Uttar Pradesh Electricity Regulatory Commission

Lucknow

Petition No. 1839 of 2022

Order under Section 62 and 64
of Electricity Act, 2003
on
True-up for FY 2020-21,
Annual Performance Review for FY 2021-22,
Aggregate Revenue Requirement and Tariff for FY 2022-23
for
Uttar Pradesh Power Transmission Corporation Limited

Lucknow

July 29, 2022

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BEFORE

UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION

Petition No.: 1839 of 2022

In the matter of:

Determination of Annual Revenue Requirement (ARR) for the FY 2022-23, Annual Performance Review (APR) for FY 2021-22 and True-up for the FY 2020-21 (Petition No. - 1839 of 2022) of Uttar Pradesh Power Transmission Corporation Limited, Lucknow (UPPTCL)

And

In the matter of:

Uttar Pradesh Power Transmission Corporation Limited, Lucknow (UPPTCL)

Order

The Commission, having deliberated upon the Petition for determination of Annual Revenue Requirement (ARR) for the FY 2022-23, Annual Performance Review (APR) for FY 2021-22 and True-up for FY 2020-21 filed by UPPTCL and also the subsequent filings by the Petitioner, during the course of Proceedings after the Petition thereafter admitted on April 21, 2022 and having considered the views / comments / suggestions / objections / representations received from the stakeholders in writing and during the Public Hearings held on June 24, 2022, in exercise of powers vested under Sections 61, 62, 64 and 86 of the Electricity Act, 2003 (hereinafter referred to as 'the Act'), hereby passes this Order.

The Licensee, in accordance with Regulation 5.10 of the Uttar Pradesh Electricity Regulatory Commission (Multi Year Tariff for Distribution & Transmission) Regulations, 2019, shall publish the Tariff approved by the Commission in at least two (2) English and two (2) Hindi daily newspapers having wide circulation in the area of supply and shall put up the approved Tariff on its internet website.

The Tariff so published shall be in force after seven days from the date of such publication of the Tariffs and shall, unless amended or revised, continue to be in force for such period as may be stipulated therein. The Commission may issue clarification / corrigendum / addendum to this Order as it deems fit from time to time with the reasons to be recorded in writing.

1 BACKGROUND AND PROCEDURAL HISTORY

1.1 BACKGROUND

1.1.1 The Uttar Pradesh Electricity Regulatory Commission (hereinafter referred to as the 'UPERC' or 'the Commission') was formed under U.P. Electricity Reform Act, 1999 by Government of Uttar Pradesh (GoUP) in one of the first steps of reforms and restructuring process of the power sector in the State. Therefore, in pursuance of the reforms and restructuring process, the erstwhile Uttar Pradesh State Electricity Board (UPSEB) was unbundled into the following three separate entities through the first reforms Transfer Scheme dated January 14, 2000:

- Uttar Pradesh Power Corporation Limited (UPPCL): vested with the function of Transmission and Distribution within the State;
- Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited (UPRVUNL): vested with the function of Thermal Generation within the State;
- Uttar Pradesh Jal Vidyut Nigam Limited (UPJVNL): vested with the function of Hydro Generation within the State.

1.1.2 Through another Transfer Scheme dated January 15, 2000, assets, liabilities and personnel of Kanpur Electricity Supply Authority (KESA) under UPSEB were transferred to Kanpur Electricity Supply Company Limited (KESCO), a Company registered under the Companies Act, 1956.

1.1.3 After the enactment of the Electricity Act, 2003 (EA 2003), the need was felt for further unbundling of UPPCL (responsible for both Transmission and Distribution functions) along functional lines. Therefore, the following five new Distribution Companies (hereinafter collectively referred to as 'Discoms') were created vide Uttar Pradesh Transfer of Distribution Undertaking Scheme, 2003 dated August 12, 2003, to undertake distribution and supply of electricity in the areas under their respective zones specified in the Scheme:

- Dakshinanchal Vidyut Vitran Nigam Limited (Agra Discom or DVVNL)
- Madhyanchal Vidyut Vitran Nigam Limited (Lucknow Discom or MVVNL)
- Pashchimanchal Vidyut Vitran Nigam Limited (Meerut Discom or PVVNL)
- Purvanchal Vidyut Vitran Nigam Limited (Varanasi Discom or PuVVNL)
- Kanpur Electricity Supply Company (Kanpur Discom or KESCO)

1.1.4 Under this Scheme, the role of UPPCL was specified as "Bulk Supply Licensee" as per the Licence granted by the Commission and as "State Transmission Utility" under sub-section (1) of Section 27-B of the Indian Electricity Act, 1910.

1.1.5 Subsequently, Uttar Pradesh Power Transmission Corporation Limited (UPPTCL), a Transmission Company (TRANSCO), was incorporated under the Companies Act, 1956 by an amendment in the 'Object and Name' clause of the Uttar Pradesh Vidyut Vyapar Nigam Limited. The TRANSCO started functioning with effect from July 26, 2006 and is entrusted with the business of transmission of electrical energy to various Utilities within the State of Uttar Pradesh. This function was earlier vested with UPPCL. Further, Government of Uttar Pradesh (GoUP), in exercise of powers vested under Section 30 of the Electricity Act, 2003, vide notification No. 122/U.N.N.P/24-07 dated July, 18, 2007 notified Uttar Pradesh Power Transmission Corporation Limited as the "State Transmission Utility" (STU) of Uttar Pradesh. Subsequently, on December 23, 2010, the Government of Uttar Pradesh notified the Uttar Pradesh Electricity Reforms (Transfer of Transmission and Related Activities Including the Assets, Liabilities and Related Proceedings) Scheme, 2010, which provided for the transfer of assets and liabilities from UPPCL to UPPTCL with effect from April 01, 2007.

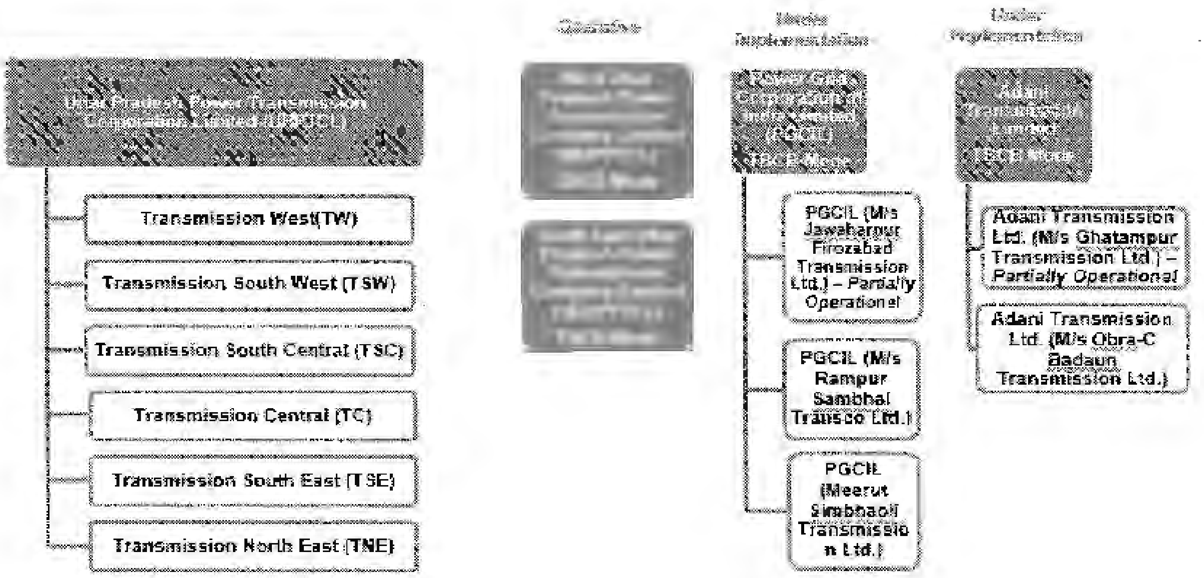
1.1.6 Thereafter, on January 21, 2010, as the successor Distribution Companies of UPPCL (a Deemed Licensee), the Discoms created through the notification of the UP Power Sector Reforms (Transfer of Distribution Undertakings) Scheme, 2003 were issued fresh Distribution Licences, which replaced the UP Power Corporation Ltd (UPPCL) Distribution, Retail & Bulk Supply Licence, 2000.

1.1.7 UPPTCL is entrusted with the responsibilities of planning and development of an efficient and economic intra-State transmission system, providing connectivity and allowing open access for use of the intra-State transmission system in coordination, among others, Licensees and Generating Companies. In doing so, it is guided by the provisions of the U.P. Electricity Grid Code, 2007, UPERC (Terms and Conditions for Open Access) Regulations, 2004, and UPERC (Grant of Connectivity to intra-State Transmission System) Regulations, 2010 as amended from time to time.

1.1.8 The Government of Uttar Pradesh (GoUP), in exercise of the powers vested under Section 31 of the Electricity Act, 2003, vide Notification No. 78/24-U.N.N.P.-11-525/08 dated January 24, 2011 notified the "Power System Unit" as the "State Load Despatch Centre" of Uttar Pradesh for the purpose of exercising the powers and discharging the functions under Part V of the Electricity Act, 2003. UPSLDC is operating as a part of the Uttar Pradesh Power Transmission Corporation Ltd., in its capacity as the State Transmission Utility. UPSLDC is the apex body to ensure integrated operation of the power system in the State. However, the Commission has directed UPPTCL from time to time to expedite the process to separate the UPSLDC from UPPTCL in order to make UPSLDC as an independent Organization. Also, UPSLDC shall ensure to file its ARR Petition in accordance with UPERC (Fees & Charges of State Load Despatch Centre and other related matters) Regulations, 2020.

