon'ble Commission vide its order dated September 12, 2018 has approved the capitalisation of Rs. 2.77 crs for FY 2019-20. The relevant para is reproduced below:

"Commission's Analysis and Ruling

6.3.3 In MYT Order, the Commission had approved capital expenditure pertaining to setting up office, guest house & shed at Chiplun for exclusive use of Transmission business. JPTL has provided progress of work and submitted that capitalization will be in FY 2018-19.

6.3.4 This issue has been discussed in para 5.3 of this Order and based on the progress of work, the Commission provisionally approves capitalization of Rs. 2.07 Crore in FY 2019-20. Additionally, the Commission has also disallowed freehold land capitalization of Rs. 0.4630 Crore & Rs. 0.2348 Crore done by JPTL for FY 2016-17 and FY 2017-18 as asset was not put to use. The Commission now approves capitalization of Office including guest house along with the capitalization of freehold land of Rs. 0.6978 Crore in FY 2019-20.

6.3.5 The Commission approves Capitalisation of Rs. 2.77 Crore for FY 2019-20".

b) However, as submitted in para 4.3.2(b), JPTL has already initiated the process to establish office premises and guest house at its own premises. However, the project commissioning has been delayed due to identifying a suitable land parcel (acquired in October 2016), Final mutation entry updated in the name of Jaigad PowerTransco Ltd and deferment of the materialisation of the tender related to other works such as Civil, Electrical, architectural and design work, etc. The Activity table undertaken for JPTL Office Cum Guest house is as provided below:

Table 64: Acitivty Table for Construction of JPTL Office cum Guest House

Sr	Activity	Completion date
1	Purchase of land & execution of sale deed by paying agreed cost	18.10.2016
2	Final mutation entry updated in the name of Jaigad PowerTransco Ltd	25.09.2018
3	Architect cum project consultant has been finalised & appointed.	17.09.2018
4	Final building plan submitted by architect	28.11.2018
5	Finalisation of detail design and BOQ,	20.04.2019
6	Tender enquiry floated	02.07.2019
7	Receipt of offers from vendors	10.08.2019
8	Negotiation with vendors is in progress.	Ongoing

c) It is submitted that JPTL has received a final mutation of purchased of land in the month of September 2018 whereby delay has been occurred at Revenue Department, GoM. Meanwhile, JPTL appointed architect for preparing detailed design & plan in September 2018 and Architect had submitted final building plan by end of November 2018 for approval of JPTL authorities. Accordingly, JPTL has reviewed the plan & after deleberations, final clearance was given for further detailing in December 2018. Further, Architect has submitted the final detailed design, BOQ, drawings in the month of April 2019 after dicussion with Civil team and thereafter JPTL had raised purchase requisition to commercial team for floating tender in May 2019 & accordingly, Tender was floated in the month of July 2019. In the meantime, JPTL has applied for water connection to local Grampanchayat & electricity connection from MSEDCL.

d) Therefore, the expected completion of the construction of office building and office building is likely to be completed in FY 2020-21. Also, the Capitalisation of freehold land of Rs. 0.70 Crs, incurred in FY 2016-17 and FY 2017-18 was disallowed by the Hon'ble Commission as the asset was not put in use, however the same is proposed for capitalisation in FY 2020-21 alongwith the other cost related to establishment of offices and guest house.

e) JPTL submits that at present there is no time over-run and cost over run for the referred scheme and in case of occurrence of any such event, JPTL may submit the same at the time of true-up of relevant year. Also, against the Original schedule of completion of the scheme was March 2019 and the expected date of capitalisation of this scheme is September 2020.

f) Based on the above, JPTL request the Hon'ble Commission to condone the delay in capitalisation of the work related to office at Chiplun and to allow the capitalisation related to the same in FY 2020-21.

g) Also, the expected capitalisation of the MYT Control period i.e. from FY 2020-21 to FY 2024-25 is expected to be marginal routine capitalisation to be incurred on Office Equipment and computer related expenditure.

h) JPTL submits that this CAPEX is proposed in the Tariff Petition is below the limit specified in MYT Regulations 2019 and is required to be considered under Non-DPR scheme. As per Clause 2 (58) of MYT Regulations 2019, it states as under:

(58) "Non-DPR Scheme" means a capital expenditure Scheme with projected capital cost within the limits specified in these Regulations, ***for which the Generating Company or Licensee or MSLDC is not required to obtain prior in-principle***

approval of the Commission;

i) Based on the above submission, JPTL hereby submits the break-up of projected capitalisation into the required heads:

Table 65: Break-up of CAPEX and Capitalisaiton (Head wise) – Rs. crs

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
CAPEX					
Office premises	2.01				
Others (Office & IT Equipments)	0.06	0.02	0.02	0.02	0.02
Total	**2.07**	**0.02**	**0.02**	**0.02**	**0.02**
CAPITALISATION					
Office premises	2.01				
Freehold land	0.70				
Others (Office & IT Equipments)	0.06	0.02	0.02	0.02	0.02
Total	**2.77**	**0.02**	**0.02**	**0.02**	**0.02**

j) JPTL hereby request the Hon'ble Commission to allow the CAPEX proposed in the Tariff petition which are nominal in nature and is required for normal business activities such as Laptop, Computers, Office Equipment, etc.

k) Accordingly, the expected capitalisation to be incurred for MYT Control Period FY 2020-21 to FY 2024-25 is highlighted in the table below and JPTL request the Hon'ble Commission to approve the estimated capital expenditure / addition to the GFA as outlined below and as specified in Form 3 of the Tariff formats enclosed as per Annexure 1:

Table 66: CAPEX and Capitalisation for MYT Control Period FY 2020-21 to FY 2024-25 (Rs. Crores)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Capital Expenditure	2.0700	0.0200	0.0200	0.0200	0.0200
Capitalisation	2.7700	0.0200	0.0200	0.0200	0.0200

5.3.3 Depreciation

a) Regulation 28 of MERC (MYT) Regulation, 2019 provides for computation of depreciation to be estimated by the Petitioner based on capital cost of assets approved by the Hon'ble Commission and rates of depreciation applicable as per Annexure I specified in the Regulation 28.1 (b) of MERC (MYT) Regulation, 2019. Also, the proviso of the clause specifies that if the asset is depreciated to the extent of 70%, then remaining depreciable value as on 31st March of the year to be spread over the balance Useful Life of the asset.

b) Regulation 28.4 of MERC (MYT) Regulation, 2019 also provides for depreciation to be calculated based on average of opening and closing value of assets for assets having achieved commercial operation for only part of the financial year.

c) Accordingly, JPTL has considered expected addition of assets for MYT Control Period i.e. from FY 2020-21 to FY 2024-25 as provided in Table 64 of this petition for calculation of depreciation as per applicable deprecation rate as per Regulations 28.1(b) of the MYT Regulations 2019.

d) Also, the accumulated depreciation for certain assets exceeds 70% of Gross Fixed Assets and therefore in line with proviso of Regulations 28.1.(b) of MYT Regulations 2019, the depreciation is calculated by spreading the remaining depreciable value over the balance Useful Life of the asset. The Useful life of the asset considered for the purpose of computation of depreciation is as outlined below:

Table 67: Useful life of the Assets

Block of Assets	Useful life
Plant & Machinery	35 years
Office Equipment	20 years
Computers	15 years
Furniture and Fixtures	20 years
Buildings	35 years

e) Based on the above submission, the depreciation projected for the MYT Control Period FY 2020-21 to FY 2024-25 is provided in the table below for the consideration of the Hon'ble Commission:

Table 68: Depreciation Expenses for MYT Control Period (Rs. Crores)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Opening GFA	551.24	554.01	554.03	554.05	554.07
Addition of GFA	2.77	0.02	0.02	0.02	0.02
Retirement of GFA	0.00	0.00	0.00	0.00	0.00
Closing GFA	554.01	554.03	554.05	554.07	554.09
Depreciation	**29.15**	**29.19**	**29.18**	**29.18**	**29.19**
Average Depreciation rate	**5.27%**	**5.27%**	**5.27%**	**5.27%**	**5.27%**

f) Accordingly, JPTL request the Hon'ble Commission to approve the Depreciation for determination of ARR for MYT Control Period of FY 2020-21 to FY 2024-25 and as specified in Form 4 of the Tariff formats enclosed as per Annexure 1.

5.3.4 Interest on Loan Capital

a) The Regulation 27.1 of MERC (MYT) Regulation, 2019 specifies the following norms for debt equity ratio for capital expenditure.