1.1.9 The table below detail the Transmission Licensees in Uttar Pradesh are as shown below:

Transmission Licensees in Uttar Pradesh



UPPTCL is also designated as State transmission Utility (STU)

1.1.10 Network Details of the Transmission Licensees in the State of Uttar Pradesh upto March 31, 2022 is as shown below:

Voltage Level (kV)		132 KV	220 KV	400 KV	765 KV	Total
No. of Substations (Nos.)	UPPTCL	449	136	25	2	612
	SEUPPTCL	0	1	1	1	3
	WUPPTCL	0	0	5	2	7
	GTL	0	0	0	0	0
	PJFTL	0	0	1	0	1

Voltage Level (kV)		132 KV	220 KV	400 KV	765 KV	Total
	OBTL	0	0	1	0	1
	Total	**449**	**137**	**33**	**5**	**624**
Transformation Capacity (MVA)	UPPTCL	57,858	50,720	24,220	6,000	1,38,798
	SEUPPTCL	0	200	630	1,000	1,830
	WUPPTCL	0	560	5,660	6,000	12,220
	GTL	0	0	0	0	0
	PJFTL	0	0	1,000	0	1,000
	OBTL	0	400	630	0	1,030
	Total	**57,858**	**51,880**	**32,140**	**13,000**	**1,54,878**
Transmission Lines (Ckt. Km)	UPPTCL	26,420	13,848	6,621	1,511	48,400
	SEUPPTCL WUPPTCL GTL PJFTL OBTL	176	22	770	862	1,830
	Total	26,596	13,870	7,391	2,373	50,230

1.1.11 The State's Transmission Network Growth in last 6 Years (FY 2016-17 to FY 2021-22) is shown below:

Voltage Level (kV)	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	Growth in Last 5 Years (%)
No. of Sub-stations							
132	373	399	414	426	442	450	3.82%
220	97	107	118	126	131	136	6.99%
400	19	26	27	28	30	33	11.67%
765	4	5	5	5	5	5	4.56%
Total	**493**	**537**	**564**	**585**	**608**	**624**	**4.83%**
Transformation Capacity (MVA)							
132	40,297	44,488	48,001	50,410	53,747	57,904	7.52%
220	30,760	36,250	40,050	45,660	48,180	50,720	10.52%
400	15,415	22,770	24,190	27,110	29,090	32,270	15.92%
765	9,000	13,000	13,000	13,000	13,000	13,000	7.63%
Total	**95,472**	**1,16,508**	**1,25,241**	**1,36,180**	**1,44,017**	**1,53,894**	**10.02%**
Line Length (ckm)							
132	16,836	18,613	21,658	23,732	25,006	26,595	9.58%

Voltage Level (kV)	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	Growth in Last 5 Years (%)
220	9,944	10,566	11,900	12,985	13,455	13,908	6.94%
400	5,151	6,467	6,842	7,012	7,189	7,727	8.45%
765	1,139	1,720	1,720	1,720	1,720	2,532	17.32%
Total	**33,070**	**37,366**	**42,120**	**45,449**	**47,370**	**50,762**	**8.95%**

1.2 TRANSMISSION TARIFF REGULATIONS

1.2.1 The Uttar Pradesh Electricity Regulatory Commission (Multi Year Transmission Tariff) Regulations, 2014 were notified on May 12, 2014. These Regulations were applicable for determination of tariff in all cases covered under these Regulations from April 01, 2015 to March 31, 2020, unless otherwise extended by Commission. Embarking upon the MYT framework, the Commission has divided the period of five years (i.e., April 01, 2015 to March 31, 2020) into two periods namely –

a. Transition period (April 01, 2015 to March 31, 2017)
b. Control period (April 01, 2017 to March 31, 2020)

1.2.2 As per the provisions stipulated in Regulation 12 of Uttar Pradesh Electricity Regulatory Commission (Multi Year Tariff Transmission) Regulations, 2014 (hereinafter referred to as "MYT Regulations, 2014"), the petition for determination of Aggregate Revenue Requirement (ARR) and tariff, Annual Performance Review (APR) and True Up, complete in all respect have to be filed by the Transmission Licensee each year of the control period (FY 2017-18 to FY 2019-20).

1.2.3 Subsequently, the Uttar Pradesh Electricity Regulatory Commission (Multi Year Tariff for Distribution and Transmission) Regulations, 2019 were notified on September 23, 2019 (hereinafter referred to as "MYT Regulations, 2019") which shall be applicable for determination of tariff from April 01, 2020 onwards up to FY 2024-25 [i.e., till March 31, 2025] unless extended by the Commission.

1.2.4 These Regulations are applicable for the purposes of submission of Business Plan Petition, True-Up, Annual Performance Review (APR) and Annual Revenue Requirement (ARR) and Tariff Petition of all the distribution and transmission licensees within the State of Uttar Pradesh.

2 PROCEDURAL HISTORY

2.1 DETAILS OF PREVIOUS YEARS TARIFF ORDERS/BUSINESS PLAN ORDERS

2.1.1 The Commission, vide its Order dated November 30, 2017, approved the Business Plan, ARR and Transmission Tariff of the Petitioner for MYT Control Period from FY 2017-18 to FY 2019-20 including true up for FY 2014-15.

2.1.2 The Commission, vide its Order dated November 10, 2020, approved the ARR and Transmission Tariff for FY 2020-21 for UPPTCL and the Annual Performance Review (APR) for FY 2019-20. In the said Order, the Commission also approves the True-Up for FY 2017-18 and FY 2018-19.

2.1.3 The Commission vide its Order dated June 29, 2021 approved the Truing-up for FY 2019-20, Annual Performance Review for FY 2020-21 and determination of Annual Revenue Requirement and Tariff for FY 2021-22 of the Petitioner.

2.2 DETEMINATION OF APR FOR FY 2021-22, ARR FOR FY 2022-23 AND TRUE-UP FOR FY 2020-21

2.2.1 As per provisions of MYT Regulations, 2019, the Transmission Licensees were required to file their ARR / Tariff Petitions before the Commission latest by November 30th of each year so that the Tariff can be determined and be made applicable for the subsequent financial year.

2.2.2 The True-Up Petition for FY 2020-21, Annual Performance Review for FY 2021-22 and Aggregate Revenue Requirement for FY 2022-23 was filed by UPPTCL (hereinafter referred to as the 'Licensee' or the 'Petitioner') under Section 64 of Electricity Act, 2003 on March 08, 2022 (Petition No. 1839/2022).

2.3 DELAY IN FILING THE PETITION

2.3.1 The Petitioner vide its letter dated November 30, 2021 requested the Commission to provide an additional time to file the tariff Petition on the following grounds:

- Requirement of time to comply the directives of the Commission given vide its letter dated November 2, 2021;
- Finalisation of capex scheme for FY 2022-23 is yet to be done as financial and technical approval of GEC-II scheme depends on the approval by Cabinet Committee on Economic Affairs, which is under process.

2.3.2 The Commission vide its letter dated December 13, 2021 directed the Petitioner to specify the date by which the tariff Petition shall be filed and accordingly approval shall be granted.

2.4 PRELIMINARY SCRUNITY OF THE PETITIONS

2.4.1 A preliminary analysis was conducted of the Petition, wherein various deficiencies were observed in the Petition and the deficiencies were communicated to the Petitioner vide letter dated April 11, 2022 and email dated May 17, 2022 and June 09, 2022.

2.4.2 UPPTCL submitted their response to the deficiencies in respect to True-Up Petition for FY 2020-21, Annual Performance Review for FY 2021-22 and Aggregate Revenue Requirement for FY 2022-23. The Technical Validation Session covering all the Petition was conducted on April 18, 2022 which was attended by the senior officials of UPPTCL and during the Technical Validation Session, UPPTCL explained various issues raised in the deficiencies.

2.4.3 The Petitioner submitted its response to the aforesaid letters and furnished additional data/ information to the Commission vide letters dated April 28, 2022, June 02, 2022 and June 23, 2022.

2.4.4 The Commission has scrutinized the Petition along with additional data/ information and supporting documents as submitted by the Petitioner in response to the discrepancies identified and has considered the same while passing this Order.

2.5 ADMITTANCE OF THE PETITION

2.5.1 The Commission admitted the Petition vide its Order dated April 21, 2022 (Annexed as: Annexure-1) and directed the Petitioner to publish a Public Notice consisting of the summary and highlights of the proposed Aggregate Revenue Requirement and Tariff for FY 2022-23, Annual Performance Review for FY 2021-22 and True-up for FY 2020-21 in at least two (2) English and two (2) Hindi daily newspapers having wide circulation in its licence area, inviting suggestions and objections within 15 days from the date of publication of the Public Notice(s) from the stakeholders and public at large. The Petitioner was also directed to upload, on its website the Public Notice, Petitions filed before the Commission along with all regulatory filings, information, particulars and related documents.

2.6 PUBLICITY OF THE PETITIONS

2.6.1 The Petition is uploaded on the UPPTCL's official website **(https://upptcl.org/upptcl/en/article/arr-tariff-order)**. In addition to above, the Public Notice was subsequently issued by the Petitioner in various newspapers and a period of fifteen days (15) days was given to the members of the general public for submitting their comments/suggestions.

Table 2-1: LIST OF NEWSPAPERS AND DATES OF PUBLICATION OF PUBLIC NOTICE BY PETITIONER

Newspaper	Date of Publication
Times of India (English) - Lucknow & Delhi edition	February 24, 2022
Hindustan Times (English) - Delhi edition	February 24, 2022
Dainik Jagran (Hindi) - All editions of U.P.	February 24, 2022
Hindustan (Hindi) - All editions of U.P.	February 24, 2022

3 PUBLIC HEARING PROCESS

3.1 OBJECTIVE

3.1.1 The Commission, in order to achieve the twin objectives, i.e., to observe transparency in its proceedings and functions and to protect interest of consumers, has always attached importance to the views/comments/ suggestions/objections/representations of the public on the true up and ARR / Tariff determination process. The process gains significant importance in a "cost plus regime", wherein the entire cost allowed to the Petitioner gets transferred to the consumer.

3.1.2 The comments of the stakeholders play an important role in the determination of Tariff. Factors such as quality of electricity supply and the service levels need to be considered while determining the Tariff.