"27. Debt-equity ratio—

27.1 For a capital investment Scheme declared under commercial operation on or after April 1, 2020, debt-equity ratio as on the date of commercial operation shall be 70:30 of the amount of capital cost approved by the Commission under Regulation 24, after prudence check for determination of Tariff:

…………………………………

Provided that if the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan for the Generating Company or Licensee or MSLDC for determination of Tariff:"

b) JPTL has considered debt: equity ratio of 70: 30 for small additional capitalisation estimated for MYT Control Period FY 2020-21 to FY 2024-25, in line with norms specified in the Regulation 27.1 of MYT Regulations, 2019.

c) The repayment is considered equal to the depreciation for the year as specified in Regulation 30.3 MERC (MYT) Regulation, 2019, relevant para is reproduced below:

"30.3 The repayment during each year of the Control Period from FY 2016-17 to FY 2019-20 shall be deemed to be equal to the depreciation allowed for that year."

d) Also, as per the clause 30.5 of MYT Regulations 2019, it states as follows:

"30.5 The rate of interest shall be the weighted average rate of interest computed on the basis of the actual loan portfolio at the beginning of each year"

e) In line with the detailed submission provided in para 3.3.4(j) of this Petition, JPTL has refinanced the loan through Aditya Birla Finance Limited (ABFL) at an applicable rate of 9.25% link to MCLR and will be reset on every 30th August of each year as per the Refinancing arrangement and enclosed as per Annexure 5. Accordingly, the applicable rate of interest for FY 2019-20 is reset to 9.35% and same is considered for MYT Control Period FY 2020-21 to FY 2024-25.

f) With regards to Finance Charges, as per Regulations 30.8 of MYT Regulations 2019, the finance charges is required to be allowed by the Hon'ble Commission at the time of Truing-up and hence has not been claimed in the Petition.

g) Based on the above submission, JPTL hereby submits the calculation of interest on loan for MYT Control Period FY 2020-21 to FY 2024-25 as outlined below:

Table 69: Interest on Loan for MYT Control Period (Rs. Crores)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Opening balance of Debt	166.81	139.60	110.43	81.26	52.10
Addition	1.94	0.01	0.01	0.01	0.01
Repayment	29.15	29.19	29.18	29.18	29.19
Closing Debt	**139.60**	**110.43**	**81.26**	**52.10**	**22.92**
Interest Rate (%)	9.35%	9.35%	9.35%	9.35%	9.35%
Interest on the Loan	**14.32**	**11.69**	**8.96**	**6.23**	**3.51**

h) JPTL requests the Hon'ble Commission to approve the Interest on loan as submitted above for determination of ARR for MYT Control Period FY 2020-21 to FY 2024-25 and as specified in Form 5 of the Tariff formats enclosed as per Annexure 1.

5.3.5 Refinancing of Loan

a) As submitted by JPTL in para 3.3.5, there is resultant net saving due to refinance of loan as provided in Table 22. Therefore, as mandated under the provisions of the Regulation 30.10 of the MYT Regulations, 2019, JPTL is entitled for sharing of gains in the ratio of 2:1 and the relevant para is reproduced below:

"30.10 The Generating Company or the Licensee or the MSLDC, as the case may be, shall make every effort to re-finance the loan as long as it results in net savings on interest and in that event, the costs associated with such re-financing shall be borne by the Beneficiaries and the net savings shall be shared between the Beneficiaries and them in the ratio of 2:1, subject to prudence check by the Commission:

Provided that refinancing shall not be done if it results in net increase on interest

....

Provided also that the re-financing shall not be subject to any adverse terms and conditions and additional cost:

....

Provided also that the net savings in interest shall be calculated as an annuity for the term of the loan, and the annual net savings shall be shared between the entity and Beneficiaries in the specified ratio

b) However, the Hon'ble Commission in its Order dated 12th September 2018 vide Case No. 167 of 2017, has observed that the sharing will be undertaken at the time of final truing up. The specific direction has been outlined below from the said order:

"5.5.9 Accordingly, as against claim of JPTL for refinancing cost as well as sharing of gains, the Commission presently approves refinancing cost of Rs. 1.46 Crore subject to prudence check at the time of final Truing-up of ARR for FY 2017-18. The Commission does not undertake sharing of gains/ (losses) at the time of provisional Truing-up and hence sharing of gains will be passed on at the time of final Truing-up. The Commission will consider refinanced interest rate for calculation of interest on

loan for remaining period of the control period."

c) Accordingly, JPTL has not claimed any sharing of gains / (Losses) during the determination of ARR for MYT Control Period FY 2020-21 to FY 2024-25 and will be claiming the same at the time of filing of the petition for final true-up of the respective years.

5.3.6 Interest on Working Capital

a) Regulation 32.2 of the MYT Regulations, 2019 specifies the methodology for assessment of Working Capital requirements by a Transmission Licensee:

"32.2 Transmission

(a) The working capital requirement of the Transmission Licensee shall cover:

i. Normative Operation and maintenance expenses for one month;

ii. Maintenance spares at one per cent of the opening Gross Fixed Assets for the Year; and

iii. One and a half months equivalent of the expected revenue from transmission charges at the Tariff approved in the Order for ensuing year/s;

minus

iv. Amount held as security deposits in cash, if any, from Transmission System Users: "

b) Interest on working capital is calculated in accordance to Regulation 32.2 (b) of MERC (MYT) Regulation, 2019, relevant para reproduced below:

"32.2 (b) Rate of interest on working capital shall be on normative basis and shall be equal to the Base Rate as on the date on which the petition for determination of Tariff is filed, plus 150 basis points:
Provided that for the purpose of Truing-up for any year, interest on working capital shall be allowed at a rate equal to the weighted average Base Rate prevailing during the concerned Year plus 150 basis points."

c) Based on the above specified clause, the definition of the Base Rate as per MYT Regulation 2019 is as follows:

2.1 (10) "Base Rate" shall mean the one-year Marginal Cost of Funds-based Lending Rate ('MCLR') as declared by the State Bank of India from time to time;"

d) Based on the above referred regulation, the Rate of interest on working capital considered is Base Rate i.e. one-year MCLR based Lending Rate ('MCLR') as declared by the State Bank of India as on 1st October 2019 is 8.05% plus 150 basis points.

e) JPTL has calculated interest on working capital for MYT Control Period FY 2020-21 to FY 2024-25 as per norms, as shown in table below:

Table 70: Interest on Working Capital for MYT Control Period (Rs. Crores)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
O&M for one month	0.38	0.39	0.41	0.42	0.44
Maintenance Spares @1% of Op. GFA	5.51	5.54	5.54	5.54	5.54
Expected revenue at prevailing tariffs - 1.5 months	12.11	9.12	8.78	8.35	8.02
Total Working Capital Requirement	**18.00**	**15.05**	**14.73**	**14.31**	**14.00**
Interest Rate (%) - State Bank Advance Rate	9.55%	9.55%	9.55%	9.55%	9.55%
Interest on Working Capital	**1.72**	**1.44**	**1.41**	**1.37**	**1.34**

f) JPTL request the Hon'ble Commission to approve the Interest on Working Capital as submitted above for determination of ARR for MYT Control Period FY 2020-21 to FY 2024-25 and as specified in Form 6 of the Tariff formats enclosed as per Annexure 1.

5.3.7 Grossed up Return on Equity

a) The Hon'ble Commission has notified New MYT Regulation 2019 dated 1st August 2019 for MYT Control period FY 2020-21 to FY 2024-25. Accordingly, Clause 29 of the said Regulation will be applicable for determination of Return on Equity.

b) As per clause 29.1 of the MYT Regulation 2019, Return on Equity for transmission licensee will be @15.5% for the assets put to use. However, the Return on Equity will be allowed in 2 parts, i.e. Base Return on Equity (14% as per clause 29.2 of MYT Regulation 2019) and Additional Return on Equity (1.5%) linked to actual performance whereby Additional Return on Equity will be allowed at time of truing up. The Relevant provision of the Regulations is outlined below:

*"**29 Return on Equity***

29.1 Return on Equity for the Generating Company, Transmission Licensee, Distribution Wires Business and MSLDC shall be allowed on the equity capital determined in accordance with Regulation 27 for the assets put to use, at the rate of up to 15.5 per cent per annum in Indian Rupee terms, and for the Retail Supply Business, Return on Equity shall be allowed on the amount of equity capital determined in accordance with Regulation 27 at the rate of up to 17.5 per cent per annum in Indian Rupee terms:

Provided that Return on Equity shall be allowed in two parts viz. Base Return on Equity, and Additional Return on Equity linked to actual performance:

Provided further that Additional Return on Equity shall be allowed at time of truing up for respective year based on actual performance, after prudence check of the

Commission:

29.2 Base Return on Equity for the Generating Company, Transmission Licensee, Distribution Wires Business and MSLDC shall be allowed on the equity capital determined in accordance with Regulation 27 for the assets put to use, at the rate of 14 per cent per annum in Indian Rupee terms, and for the Retail Supply Business, Return on Equity shall be allowed on the amount of equity capital determined in accordance with Regulation 27 at the rate of 15.5 per cent per annum in Indian Rupee terms:"

c) Also, as per Clause 29.3 of MYT Regulations 2019, full RoE for the equity capital at the commencement of the year and 50% on the equity capital for the assets addition during the year can be claimed by the Transmission Licensee. The same is reproduced below:

"29.3 The Base Return on Equity shall be computed in the following manner:

(a) Return at the allowable rate as per this Regulation, applied on the amount of equity capital at the commencement of the Year; plus

(b) Return at the allowable rate as per this Regulation, applied on 50 per cent of the equity capital portion of the allowable capital cost, for the investments put to use in Generation Business or Transmission Business or Distribution Business or MSLDC, for such Year:"

d) Accordingly, JPTL has considered addition to equity capital at 30% for additional estimated capital expenditure to be capitalised for MYT Control Period FY 2020-21 to FY 2024-25 as per Regulation 27.1 of MERC (MYT) Regulation, 2019.

e) Also, as per the Clause 34 of the MYT Regulations 2019, the Income Tax for transmission Licensee is required to be considered while calculation of Return on Equity and Clause 34.2 allows the grossing up of RoE with the effective tax rate of the respective financial year or on the basis of actual tax paid as per latest available audited accounts. The relevant provisions are reproduced as below:

"34.2 The rate of Return on Equity, including additional rate of Return on Equity as allowed by the Commission under Regulation 29 of these Regulations shall be grossed up with the effective tax rate of respective financial year.

34.3 The base rate of return on equity shall be rounded off to three decimal places and shall be computed as per the formula given below:

Rate of pre-tax return on equity = Base rate of Return on Equity / (1-t),

Where "t" is the effective tax rate

34.4 The effective tax rate shall be considered on the basis of actual tax paid in respect of financial year in line with the provisions of the relevant Finance Acts by the concerned Generating Company or Licensee or MSLDC, as the case may be:

....

Provided further that effective tax rate shall be estimated for future year based on actual tax paid as per latest available Audited accounts, subject to prudence check.

f) Accordingly, since the calculated RoE is for the MYT Control Period of FY 2020-21 to FY 2024-25 is an estimate for future years, the actual effective tax rate of FY 2018-19 has been considered for grossing up of RoE. The actual effective tax rate based on the Income Tax calculated as per Table 29 and is outlined as below:

Table 71: Effective Rate of Pre Tax Return on Equity

Sr. No.	Particulars	FY 2018-19
1	Total Gross Income of Regulated Entity (Rs. Crore)	27.78
2	Actual Income Tax paid by the Entity #	6.03
3	Effective Tax Rate of the Company (%)	**21.71%**
4	Base Rate of Return on Equity (%)	**14%**
5	**Rate of Pre Tax Return on Equity (%)**	**17.88%**

Actual tax paid on income from any other regulated / unregulated / Other Business is excluded

g) Based on the above calculation, the Pre-tax Return on equity considered is 17.88% and JPTL has calculated the Return on Equity for MYT Control Period of FY 2020-21 to FY 2024-25 as outlined below:

Table 72: Return on Equity for MYT Control Period (Rs. Crores)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Opening Equity	138.44	139.27	139.28	139.28	139.29
Additions to equity towards capital investments	0.83	0.01	0.01	0.01	0.01
Closing balance of Equity	139.27	139.28	139.28	139.29	139.29
ROE @17.88% (incl. tax) on average balance	**24.83**	**24.91**	**24.91**	**24.91**	**24.91**

h) JPTL submits that based on the Hon'ble APTEL decision in Appeal No. 250 OF 2016 & IA NO. 899 OF 2017 dated 29th May 2019, it has not considered Delay Payment Surcharge as Non-Tariff Income for FY 2015-16 and has sought reversal impact of the same in ARR. It is humbly submitted that in case the Hon'ble Commission accepts the prayer of JPTL, this may result in increase in ARR and the impact of income tax for the same will be applicable in FY 2020-21. However, due to change in approach of calculation of income tax as per clause 34 of MYT Regulations 2019, the MAT Rate of previous year will be considered in grossing up RoE resulting in under recovery of Income tax for FY 2020-21. Therefore JPTL request to allow the additional income tax on such income of DPC in FY 2020-21 during the time of true-up of the respective year.