3.1.3 The Commission in order to have participation and views / comments / suggestions / objections from the public at large and all stakeholders has uploaded the Notice dated May 30, 2022 for Public hearing on its website (www.uperc.org) and the same was also published in the following daily newspapers:

Newspaper	Date of Publication
Amar Ujala (Hindi) UP Edition	June 02, 2022
The Times of India (English) Lucknow Edition	June 02, 2022
Dainik Jagran (Hindi) UP Edition	June 02, 2022
Hindustan Times (English) Delhi Edition	June 02, 2022
Dainik Jagran (Hindi) Delhi Edition	June 02, 2022

3.1.4 In wake of prevailing pandemic of COVID-19 (the Corona Virus), and subsequent requirement of social distancing, the Commission, held the "Public Hearing" through Video Conferencing (VC) for UPPTCL on June 24, 2022 after informing all the stakeholders and public at large through advertisements in newspaper and in Commission website (Annexure 2). In the Public Hearing, various stakeholders as well as the public were provided a platform where they were able to share their views / comments / suggestions / objections / representations on the Proceedings on True up of ARR for FY 2020-21, APR for FY 2021-22 and ARR for FY 2022-23. This process also enables the Commission to adopt a transparent and participative approach in the process of its proceedings.

3.1.5 The meeting of the State Advisory Committee (SAC) was conducted by the Commission on June 27, 2022. The views / comments / suggestions given by the members of the SAC have also been considered by the Commission and have been taken into consideration while finalizing this Tariff Order.

3.2 VIEWS / COMMENTS / SUGGESTIONS / OBJECTIONS / REPRESENTATIONS ON DETERMINATION OF APR FOR FY 2021-22, ARR FOR FY 2022-23 AND TRUE UP OF ARR FOR FY 2020-21.

3.2.1 The Commission has considered the submission made during Public hearing and written comments/ suggestions offered by various stakeholders and public at large on the Petition filed by UPPTCL on True up of ARR for FY 2020-21, APR for FY 2021-22 and ARR for FY 2022-23 and also the response of the Petitioner thereon. The comments/ suggestions of various stakeholders, the replies/response by the Petitioner and the views of the Commission thereon are summarized below.

TRANSMISSION TARIFF, TRANSFORMATION CAPACITY & NORMS OF FINANCIAL PARAMETERS

Comment/Suggestion of the stakeholders

3.2.2 Shri. Avadhesh Kumar Verma submitted that UPPTCL has claimed the transmission charges of Rs. 0.3173/ kWh for FY 2022-23 against the transmission charges of Rs. 0.2421/ kWh for FY 2021-22, which is an increase of 31% in the existing tariff.

S. No	Particulars	FY 2020-21 (True-Up)		FY 2021-22 (APR)		FY 2022-23 (ARR)
		Tariff Order for FY 2020-21 dated 10.11.2020	Claimed in True-Up	Tariff Order for FY 2021-22 dated 29.06.2021	APR Claim	ARR Claim
1	Transmission Tariff	**0.2378**	**0.3192**	**0.2421**	**0.3017**	**0.3173**

He further added that currently there are more than 3 crore consumers in the State of Uttar Pradesh and their total connected load reached to approximately 6600000 kW. On the other hand, total capacity of substation is around 57906 MVA which comes to approximately to 52100000 kW. Therefore, there is a mismatch between the connected load and system capacity of more than 1.5 Crore kW, that too will increase by 20% on account of electricity theft. This will impact during the peak hour in summers, where the diversity factor reaches to 1:1 which will result in low quality electricity supply in the peak hours during the summers. There is a need to strengthen and increase the system capacity in the State. Accordingly, Licensee need to work at war footing to balance the system.

Shri Avadhesh Kumar Verma, requested the Commission to approve all the financial parameters like transmission loss etc. for transmission tariff in line with the business plan approved by the Commission vide Order dated October 15, 2020. The Depreciation should be approved in accordance to the provisions in MYT Regulations, 2019 and set the transmission loss as considered deem fit by the Commission. In light of the above, the exorbitant increase in the transmission tariff should be rejected.

S. No	Particulars	FY 2020-21 (True-Up)			FY 2021-22 (APR)		FY 2022-23 (ARR)	
		Tariff Order for FY 2020-21 dated 10.11.2020	Actual as per Audited Accounts	Claimed in True-Up	Tariff Order for FY 2021-22 dated 29.06.2021	APR Claim	Business Plan Order Dated 15.10.2020	Claimed in ARR
1	Transmission Loss (%)	3.40%	3.37%	3.37%	3.33%	3.33%	3.27%	3.27%

Petitioner's Response

3.2.3 The Petitioner in its reply submitted the following:

Increase in Transmission Tariff: The Petitioner has claimed the ARR of Rs. 4139.04 Crore for FY 2022-23 in line with the provisions of UPERC (MYT) Regulations 2019. Further, the transmission tariff of Rs. 0.3173/kWh as claimed for FY 2022-23 is derived based on the ARR and projected energy of 130426.87 MU to be handled during FY 2022-23.

Further, the Commission vide Tariff Order for FY 2021-22 dated June 29, 2021 had allowed the transmission tariff of Rs. 0.2421/kWh for FY 2021-22. It is again pointed out that the Commission in the said order has made significant disallowance in O&M expenses for the True-Up year i.e. for FY 2019-20 thereby reducing the O&M expenses of the base year for computation of O&M expenses for FY 2020-21. The Petitioner has considered the O&M expenses for FY 2015-16 to FY 2016-17 as allowed by Commission while truing-up. For FY 2017-18 to FY 2019-20, the Petitioner has considered O&M Expenses as per True-Up Petitions for arriving at the average true-up O&M expenses.

In the current True-up Petition for FY 2020-21 the transmission tariff of Rs. 0.3192/KWh and tariff claimed for FY 2022-23 is 0.3173/KWh which is less than Trued-up for FY 2020-21. The overall increase in allowable ARR for FY 2022-23 with respect to the APR petition for FY 2021-22 is ~6.5%.

Transmission Losses: The Petitioner submitted that the transmission losses claimed for FY 2022-23 i.e. 3.27% which is in line with the losses approved by the Commission in the Business Plan Order dated October 15, 2020. Further, the actual transmission losses for

FY 2020-21 were 3.37% which has reduced with respect to the past year loss level i.e. 3.43% (for FY 2019-20), due to consistent efforts of the Petitioner. The Petitioner added that the actual transmission losses are variable and dynamic in nature, largely depend on quantum and direction of energy flow from generation point to load point, types of load, generation despatch voltage, reactive power compensation, voltage profile, seasonal variation etc.

The Petitioner has also undertaken number of steps such as Reactive power management, by installation of capacitors, up-gradation of conductors, substations and other system strengthening to eliminate overloading of lines & transformers (if any), which result in further reduction of transmission losses.

Requirement of Transformation Capacity: The transmission system is generally planned for the following:

- For evacuation of power from generating stations within the state;
- To handle the expected peak demand of Discoms and Long Term Open Access consumers;
- System augmentation considering the operational constraints in the transmission system and to improve the overall performance in respect of reliability, resistance and safety/stability of the grid.

UPPTCL plans the State transmission network as per CEA Transmission Planning Criteria which provides for creation of transmission infrastructure to sustain even during contingencies. UPPTCL has met the peak demand of the state in the past years as mentioned below:

FY	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
Peak Demand Met (MW)	14503	16110	18061	20062	21632	23868	24795

As observed from the above table the peak demand handled has increased ~71% during the FY 2015-16 to FY 2021-22. The planned capacity of UPPTCL's network is required to be increased suitably to meet the projected peak demand of 30819 MW (As per the projections of the UPERC in the Business Plan Order dated October 15, 2020) for State Discoms and other long term customers by FY 2024-25. Thus, to meet the increase in demand along with evacuation requirement of power from generating stations, drawing of power from ISTS, augmentation works considering the operational constraints and to sustain even during contingencies, UPPTCL has planned the capital expenditure for FY 2022-23.

In regard to system mismatch and connected load data, the Petitioner submitted that Discoms project their peak demand by considering the existing connected load as well as load growth, taking into account of diversity factor, load factor, supply hours etc. It is also pointed out that the transmission network is planned in accordance with peak demand projections provided by the Discoms. Further the Discom's installed MVA capacity at the 33 kV for the State in FY 2020-21 was 48747 MVA against which the transformation capacity of UPPTCL at 33 kV was 56457 MVA (57906 MVA for FY 2021-22), through which UPPTCL has adequately handled the peak demand during the year and in past years without any significant peak/energy deficit.

Further, if the transformation capacity of UPPTCL at 132/33 kV is set-up equivalent to the connected load at Discom level i.e. upto 66000 MW as submitted by Shri. Avadhesh Kumar Verma, this will require extra investment towards such additional capacity by both Discoms and UPPTCL and will also impose additional burden on the consumers due to increase in the transmission/retail tariff and also the part of the transformation capacity at the 132/33 kV level will remain un-utilised for most of the off-peak period.

Depreciation: The Petitioner submitted that the depreciation has been computed in line with the provisions of the Regulation 21 of the Uttar Pradesh Electricity Regulatory Commission (Multi Year Tariff for Distribution & Transmission) Regulations, 2019. Further, the rate of depreciation for various asset categories is considered as stipulated in the Annexure- A of the above Regulation.

Commission's View

3.2.4 The Commission has considered the objections / suggestions made by the stakeholder and the reply of the Petitioner. The Commission's decisions on the various components of the ARR and the Transmission Tariff for FY 2022-23 are detailed in the subsequent sections of this Order.