i) JPTL request the Hon'ble Commission to approve the Return on Equity as submitted above for determination of ARR for MYT Control Period FY 2020-21 to FY 2024-25 and as specified in Form 7 of the Tariff formats enclosed as per Annexure 1.

5.3.8 Contribution to Contingency Reserve

a) Contribution to Contingency Reserve is based on MERC (MYT) Regulation, 2019, relevant para is reproduced below:

"35. Contribution to Contingency Reserves -

35.1 Where the Licensee has made a contribution to the Contingency Reserve, a sum not less than 0.25 per cent and not more than 0.5 per cent of the original cost of fixed assets shall be allowed annually towards such contribution in the calculation of Aggregate Revenue Requirement:

Provided that where the amount of such Contingency Reserves exceeds five (5) per cent of the original cost of fixed assets, no further contribution shall be allowed:

Provided further that such contribution shall be invested in securities authorised under the Indian Trusts Act, 1882 within a period of six months of the close of the Year

................................".

b) Based on above provisions, JPTL has submitted the expected contingency reserves of 0.25% of the Opening GFA after considering the capitalisation expected in MYT Control Period FY 2020-21 to FY 2024-25.

Table 73: Contribution to Contingency Reserve for MYT Control Period (Rs. Crores)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
GFA (Rs Cr)	551.24	554.01	554.03	554.05	554.07
Contingency Reserve	1.38	1.39	1.39	1.39	1.39

c) JPTL request the Hon'ble Commission to approve the Contribution to Contingency reserve as submitted abovefor determination of ARR and as specified in Form 10 of the Tariff formats enclosed as per Annexure 1.

5.3.9 Non-Tariff Income:

a) As per Regulation 35.1 of MERC MYT Regulations, 2019, the amount accumulated against the contribution to contingency reserve is required to be invested in securities authorized under Indian Trust Act, 1882 within six months of the close of the financial year, and the income from such investment shall be treated as non-tariff income.

b) Also, as per Regulations 62.1 of MERC MYT Regulations 2019, the Non-Tariff Income shall be deducted from Aggregate Revenue Requirement in determining the Annual Transmission Charges of the Transmission Licensee.

c) Accordingly, the Non-Tariff Income claimed in the Petition is related to income from contingency reserves investment, the detailed calculation of which is provided as below:

Table 74: Expected Income on Contingency Investment for MYT Control Period (Rs. Crores)

Financial Year	Int Rate	Cont. Reserve As per Final ARR	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
FY 10-11 to FY 2012-13	8.28%	**3.22**	0.27	0.27	0.27	0.27	0.27
FY 2013-14	8.33%	1.39	0.12	0.12	0.12	0.12	0.12
FY 2014-15	8.28%	1.39	0.12	0.12	0.12	0.12	0.12
FY 2015-16	9.23%	1.39	0.13	0.13	0.13	0.13	0.13
FY 2016-17	8.28%	1.38	0.11	0.11	0.11	0.11	0.11
FY 2017-18	8.32%	1.38	0.11	0.11	0.11	0.11	0.11
FY 2018-19	7.73%	1.38	0.12	0.12	0.12	0.12	0.12
FY 2019-20	7.73%	1.38	0.05	0.11	0.11	0.11	0.11
FY 2020-21	7.73%	1.38		0.05	0.11	0.11	0.11
FY 2021-22	7.73%	1.39			0.05	0.11	0.11
FY 2022-23	7.73%	1.39				0.05	0.11
FY 2023-24	7.73%	1.39					0.05
Total Interest on Cont. Reserve Investment		**18.44**	**1.01**	**1.12**	**1.23**	**1.33**	**1.44**

d) Accordingly, JPTL is only claiming the expected interest on contingency reserve investment and request the Hon'ble Commission to approve the same as Non-Tariff income.