CONNECTIVITY REQUIRED FROM SECTOR-123, NOIDA SUBSTATION TO CATER THE DEMAND OF GREATER NOIDA (WEST) AREA

Comment/Suggestion of the stakeholders

3.2.5 Shri. Sarnath Gangually on behalf of NPCL submitted that NPCL from time to time submits their demand projections to UPPTCL for incorporating the same in planning and providing transmission capacity accordingly. At present the Company has Connectivity Agreement/ BPTA of 555MW at the following substations:

Sr. No.	Substation	Capacity (MW)
1	220/132/33 kV R.C. Green Substation	357
2	132/33 kV Surajpur Substation	98
3	400/220/132/33 kV Noida Sector, 148 Substation	100
	Total	**555 MW**

In view of increasing demand in Greater Noida Area, and particularly from Greater Noida (West), the Company was granted 100 MW connectivity from UPPTCL from their upcoming 400/220/132/33 kV Substation proposed at Sector - 123, Noida which is in the close vicinity of Greater Noida (West) Area. Accordingly, considering the summer season, the Company completed construction of 33 kV outgoing feeders and associated facilities in February, 2022 in order to evacuate 100 MW additional power to provide 24 x 7 power supply in Greater Noida in the summer season.

However, UPPTCL is yet to complete and commission 400/220/132/33 kV Substation at Sector -123, Noida due to which the Company is unable to evacuate 100 MW additional power as stated above.

The Petitioner apprise the Commission that the energy demand in the summer season is already sky rocketing across the country and the Company has already recorded peak demand of 579 MW, which is anticipated to rise further.

Petitioner's Response

3.2.6 The Petitioner submitted that 100 MW capacity sanctioned from 400 kV Noida Sector-123 Sub-station will be operationalised after commissioning of 400 kV Noida Sector-123 which is expected by July 31, 2022.

Commission's View

3.2.7 The Commission has noted the comments of the Stakeholder and reply of the Petitioner. As informed that the Connectivity of 100 MW from 400 kV Noida Sector -123 has been granted, the Petitioner is required to adhere among others Connectivity and Open Access Regulations & Orders issued therein by the Commission from time to time, and ensure timely completion of said work of intra-State Transmission System.

CONSTRUCTION OF NEW TRANSMISSION SUBSTATION FOR EVACUATION OF POWER FOR GREATER NOIDA AREA

Comment/Suggestion of the stakeholders

3.2.8 Shri. Sarnath Gangually on behalf of NPCL submitted that the Company presently had signed Bulk Power Transmission Agreement (BPTA) and corresponding connection agreements for the maximum quantum of 655 MW with UPPTCL out of which only 555 MW is currently operational. The Company has projected Peak Power Demand for the following years as follows:

Year	Load Forecast (MW)
FY 2022-23	629
FY 2023-24	685
FY 2024-25	755
FY 2025-26	795
FY 2026-27	846

The Stakeholder further apprise the Commission that many Companies are setting up their Data Centers in Greater Noida Area have informed them that they will seek 150 - 250 MW power for their proposed Data Centers in a phased manner. The Company has already granted Temporary Connections to them for construction purposes.

The Company has already apprised the same to UPPTCL, GNIDA & IIDC in various meetings and accordingly, a meeting was held on December 19, 2020 under the Chairmanship of IIDC, wherein it was decided that UPPTCL will construct the following Transmission Substations in Greater Noida Area and the same will be funded by GNIDA.

Sr. No.	Name of Scheme	TWC Plan/ Meeting	Commission's Approval
1	Metro Depot Substation: Phase - 1: 220/132 kV Metro Depot, Greater Noida (G.B. Nagar) & Associated Lines [Deposit Works]	13/40th 16.12.2020	Petition No. 1676/2021 & Order dated 06.05.2021
2	132/33 kV, Ecotech Sector-10/11, Greater Noida (G.B. Nagar) S/s & Associated Lines [Deposit Works]	13/40th 16.12.2020	Petition No. 1612 of 2021 & Order dated 06.05.2021
3	220/132/33 kV Knowledge Park-5, Greater Noida GIS Substation, [Deposit Works]	13/44th 30.04.2021	Petition No. 1756 of 2021 & Order dated 26.10.2021
4	220/132/33 kV Knowledge Park - 5 GIS, Substation Jalpura Greater Noida, [Deposit Works]	13/44th 30.04.2021	Petition No. 1756 of 2021 & Order dated 26.10.2021

Sr. No.	Name of Scheme	TWC Plan/ Meeting	Commission's Approval
5	132/33 kV GIS Substation Ecotech - 10, Greater Noida	13/50th 02.12.2021	-
6	132/33 kV GIS Substation Ecotech - 8, Greater Noida	13/44th 02.12.2021	-
The above substations are funded by GNIDA and therefore, will not have any effect on the CAPEX/ Capitalization/ARR of UPPTCL/NPCL.			

3.2.9 It is also pertinent to mention that considering the sharp rise in demand these substations are crucial for providing efficient and reliable power supply in Greater Noida Area.

3.2.10 Therefore, UPPTCL need to expeditiously construct the above mentioned Substations in a time bound manner to enable the Company to provide 24 x 7 reliable power supply as per fast rising demand of consumers as well as reasonable margin and system redundancy.

Petitioner's Response

3.2.11 The projected demand submitted by FY 2025-26 is expected around 795 MW by NPCL. Further, due to upcoming data centres in the Greater Noida area of capacity 150-250 MW will also be required in phased manner. To meet the upcoming demand of Greater Noida including data centre parks have been planned by UPPTCL in coordination M/S NPCL and Greater Noida Authority and network planned is as below with expected date of energisation:

Sub-stations	Expected Date of Energisation
Metro Depot Sub-station (Phase 1)	Mar-24
220/132/33 kV Knowledge Park - 5, Greater Noida GIS Sub-station	Jul-23
220/132/33 kV Knowledge Park- 5 GIS, Sub-station Jalpura Greater Noida	Jul-23
132/33 kV GIS Substation Ecotech - 10	Mar-24
132/33 kV GIS Substation Ecotech - 8	Mar-24

3.2.12 Further, the capacity of 220 kV Gharbara Sub-station is lying ideal for more than four years due to dispute of ownership.

Commission's View

3.2.13 The Commission has noted the comments of the Stakeholder and reply of the Petitioner. It is pertinent to mention that development of intra-State transmission system is ensured as per regulatory framework which is among others Connectivity Regulations and Open Access Regulations of the Commission. Accordingly, UPPTCL and NPCL is required to adhere these Regulations and Orders issued therein by the Commission from time to time for development of necessary intra-State Transmission System in timely manner.

DISCREPANCY IN UPPCL WEBSITE DATA AND UPPTCL PETITION DATA

Comment/Suggestion of the stakeholders

3.2.14 Shri. Shafiullah submitted that the status of Transmission System as on January 31, 2022 indicated in Table 2.1.1 of the Petition is grossly misleading. The UPPCL Statistics at a glance has listed 450 no. of 132 kV S/S, 30 no. of 400 kV S/S and 5 no. of 765 kV S/S as on March 31, 2021 but the Petitioner even up to January 31, 2022 submitted only 448, 25 and 2 number respectively.

3.2.15 The Petitioner has indicated total 136 no. of 220 kV S/S but the UPPCL statistics lists shows only 133 no. Since 3 no. of new 220 kV S/S could not be added within a period of 10 months. Thus, the Petitioner figure of 136 is incorrect. The Petitioner has indicated the total capacity of 132kV S/S as 57488 MVA but the following table compiled from UPPCL Statistics indicates the same as 53489 MVA for 442 S/S and 53752 MVA for 448 number S/S as on March 31, 2021.

Year Wise Summary of Number and Cumulative MVA of 132 kV S/S				
End of Year	No of S/S	Actual Cum Cap. MVA	Cap Shown by UPPCL MVA	Excess Shown MVA
2010-11	261	23984	22577	-1407
2011-12	267	24547	24622	75
2012-13	273	25276	27325	2049
2013-14	287	26208	28803	2595
2014-15	328	28447	29106.5	659.5
2015-16	357	30199	31299.5	1100.5
2016-17	393	32082	36163	4081
2017-18	407	33025	37746	4721
2018-19	414	33448	47613	14165
2019-20	426	34051	50192	16141

Year Wise Summary of Number and Cumulative MVA of 132 kV S/S				
2020-21	442	34811	53489	18678

3.2.16 The actual capacity of 450 no. 132 kV S/S listed in UPPCL statistics is only 35154 MVA and both UPPCL and the Petitioner have indicated highly inflated figure. It is evident from the UPPCL Statistics for FY 2017-18 to FY 2020-21 the year wise number of 132kV S/S were as tabulated below:

Particular/FY	2016-17	2017-18	2018-19	2019-20	2020-21
No of 132 kV S/S	393	407	414	426	442
Indicated Capacity MVA	36163.5	37746	47613	50192	53489
Added No of 132 kV S/S between FY		14	7	12	16
Added Capacity MVA between FY		1582.5	9867	2579	3297

3.2.17 It is abundantly clear that there have been gross errors in arithmetical addition of capacities during all these years particularly in FY 2018-19. The Petitioner whose sole responsibilities is transformation and transmission failed to apply its expertise to see the actual requirement of transformation and transmission and as demonstrated hereunder has been busy in loading the consumers by executing redundant works at exorbitant and arbitrary prices and has worked on false data.

3.2.18 Further, the Petitioner got approved Business Plan from the Commission for adding a number of 132 kV S/S to the grid as per table below:

Additional No. of 132 kV S/S Planned and Completed						
FY	Numbers		MVA		MVA/Number	
	Planned	Completed	Planned	Completed	Planned	Completed
2020-21	29	16	6584	3337	227	209
2021-22	18	7	2652	1716	147	245
2022-23	22	18	3966	2688	180	149
Total	69	41	13202	7741	191	189

3.2.19 It is abundantly clear that the transforming capacities indicated by the Petitioner in the Business Plan approved by the Commission were fuzzed and highly inflated.

Petitioner's Response

3.2.20 The Petitioner submitted that the network details are already provided at UPPTCL's official website and the same has been submitted under the Petition No. 1839/2022. UPPCL's booklet does not seems to be updated and do not capture the actual capacity of the sub-stations, where augmentation works have been carried out at the existing sub-stations.