Table 75: Non- Tariff Income for MYT Control Period (Rs. Crores)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Non- Tariff Income	1.01	1.12	1.23	1.33	1.44

5.4 Additional Submission

5.4.1 Past Gaps / (Surplus)

a) Based on the submission made in Para 3.6 (g) and 4.5 (d) of this Petition, JPTL hereby claims the Revenue Gap / (Surplus) determined under truing up of FY 207-18 and FY 2018-19 and Provisional Truing up of FY 2019-20 and request the Hon'ble Commission to allow the recovery of the same while determining the ARR in FY 2020-21. The details of the Past Gaps/(Surplus) claimed in FY 2020-21 is outlined as below:

Table 76: Past Gaps / (Surplus) claimed in FY 2020-21 (Rs. Crores)

Sr. No.	Details of Gaps / (Surplus)	Amount
a.	Add: Gap/ (Surplus) for True-up for FY 2017-18	16.73
b.	Add: Gap/ (Surplus) for True-up for FY 2018-19	-3.32
c.	Add: Gap/ (Surplus) for APR for FY 2019-20	0.50
	Total	**13.90**

5.4.2 Carrying Cost on the past gaps

a) In the said petition, JPTL has claimed the past gaps for FY 2017-18 to FY 2019-20 as specified in para 5.4.1 of this Petition. However, with regards to DPC as claimed in Para 3.4.1 of this Petition, the same is proposed to be recovered in Determination of Aggregate Revenue Requirement of FY 2015-16 and in line with the Hon'ble Aptel Order highlighted in Para 5.4.2(c) of this Petition, the carrying cost is proposed to be claimed from FY 2015-16 onwards. Accordingly, JPTL is entitled for a carrying cost from FY 2015-16 onwards. For carrying/ (holding) cost computation, JPTL has considered the Trued-up ARR of FY 2017-18 and FY 2018-19 and provisional trued up ARR of FY 2019-20 after excluding the Availability incentive. The detailed calculation is outlined below:

Table 77: Carrying cost on past gaps claimed in FY 2020-21 (Rs. Crores)

Particulars	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Opening Balance	-	16.19	16.19	14.99	10.26	10.76
ARR during the year (Excluding incentive)*	16.19	-	88.22	71.33	80.57	-
Recovery during the year	-	-	89.42	76.06	80.07	10.76
Closing Balance	16.19	16.19	14.99	10.26	10.76	-
Wtg. Average rate of Interest	14.60%	10.79%	10.18%	9.89%	9.55%	9.55%
Carrying / (Holding) Cost	**1.18**	**1.75**	**1.59**	**1.25**	**1.00**	**0.51**
Effective carrying/ (holding) cost for period FY 2017-18 to FY 2020-21	**7.28**					
* - ARR of FY 2017-18 considered wihtout DPC						

b) The carrying/ (holding) cost is computed considering simple interest on the gap/ (surplus) using the weighted average Base Rate prevailing during the respective years of the Gap / (Surplus) as per the provisions specified in the MYT Regulations.

"The Commission shall allow Carrying Cost or Holding Cost, as the case may be, on the admissible amounts, with simple interest, at the weighted average Base Rate prevailing during the concerned Year, plus 150 basis points:"

c) The calculation of carrying cost has been undertaken in line with the APTEL Order vide Appeal No. 160 of 2012 and Appeal Nos. 211, 215, 3, 4, 57, 274, 164, 166, 121 of 2013 dated 8th April 2015 which states as follows:

"40……………………………………………….

41………………………………………………….
42………………………………………………….
The interest should be calculated for the period from the middle of the financial year in which the revenue gap had occurred upto the middle of the financial year in which the recovery has been proposed. Thus, for the revenue gap of FY 2010-11, the Commission has to consider interest from middle of FY 2010-11 to middle of FY 2013-14 in which the recovery is proposed. This is because the expenditure is incurred throughout the year and its recovery is also spread out throughout the year. Admittedly, the revenue gap will be determined at the end of the financial year in which the expenditure is incurred. However, the under or over recovery is the resultant of the cost and revenue spread out throughout the year. Similarly, the revenue gap of the past year will be recovered throughout the year in which its recovery is allowed. Therefore, the interest on revenue gap as a result of true up for a financial year should be calculated from the mid of that year till the middle of the year in which such revenue gap is allowed to be recovered."

d) Accordingly, JPTL request the Hon'ble Commission to approve the carrying cost as per the gap claimed in the petition.