3.2.21 The Petitioner acknowledges that there is some deviation in the network addition with respect to those planned as per Business Plan Petition considering the Governments approval of extension of timelines, across the board, due to out-break of COVID-19 and its impact, as well as funding need from Government of Uttar Pradesh (GoUP), which restricted to take up to only important due to austerity measures. Further, the no. of sub-stations or MVA capacity added during FY 2020-21 and FY 2021-22 as indicated in the public hearing presentation are on actual basis. Whereas, that for FY 2022-23 are on the basis of the current progress of the ongoing assets which are expected to be energized added during the year.

Commission's View

3.2.22 The Commission has considered the objections / suggestions made by the stakeholder and the reply of the Petitioner. The Petitioner and UPPCL are directed to keep their website updated. The Commission's decisions on the various components of the ARR and the Transmission Tariff for FY 2022-23 are detailed in the subsequent sections of this Order.

O&M EXPENSES AND INFLATION FACTOR CALCULATION

Comment/Suggestion of the stakeholders

3.2.23 Shri. Shafiullah submitted that the Petitioner while working out the O&M cost in the Petition has used the following figures of Price Indices and calculated the year wise inflations therefrom.

Year	WPI	CPI	0.6CPI+0.4WPU	Inflation (%)
FY-14	112.5	236.00	186.60	-
FY-15	113.9	250.83	196.06	5.07
FY-16	109.7	265.00	202.88	3.48
FY-17	111.6	275.92	210.19	3.60
FY-18	114.9	284.42	216.61	3.05
FY-19	119.8	299.92	227.87	5.20
FY-20	121.8	322.00	241.92	6.16
FY-21	123.4	338.69	252.57	4.40
FY-22	134.25	351.12	264.37	4.67

3.2.24 Further, the Petitioner in its reply to Commission's query about the source of the above figure, refurnish the copy of the above table again without mentioning the source.

3.2.25 The O&M costs were to be year-wise inflated in proportion to sum of 60% inflation of CPI and 40 % inflation of WPI whereas the Petitioner did not bother to find out the CPI indices and named the WPI indices of Base Year 2001 as CPI indices. To ensure that this manipulation does not come in light, the Petitioner took WPI indices with Base Year 2012=100.

3.2.26 The Petitioner instead of adding 60% inflation of CPI and 40% inflation of WPI, arbitrary generated a hypothetical index as sum of 60 % of his CPI (100 for Base Year 2001) and 40% of WPI (100 for Base Year 2012) and enhanced the O&M cost on the basis of the year wise inflation in this hypothetically generated indices.

3.2.27 The stakeholder further added that the Petitioner was very well aware of the fact that the indices of different Base Years cannot be added but just for over calculating the inflation and correspondingly for over calculating the O&M costs resorted to this unethical manipulation. The inflation (%) will reduce respectively to 4.98%, 5.08% and 3.64% instead of 5.20%, 6.17% and 5.3% taken by the Petitioner and accordingly O&M cost will also reduce.

3.2.28 Further, the Normative Base Prices for FY 2018-19 and FY 2019-20 were to be calculated by inflating the Normative Base Prices of previous FY in proportion to sum of 60% Inflation in CPI and 40% Inflation in WPI but the in Table-3.2.1 reproduced below, the same is calculated on the basis of inflation of a fictitious index = 0.6 *CPI +0.4*WPI because the fictitious index during FY 2018-19 and FY 2019-20 had higher inflations of 5.2% and 6.17% respectively as against 4.98 % and 5.08 % being the sum of 60 % Inflations of CPI and 40 % Inflation of WPI.

3.2.29 The used CPI and WPI have different Base Years of FY 2001-02 and 2011-12 respectively and therefore firstly a linear combination of the same has no meaning and secondly the Time Rate of a linear combination cannot be equal to the linear combination of the Time Rates of the same with different Base Years. The Petitioner has raised the Normative Base O& M cost as per Table 3.2-1 reproduced below:

Particulars	True-up Expenses	Normative Expenses (up to base year)			
		With Sum of 60% Inflations in CPI and 40 % Inflations in WPI		As per Petition	
	Normative for 2017-18 (Av. of FY 2015 to 2020)	FY 2018-19	FY 2019-20	FY 2018-19	FY 2019-20
Employee	823.806	864.80	908.77	866.63	920.06
A&G Expenses	44.194	46.39	48.75	46.49	49.36
R & M Expenses	327.504	343.80	361.28	344.53	365.77
Total	1195.504	1,254.99	1,318.80	1257.65	1335.19
Combined WPI & CPI Inflations (%)		***4.98%***	**5.08%**	***5.20%***	***6.17%***

3.2.30 That with the above wrongly derived Normative O&M cost for Base Year FY 2019-20, the Petitioner succeeded to claim excess Rs. 17.13 Crore as O&M cost for FY 2020-21 (True-up) by claiming Rs 1,161.92 Crore in place of Rs. 1144.79 Crore as demonstrated in following Table.

O&M Expenses for FY 2020-21 as per the MYT Regulations 2019 (Rs. crore)					
Particulars	FY 2019-20		FY 2020-21 (True-up Petition)		
	Petition	Calculated	Petition	Calculated	Calculated
CPI Inflation Index (%)	-		5.30%	5.30%	4.36%
Gross Employee Costs	920.06	908.77	968.81	956.93	948.39
Less: Employee expenses	255.21	255.21	240.26	240.26	240.26
Net Employee Expenses	**664.86**	**653.56**	**728.55**	**716.67**	708.13
WPI Inflation Index (%)	-		2.96%	2.96%	4.36%
Gross A&G Expenses	**49.36**	48.75	**56.76**	56.14	
i.Normative A&G			*50.82*	50.20	50.88
ii. Licensee Fee			*5.88*	*5.88*	*5.88*
iii. Finance Charges			*0.06*	*0.06*	*0.06*
Less: A&G Expenses	0		0		
Net A&G Expenses	**49.36**		**56.76**	56.14	56.82
WPI Inflation Index (%)	-		2.96%	2.96%	4.36%
R & M Expenses	**365.77**	361.28	**376.61**	371.98	377.03
Net O&M Expenses	**1079.99**	**1063.59**	**1,161.92**	**1,144.79**	**1,141.98**
Excess Claimed Rs Crore	**1063.59**	**16.40**	**-**	**17.13**	**19.94**

3.2.31 With the above wrongly derived Normative O&M cost for Base Year FY 2019-20, the Petitioner succeeded to claim Rs. 17.95 Crore and Rs. 18.81 Crore excess O&M cost for FY 2021-22 (APR) and FY 2022-23 (ARR) by claiming Rs 1042.79 Crore and Rs 1089.67

Crore in place of Rs 1024.84 Crore and Rs 1070.86 Crore respectively.as demonstrated in following table.

Particulars	FY 2021-22 (APR)		FY 2022-23 (ARR)	
	Petition	Actual	Petition	Actual
Gross Employee Costs and	1,026.93	1,014.35	1,088.53	1,075.21
Less: Employee expenses	421.96	421.96	447.27	447.27
Net Employee Expenses	**604.97**	**592.39**	**641.26**	**627.94**
Net A&G Expenses	**52.12**	51.48	**53.38**	52.72
R & M Expenses	**385.71**	380.98	**395.03**	390.20
Net O&M Expenses	**1,042.79**	**1,024.84**	**1,089.67**	**1,070.86**
Excess Claimed		**17.95**		**18.81**

Petitioner's Response

3.2.32 The Petitioner submitted that the Petition for True-up of FY 2020-21, APR of FY 2021-22 and ARR/Tariff for FY 2022-23 has been filed as per Uttar Pradesh Electricity Regulatory Commission (Multi Year Tariff for Distribution and Transmission) Regulations, 2019 (MYT Regulations 2019). The normative Operation and Maintenance expenses for FY 2020-21 to FY 2022-23 are computed and claimed in line with the Regulation 34 of the MYT Regulations 2019. The relevant regulations are quoted below:

"b) The Operation and Maintenance expenses shall be derived on the basis of the average of the Trued-Up values (without efficiency gain I loss) for the last five (5) financial years ending March 31, 2019 subject to prudence check by the Commission. However, if Trued-Up values (without efficiency gain /loss) are not available for FY 2018-19, then last five (5) available Trued-Up values (without efficiency gain /loss) will be considered and subsequently when the same are available the base year value (i.e. FY 2019-20) will be recomputed.

*c) The average of such operation and maintenance **expenses shall be considered as Operation and Maintenance expenses for the middle year and shall be escalated year on year with the escalation factor considering CPI and WPI of respective years in the ratio of 60:40**, for subsequent years up to FY 2019-20.*

d) The One-time expenses such as expense due to change in accounting policy, wage arrears paid due to Pay Commissions, etc., and the expenses beyond the control of the Transmission Licensee such as dearness allowance, terminal benefits, etc., in Employee cost, may be *allowed by the Commission over and above normative Operation & Maintenance Expenses after prudence check.*

e) At the time of Truing-up of the O&M expenses, the actual point to point inflation over Wholesale Price Index numbers as per Office of Economic Advisor of Government of India and the actual Consumer Price Index for Industrial Workers (all India) as per Labour Bureau, Government of India, in the concerned year shall be considered.

....

34.3 Administrative and General Expenses

A&G expense shall be computed as per the following formula escalated by the Wholesale Price Index (WPI) and adjusted by provisions for confirmed initiatives (IT, etc., initiatives as proposed by the Transmission Licensee and validated by the Commission) or other expected one-time expenses:

$A\&G_n = A\&G_{n-1}(1+ \text{WPI inflation})$

Where:

$A\&G_n$ *:A&G expense for the* n^{th} *year;*

$A\&G_{n-1}$*: A&G expense for the* $(n-1)^{th}$ *year;*

WPI inflation is the average of Wholesale Price Index (WPI) for immediately preceding three Financial Years:

Provided that Interest and Finance charges such as Credit Rating charges, collection facilitation charges, financing cost of Delayed Payment Surcharge and other finance charges shall be a part of A&G expenses. Illustration: For FY 2020-21, $(n-1)^{th}$ *year will be FY 2019-20 which is also the base year.*

3.2.33 In line with the above regulations the Petitioner has worked out the base year O&M expenses i.e. for FY 2019-20. The Petitioner has considered the True-up O&M expenses for the FY 2015-16 to FY 2016-17 as allowed by the Commission in the true-up Orders. Further, the Petitioner has considered the normative O&M Expenses as per the true-up Petitions for FY 2017-18 to FY 2019-20. The detailed computation of the same is provided in Petition No. 1839/2022.

3.2.34 Further, it is also evident from the above quoted Regulations that for estimating the base year O&M expenses the combined escalation factor with CPI and WPI indices in the ratio of 60:40 shall be considered. It is to be noted that while computing the inflation rate between two years the same base indices (i.e. base year 2012 for WPI and 2001 for CPI) have been considered. The Petitioner further submitted that escalation rate for inflation were determined by Commission in the same manner. As per the recent notification by the Hon'ble CERC for "EXPLANATION FOR THE NOTIFICATION ON ESCALATION FACTORS AND OTHER PARAMETERS FOR TARIFF BASED COMPETITIVE BIDDING FOR TRANSMISSION SERVICE" dated March 30, 2022", the combined inflation indices are computed as follows:

Composite Series: Average Index for Escalable Transmission Charges					
Year	WPI for All Commodities (Base 2011-12=100	CPI for Industrial Workers (Base 2016=100)	Proportion of WPI Component in Total Cost	Proportion of CPI Component in Total Cost	Composite Series
2010	89.7	61.1	45%	55%	73.98
2011	98.2	66.5	45%	55%	80.78
2012	105.7	72.7	45%	55%	87.52
2013	111.1	80.6	45%	55%	94.33
2014	114.8	85.7	45%	55%	98.81
2015	110.3	90.8	45%	55%	99.56
2016	110.3	95.3	45%	55%	102.03
2017	114.1	97.6	45%	55%	105.03
2018	118.9	102.4	45%	55%	109.83
2019	121.2	110.2	45%	55%	115.15
2020	121.8	116.3	45%	55%	118.81
2021	135.0	122.0	45%	55%	127.84

3.2.35 It may be seen from the above table that the Hon'ble CERC has also worked out the combined index (combination of WPI/CPI) or the Composite Series in the same manner.

3.2.36 The Petitioner further submitted that the applicable WPI and CPI inflation rates have been considered for the respective years to compute the normative Employee Expenses, A&G Expenses and R&M Expenses for the period from FY 2020-21 to FY 2022-23 in line with the Regulation 34 of the MYT Regulation 2019. The computation of the year-wise inflation rates along with the source of these indices are clearly provided in the Annexure 6 of the Petitioner's reply dated April 24, 2022 against the 1st Data gaps issued by the Commission.

Commission's View

3.2.37 The Commission has considered the objections / suggestions made by the stakeholder and the reply of the Petitioner. The indices used in the calculation are computed as per Regulations and accordingly O&M Expenses are approved. The Commission's decisions on the various components of the ARR and the Transmission Tariff for FY 2022-23 are detailed in the subsequent sections of this Order.

CAPITAL EXPENDITURE & CAPITALISATION

Comment/Suggestion of the stakeholders

3.2.38 Shri. Shafiullah submitted that Annexure-7 and Annexure-8 of the Petition list the cost of various Substations, Transmission Lines, Accessories and Buildings etc. which form the major part of GFA of UPPTCL are mostly illegible and spread in 146 pages (page-100 to page-245) deliberately in random manner without any regard to: -

(i) The Type and Nature of Work;

(ii) The Temporal and Zonal sequence in which the system was established;

(iii) Any serial numberings

Going deep inside through the expenses over the System and Works listed in Annexure-7 & Annexure-8 above was not possible due to reasons mentioned above but following observations may be treated as Litmus Tests of serious irregularities and arbitrary overburdening of the consumers by arbitrary and uncontrolled operations of the Licensee i.e. Annexure-2 of the Petition lists 17 items of expenses are not concerned with the Transformation and Transmission of the supply of power to consumers and as such the entire expense of Rs. 1448.11 Lacs on these works must not be loaded over the consumers through tariff.

A software for design of 400 kV Towers has been purchased at huge price of Rs. 393.67 Lacs. Firstly, the payment is almost 100 times more than the market price and secondly Licensee has never done any design of any tower and hence the expenses on this head is redundant. Further, more than Rs. 860 Lacs has been spent on the construction of 3 number of Erector Hostels and 2 number Guest Houses in the vicinity of Agra being totally redundant creations in view of the following:

(i) At 400 KV Agra within the city there already exists a Grand VIP Guest House of 4 suits which remains mostly vacant;

(ii) At 220 kV S/S Agra there already exists a two room suits which remains mostly vacant;

(iii) The so called an Erector Hostel was built in seventies in the Colony Area of 220 kV S/S Agra for foreigners who had to install the 220 kV S/S but subsequently when a VIP Guest House was established at 400 kV S/S Agra the Erector Hostel became redundant and was being used by the EE in charge for inhabiting his cows. An order for its vacation and renovation was issued by the Chief Engineer Civil in 1998 but the EE in charge did not vacate it. It is only in May 2003 when the camp office of MD Agra was proposed to be established in the so called Erector Hostel, the same was got vacated and renovated to use as office of MD Agra;

(iv) Several Type-IV Houses in 220 kV Sikandara Colony are lying vacant and some of it were used as Guest Houses since year 2010;

(v) There already exists a 4 suits VIP Guest House at Laldiggi Aligarh. Since more comfortable Hotels exist in Aligarh now the Guest House is being used as office;

(vi) The Erector Hostels were requitements of last Sixties and Seventies when we had to invite foreigners for erections and when adequate nearby accommodation facilities were not readily available but now when no foreigners are required and plenty of accommodation facilities much better than the Erector Hostel are available, there is absolutely no need for any Hostel for Erectors. The construction of Erector Hostels is therefore merely for creating an avenue by an awarding contracts and eating money.

3.2.39 The Commission may direct the UPPTCL to furnish the occupancy details of these Guest Houses and Erector Hostels and the revenue return from the same and also the reason why such construction was necessary only near Agra and not in the entire State.

3.2.40 The expenses of construction of PARESHAN BHAWAN at Agra was totally uncalled for and is a mere burden over the consumers. The question is PARESHAN BHAWAN for whom and why only at Agra.

3.2.41 Further, list of construction of 10 Number Division offices at various places costing between Rs. 7.95 Lacs to Rs. 89.71 Lacs each. The Annexure also lists construction of store sheds costing between Rs. 16.37 Lacs to Rs. 42.79 lacs each. Cost of Tube wells is also varying between Rs. 3.71 Lacs to Rs. 15 Lacs. Such huge variation in cost of the same facility at different location clearly speaks of gross financial Indiscipline in UPPTCL.

3.2.42 Similarly, lists of the construction prices of Residences varying between: -

(i) Rs 3.34 Lacs to Rs 16.41 Lacs for each unit of Type-II Residence;

(ii) Rs 9.145 Lacs to Rs 19.69 Lacs for each unit of Type-II Residence;

(iii) Rs 3.45 Lacs to Rs 35.825 Lacs for each unit of Type-IV Residence.

These are also examples of gross financial indiscipline prevailing in UPPTCL.

3.2.43 The Annexure-5 lists the arbitrary expenses in supply of furniture, construction of Watch Tower and Painting of Buildings etc. Expenses of Rs. 14.05 Lacs for painting of just a committee Room and another Rs. 16.02 Lacs for painting of SDO office are unparallel examples of gross financial indiscipline in UPPTCL.

3.2.44 The stakeholder requested that the Commission may please setup a Technical Audit to examine the need and reasonableness of all the expenses listed above and also the other expenses listed in Annexure-7 and Annexure-8 of the reply of the Petitioner before loading the same over consumers through Tariff.

3.2.45 The following summary prepared from the Statement of Capitalization vide Annexure-7 and Annexure-12 of the Petition as prepared by various ZAOs demonstrate total chaos in the accounting system of the Petitioner company as discussed below:

Same Details Submitted through Annexure-7 and Annexure-12						
CAPITALISATION OF EXPENSES OF FY 2020-21						
	ZAO TNE = 256 Items					
Pages	Base	Loading	Base+ Loading	IDC Capitalization		
1 to 7	788.006	64.227	852.233	30.696		882.929
	Transmission Central= 792 Items					
			Capitalization cost of			
	Base		Interest	Employees	Total	
	11-A		11-B	11-C		11
8 to 38	712.037		8.244	58.384		778.665
	Transmission West Meerut =552 Items					
			Capitalization cost of			
	Base		Interest	Employees	Other	11
39 to 53	772.742		26.04	75.32		874.102
	Transmission Paryagraj = 263 Items					
			Capitalization cost of			
54 to 59	Base	Base	Interest	Employees		11

Same Details Submitted through Annexure-7 and Annexure-12						
	322.775	325.995	22.484	30.149		378.628
60 to 64	**Transmission South- West Agra= Items Not Serialed**					
60	Direct	Indirect	Total	IDC		Total
	2.813	0.253	3.066	0		3.066
	Direct	Indirect	Total	IDC		Total
	348.249	31.98	380.229	0.801		381.03
65 to 69	**Transmission South Jhansi= Items Not Serialed**					
65	Direct	Indirect	Total	IDC		Total
	0.796	0.068	0.864			0.864
	Unit		**742 to 782**		**Name of Work**	
	200.993	18.758	219.751	0.0165		219.768
	Summary					
	Base-Cost-1			**3148.411**		
	Base-Cost-2			**3151.631**		
	Loading			**64.227**		
	Indirect Cost			**51.059**		
	IDC Capitalization			**31.5135**		
	Interest Capitalization			**56.768**		
	Employee Capitalization			**163.853**		
	Total			**3519.0515**		

3.2.46 Only ZAO TNE shows loading of Rs. 64.22 Crore and all other ZAOs have ignored the same for reasons best known to them.