5.5 Annual Aggregate Revenue Requirement for FY MYT Control Period:

a. Based on the parameters as explained and submitted in the chapter d) of the Petition, the Annual Revenue Requirement for JPTL for MYT Control Period FY 2020-21 to FY 2024-25 is summarized in the table below and request the Hon'ble Commission to approve the same fore recovery of transmission charges:

Table 78: Aggregate Revenue Requirement for MYT Control Period (Rs. Crores)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
O&M Expenses	5.28	5.44	5.62	5.07	5.27
Depreciation	29.15	29.19	29.18	29.18	29.19
Interest on Long-term Loan Capital	14.32	11.69	8.96	6.23	3.51
Interest on Working Capital	1.72	1.44	1.41	1.37	1.34
Income Tax					
Contribution to contingency reserves	1.38	1.39	1.39	1.39	1.39
Total Revenue Expenditure	**51.86**	**49.13**	**46.56**	**43.24**	**40.69**
RoE	24.83	24.91	24.91	24.91	24.91
Gross Aggregate Revenue Requirement	**76.69**	**74.04**	**71.46**	**68.14**	**65.60**
Less: Non-Tariff Income	1.01	1.12	1.23	1.33	1.44
Net Aggregate Revenue Requirement	**75.68**	**72.92**	**70.24**	**66.81**	**64.15**
Add: Gap/ (Surplus) for True-up for FY 2017-18	16.73				
Add: Gap/ (Surplus) for True-up for FY 2018-19	-3.32				
Add: Gap/ (Surplus) for ARR for FY 2019-20	0.50				
Carrying Cost/ (Holding Cost) for FY 2015-16 to FY 2019-20	7.28				
Total Annual Revenue Requirement including past gaps	**96.87**	**72.92**	**70.24**	**66.81**	**64.15**

6 Prayers to the Hon'ble Commission

6.1 Prayers

The Applicant respectfully hereby submits the Revised Petition and prays that the Hon'ble Commission may:

a. Admit the Petition for Approval of True Up of FY 2017-18 & FY 2018 –19, Provisional True-Up of FY 2019-20 as per MYT Regulations 2015 and Aggregate Revenue Requirement for Control Period FY 2020-21 to FY 2024-25 as per MYT Regulations 2019;

b. Approve the True-up of ARR of JPTL including past gaps and incentive for higher Transmission availability for FY 2017-18 & FY 2018-19 as per MYT Regulations 2015;

c. Approve the Provisional True Up for FY 2019-20 as presented in this Petition as per MYT Regulations 2015;

d. Approve the projected Annual Revenue Requirement for the MYT control period FY 2020-21 to FY 2024-25 as per MYT Regulations 2019;

e. To allow the overhauling cost of transmission system for the MYT Control Period i.e. FY 2020-21 to FY 2024-25 25 in addition to normative O&M Expenses and ;

f. To reconsider the O&M norms on a realistic basis for the MYT Control Period i.e from FY 2020-21 to FY 2024-25;

g. To allow the recovery of the past gaps in the transmission charges as submitted in the petition;

h. To allow the claim of Delay Payment Charges of FY 2015-16, as not to be included in Non-Tariff Income, in line with the Hon'ble APTEL Order and allow the passthrough of subsequent impact of the same on calculation of Tax and incentive for FY 2015-16;

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

j. Pass such other and further orders as deemed fit and proper in the facts and circumstances of the case;

List of Annexures

Annexure 1: JPTL Petition Formats
Annexure 2: Audited Accounts for FY 2017-18 & 2018-19
Annexure 3: MYT Accounting Statements for FY 2017-18 & 2018-19
Annexure 4: O&M contract of MSETCL with JPTL
Annexure 5: Loan refinance arrangement with ABFL
Annexure 6: Contingency Reserve Investment for FY 2017-18 & FY 2018-19
Annexure 7: Income Tax Challan paid for FY 2017-18 & FY 2018-19
Annexure 8: System Availability for FY 2017-18 & FY 2018-19
Annexure 9: Communication with MSETCL & Inspection report and MSETCL circular for Test Frequency
Annexure 10: Replies to Data Gaps