3.2.47 ZAO TNE, ZAO Agra and ZAO Jhansi have neither capitalised the Interest or the Employees expenses whereas ZAO Lucknow, ZAO Paryagraj and ZAO Meerut have shown Rs. 56.76 Crore and Rs. 163.85 Crore respectively for the same.

3.2.48 ZAO Agra and ZAO Jhansi started their statements with 8 columns but most carelessly in the 2nd page omitted the columns of serial number keeping only 7 columns in the remaining parts of the statements and as such the expenses remained unserialed. Even though this type of omission may not have any serious consequence over the overall figures but it certainly speaks of gross negligence and carelessness prevailing at the ZAO level offices of the Petitioner company.

3.2.49 The following break ups the Expenses of FY 2020-21 shown in Annexure-8 totals to Rs 3846.8 Crore against Rs. 3519.05 Crore shown in Annexure-7 of the submission. This also creates serious questions on the reliability of the figures of the petition.

Particular	Amount
Expenses over of Electrical Works	3339.9
Expenses over Civil Works-1	213.8
Expenses over Civil Works-2	293.16
Total Expenses (Rs. Crore)	**3846.8**

3.2.50 In view of serious manipulations, gross mistakes in the calculations of expenses, discrepancies in the figures of Annexure-7 and Annexure-8, ignoring the Capitalisation of Intrust and Employees expenses as detailed above etc., the Commission may kindly be pleased to reject the Petition No 1839 of UPPTCL and direct the Petitioner to resubmit the same after making the corrections of the mistakes as mentioned above.

Petitioner's Response

3.2.51 The Petitioner further submits that the Annexure-7 of the Petitioner's reply dated April 24, 2022 details the zone-wise assets capitalised along with their capitalisation amount during the FY 2020-21. The total capitalisation amount as per Annexure-7 is Rs. 3519.05 Crore and the same is accounted in the audited annual accounts of UPPTCL for FY 2020-21. Further, the Annexure-8 of the reply provides the capital expenditure incurred towards various assets or works during the year.

3.2.52 Further, with regard to the construction of the erector hostels, the Petitioner submitted that they are constructed as per the requirement of the Petitioner. These hostels are constructed to accommodate and make arrangements for the night stays of various officers and engineers travelling from other districts so that they can work for extended hours thus ensuring successful commissioning and onward operation of the sub-station. Further, the engineers also travel at various sub-stations for installation of different equipment at these sub-stations. The erector hostels are also used by senior officers who are visiting these sub-stations for inspections or for training purposes. The Petitioner further added that the sub-stations which are planned at locations far from the urban localities unlike distribution sub-stations where there are no facilities for the night stays for the officers/engineers of the Petitioner. Accordingly, these erector hostels are constructed, which facilitates faster erection and efficient maintenance therefrom.

3.2.53 Further, regarding the details provided by the Respondent for existing Guest House in the vicinity of Agra is as below:

i. The Petitioner submitted that 4 room guest house / erector hostel situated at 400 kV Pilipokhar Agra sub-station, which is approximately 20 kms from the Agra city, was built in year 1991. The same was constructed by the transmission divisions as per the requirement for the erection and operation of the sub-station.

ii. There is no UPPTCL's VIP Guest House of 4 suites available at 220 kV Sikandra, Agra. There are only 2 committee rooms available within the control room of the sub-station.

iii. There is no erector hostel available at 220 kV Sikandra Agra.

iv. There are no guest house or erector hostel available or operational within Type-4 houses. Further, all the 12 Type-4 and 1 Type 5 houses are already allotted to the resident officers and occupied by them. No Type-4 houses are vacant.

v. There is no guest house of Petitioner in Laal Diggi, Aligarh.

3.2.54 The Petitioner submitted that the occupancy charges for accommodation in these guest houses or erector hostel of the officers/engineers of the Petitioner are being duly accounted by Accounts wing, UPPTCL.

3.2.55 The Petitioner submitted that the Parekshan Bhawan is constructed in every zone of the UPPTCL. In line with this procedure Parekshan Bhawan has been constructed at Agra. The Parekshan Bhawan at Agra includes the office of Chief Engineer (Transmission) South and West, Superintending Engineer (Transmission), Superintending Engineer (Civil), Superintending Engineer (T&C), Regional Account Officer, Executive Engineer (Communication), Executive Engineer (Civil), Executive Engineer (T&C) and Executive Engineer (Transmission). Establishment of all these senior official's offices in the Parekshan Bhawan enables departmental coordination and efficient operations. It is also to be noted that the rent is also saved on account of a common office.

3.2.56 The divisional offices are constructed as per the requirement and direction of the transmission units. The estimates for the buildings of the divisional offices are prepared on the basis of the area of the land. The works of the tube-well boring are carried out based on the water requirement in the sub-station which varies with the voltage level of sub-stations and the available water levels of the area. Accordingly, the cost of tube-well boring varies for different sub-stations.

3.2.57 The construction of the residences depends on the type of soil in the area and plinth area rates decided by the PWD and also due to variation in the cost of construction materials in different areas due to which the cost of construction works varies in different circles.

3.2.58 The supply of furniture and other items is carried out through the rates received on the GEM portal. Further, estimates of other building maintenance works are prepared on the basis of survey and inspections of the site and subsequently financial and administrative approvals are sought subsequent. Accordingly, these works are awarded through open and transparent E-tender mechanism.

3.2.59 The capital expenditure towards any assets/item are done on the basis of administrative and financial approvals received from the competent authority either UPPTCL level or State level. Further, UPPTCL being a state govt. owned entity the annual statutory and CAG audits are also carried for such expenditures.

Commission's View

3.2.60 The Commission has noted the comments of the Stakeholder and reply of the Petitioner. The audited accounts of the Petitioner have been taken into consideration while finalising the various items of ARR of FY 2020-21. The CAG audited report has been submitted by the Petitioner and there is no specific observation in this regard. The Commission's decisions on the various components of the ARR and the Transmission Tariff for FY 2022-23 are detailed in the subsequent sections of this Order.

DEPRECIATION

Comment/Suggestion of the stakeholders

3.2.61 Shri. Shafiullah submitted that the Depreciation Charges on Civil works @ 3.34% taken by Petitioner to calculate the Tariff is wholly arbitrary and wrong because the same is allowed at 1.125% vide letter No 1979 dated September 19, 2002 of Director General Registration and at 1.00% allowed by UPPWD.

3.2.62 Further, vide Note No.-2 and Note No.-22 of the UPPTCL Accounts for FY 2020-21 the Depreciation is calculated as per rates prescribed by CERC only for 90 % of assets leaving 10% as Scrap Value for all assets except the Electronics Items but in Table No Table 3.4-

1, 3.4-2, 3.4-3, 4.6-1, 4.6-2, 5.6-3, 5.6-2 of Petition, the same has been calculated for 100% vales of the Assets thereby overburdening the respectiveTariff.by Rs 165.01 Crore, Rs. 183.83 Crore and Rs. 203.24 Crore respectively.

3.2.63 It is relevant to mention that as per Note-2 & Note-22. the amount of Depreciations and Amortization both totals to Rs. 1390.32 Crore, whereas Table-3.4.3 calculates only Depreciations as Rs. 1485.07 Crore.

3.2.64 The Galvanised Towers and Aluminium Conductors of the HV & EHV Transmission Lines and 132kV, 220 kV, 400 kV and 765 kV Sub-stations structures last for more than 200 years and have almost no depreciations but appreciations due to price inflations of metals. Likewise, heavy capacity Transformers, Misc. Equipment their Panels and Cables all being well designed and under controlled loadings have much less depreciation and maintenance requirement than those of corresponding Distribution Networks and cannot be clubbed in one head of Plant & Machineries and Lines, Cable Network and accordingly the depreciation of 5.28% claimed by Petitioner on all these is highly inflated and grossly unreasonable.

3.2.65 There is hardly any depreciation and maintenance in these EHV Lines and Transformers and the only portions depreciating and requiring maintenances are the Misc. Equipment, Cables and Panels and accordingly the highest scale of Depreciations and R&M cannot exceed the following ceiling limits.

Factual amount (Rs. Crore) of Depreciation & Maintenance in Transmission Work					
Equipment	**GFA**	**Depreciation**	**R&M**	**Depreciation**	**R&M**
132 kV Transmission Line	4590	1%	0.50%	45.9	22.95
220 kV Transmission Line	2760	0.75%	0.40%	20.7	11.04
400 kV Transmission Line	2880	0.60%	0.30%	17.28	8.64
765 kV Transmission Line	1150	0.50%	0.20%	5.75	2.3
Sub-Total Lines	**11380**			**89.63**	**44.93**
132 kV Transformers	5460	1.50%	1.25%	81.9	68.25
220 kV Transformers	2240	1.50%	1.25%	33.6	28
400 kV Transformers	1680	1.25%	1.00%	21	16.8
765 kV Transformers	430	1%	0.75%	4.3	3.225
Sub-Total Transformers	**9810**			**140.8**	**116.3**
132 kV S/S Structures	700	1%	0.50%	7	3.5
220 kV S/S Structures	530	0.75%	0.40%	3.975	2.12
400 kV S/S Structures	470	0.60%	0.30%	2.82	1.41
765 kV S/S Structures	280	0.50%	0.20%	1.4	0.56

Factual amount (Rs. Crore) of Depreciation & Maintenance in Transmission Work					
Sub-Total Structures	**1980**			**15.2**	**7.59**
132 kV S/S Misc. Equipment	960	1.50%	1.50%	14.4	14.4
220 kV S/S Misc. Equipment	320	1.50%	1.25%	4.8	4
400 kV S/S Misc. Equipment	260	1.25%	1.00%	3.25	2.6
765 kV S/S Misc. Equipment	60	1%	0.75%	0.6	0.45
132 kV S/S Cable & Panels	1170	2.50%	1.50%	29.25	17.55
220 kV S/S Cable & Panels	560	1.75%	1.25%	9.8	7
400 kV S/S Cable & Panels	250	1.25%	1.00%	3.125	2.5
765 kV S/S Cable & Panels	40	1%	0.75%	0.4	0.3
Sub-Total Misc. Equip. & Cables	**3620**			**65.63**	**48.8**
Grand Total	**26790**			**311.3**	**217.6**

3.2.66 The amount of Rs. 1344.43 Crore claimed by Petitioner as Depreciation in Transmission Lines and Sub-Stations is therefore highly unreasonable and wrong.

3.2.67 That the Depreciation Rate for Buildings is specified 1% by UPPWD and 1.125% by Director General Registration UP and as such the claimed depreciation of 3.34% being more than 3 times than that specified by UPPWD and DG Registration is highly unreasonable and may not be allowed.

3.2.68 Further, the following Table of Company Act 2013 permits Straight Line Depreciation Rate of 2.38% only for Transmission System and as such there is absolutely no reason to permit a depreciation of 5.28%.

Item	Life	Depreciation
Thermal Power Generation Plant	40 Years	2.38%
Hydro Power Generation Plant	40 Years	2.38%
Nuclear Power Generation Plant	40 Years	2.38%
Transmission lines, cables and other network assets	40 Years	2.38%

3.2.69 That the Petitioner has deliberately overlooked the above table of the Company Act and has taken the figure of 5.28 % as depreciation of the Company Act applicable for Telecom Towers and Networks and not applicable to Power Supply Networks having far superior quality and much more durable Towers Cables and accessories.

3.2.70 It is relevant to mention that there is hardly any depreciation in Aluminium Conductors, Transformer Core and Galvanised Steel Towers etc. forming major components of the Transmission Systems and as such the claimed depreciation rate of 5.28% for the same is too high.

3.2.71 The figures of GFA taken by Petitioner are questionable, the permissible depreciation for FY 2020-21 for the Gross Block up to March 31, 2020 (Part-A) as per following calculations shall be only Rs. 622.82 Crore against the claimed value of Rs. 1393.84 Crore.

Particulars	Opening GFA	Additions to GFA	Deductions to GFA	Closing GFA	Average GFA	Permissible Depreciation	Permissible Depreciation
Land & Land Rights	-	-	-	-	-	-	-
i) Unclassified	141.97	1.31	43.84	99.45	120.71	0.00%	-
ii) Freehold Land	1.26	0.09	1.29	0.06	0.66	0.00%	-
Buildings	1085.14	145.76	0.87	1230.03	1157.585	1.00%	11.58
Other Civil Works	91.63	11.91	0	103.54	97.585	1.00%	0.98
Plants & Machinery	12822.19	1435.39	456.06	13801.52	13311.855	2.38%	316.82
Lines, Cable Network etc.	11314.74	1707.37	35.5	12986.62	12150.68	2.38%	289.19
Vehicles	3.37	0	0.06	3.31	3.34	9.50%	0.32
Furniture & Fixtures	8.74	1.23	0	9.98	9.36	6.33%	0.59
Office Equipment	9.55	2.56	0	12.11	10.83	6.33%	0.69
Jeep & Motor Car	0	0	0	0	0	9.50%	-
Intangible Assets	4.27	0.03	0	4.3	4.285	2.38%	0.10
Assets taken over from Licensees pending final Valuation	105.44	4.74	0.57	109.61	107.525	2.38%	2.56
Total Depreciable Assets	**25445.07**	**3309**	**493.05**	**28261.03**	**26853.05**	-	**622.82**
Total Non-Depreciable Assets	**143.23**	**1.41**	**45.13**	**99.5**	**121.365**	-	**0**
GRAND TOTAL	**25588.3**	**3310.41**	**538.18**	**28360.53**	**26974.415**	-	**622.82**

3.2.72 Further, the permissible depreciation expense for FY 2020-21 for Gross Block or Assets Capitalised after April 01, 2020 onwards (Part-B) as per following calculations shall be only Rs. 40.84 Crore against the claimed value of Rs. 91.23 Crore.

Particulars	Opening GFA	Additions to GFA	Deductions to GFA	Closing GFA	Average GFA	Depreciation Rate (%)	Permissible Depreciation	Permissible Depreciation
Land & Land Rights								
i) Unclassified	0	16.73		16.73	8.365	0.00%	-	-
ii) Freehold Land	0	0		0	0	0.00%	-	-
Buildings	0	118.62		118.62	59.31	1.00%	0.59	1.98
Other Civil Works	0	9.69		9.69	4.845	1.00%	0.05	0.16
Plants & Machinery	0	1531.44		1531.44	765.72	2.38%	18.22	40.43
Lines, Cable Network etc.	0	1832.08		1832.08	916.04	2.38%	21.80	48.37
Vehicles	0	0.01		0.01	0.005	9.50%	0.00	0
Furniture & Fixtures	0	1.21		1.21	0.605	6.33%	0.04	0.04
Office Equipment	0	0.97		0.97	0.485	6.33%	0.03	0.03
Jeep & Motor Car	0	0		0	0	9.50%	-	-
Intangible Assets	0	4.41		4.41	2.205	2.38%	0.05	0.12
Assets taken over from Licensees pending final Valuation	0	3.88		3.88	1.94	2.38%	0.05	0.1
Total Depreciable Assets		**3502.32**		**0**	**3502.32**		40.84	**5.21%**
Total Non-Depreciable Assets	**0**	**16.73**		**0**	**16.73**	**16.73**		**0**
Grand Total		**3519.05**		**0**	**3519.05**	**3519.05**		**0.05**

3.2.73 Therefore, the total permissible depreciation as per following calculations shall be Rs. 534.03 Crore only against the claimed value of Rs. 1355.45 Crore.

Particulars	Claimed	Permissible
Allowable Depreciation for assets upto 31.03.2020	**1,393.84**	**622.82**
Allowable Depreciation for assets capitalised 01.04.2020	**91.23**	**40.84**
Gross Allowable Depreciation	**1,485.07**	**663.65**
Less: Equivalent amount of depreciation on assets acquired out of the consumer contribution and GoUP Subsidy	**129.62**	**129.62**
Net Permissible depreciation	**1,355.45**	**534.03**

3.2.74 The total value of Civil works executed during FY 2020-21 as detailed in Annexure-8 and summarised below is more than Rs. 506.96 Crore but for increasing the amount of depreciation the Petitioner has shown the same as Rs. 145.04 Crore adding the remaining expense to the expenses over Plant & Machinery and Transmission Network over which they have claimed higher depreciation of 5.28%. than 3.34 % of civil works.

CWIP FY 2020-21 as per Annexure-8							
Page	**Particulars**		**Expense**	**Loading**	**Civil Work**	**Asset Transferred from Division**	**Total**
P-1 to P-5	Prayagraj	Transmission	303.61	26.66	18.80		349.08
P-6 to P-9		Civil	52.34	4.31			56.65
P-10 to P-13	GKP	Transmission	561.24	47.20	87.89		696.33
P-14-15		Civil	119.82	9.19			129.01
P-16-37	LKO	Transmission	678.50	62.44	58.22	12.97	812.13
		Civil					
P-38-57	Meerut	Transmission	1,002.1	4.73			1,006.82
P-58-65		Civil	66.44	5.63		72.07	
P-66-67	Agra	Transmission	313.10	27.25	30.56		370.91
P-68-69		Civil	24.35	2.11			26.46
P-70-72	Jhansi	Transmission	188.17	20.41	18.33	5.51	232.42
P-73-77		Civil	30.22	2.76			32.98
Sub-Total			3,339.9	212.69	213.8	90.55	3,712.77
Total Civil in Statement							293.16
Total Civil in Transmission Statement							213.80
Total Civil Work							506.96

3.2.75 The Petitioner is projecting a higher value of Transmission Networks with 5.28% depreciations the values of numerous civil works have not been included in the statement of their Annexure-8 and the applicant has discovered the following in the statement for LKO Zone.

Civil Works of LKO not segregated				
Work	**Base Value**	**Loading**		**Total Amount**
		%	**Amount**	
Sub Soil Investigation and Contour Survey related work at 220/132, 220/33 KV Hybrid S/S Nirpura	120,178.90	9%	10,816.10	1,30,995.
Construction of Security wall, Main gate, Security Hut & Other Civil Works at 220/132/33 KV Hybrid S/S Nirpura	6,002,786.	9%	5,40,250.76	65,43,037.
Civil works for construction of 220/132 KV & 220/33 KV Hybrid S/S Nirpura	124,94,164	9%	11,24,474.78	1,36,18,639
CIVIL WORK	223,28,109.	0%	-	2,23,28,109

Civil Works of LKO not segregated				
Civil work	221,21,9267	0%	-	2,21,21,927
Construction of Fire Wall at 400 KV S/S Division-II Muradnagar	13,17,707	0%	-	13,17,707.14
Construction Of Watch Towers	3,26,208.	7%	22,834.56	3,49,042.56

Petitioner's Response

3.2.76 The Petitioner submitted that the depreciation has been computed in line with the provisions of the Regulation 21 of the Uttar Pradesh Electricity Regulatory Commission (Multi Year Tariff for Distribution & Transmission) Regulations, 2019. Further, the rate of depreciation for various asset categories is considered as stipulated in the Annexure-A of the above Regulation.

3.2.77 The Petitioner further added that the Annexure-8 details the capital expenditure during FY 2020-21, whereas the depreciation amount is claimed on the capitalisation amount for the year. Further, the amount of Rs. 145 Crore is the addition of assets under buildings head in the FY 2019-20. The depreciation for FY 2020-21 is claimed in line with the provisions of the Regulation 21 of the Uttar Pradesh Electricity Regulatory Commission (Multi Year Tariff for Distribution & Transmission) Regulations, 2019. Further, the rate of depreciation for various asset categories is considered as stipulated in the Annexure- A of the above Regulation. Moreover, for computation of the depreciation amount the addition of the assets considered in FY 2020-21 under various asset categories is as per the audited annual accounts for FY 2020-21.

Commission's View

3.2.78 The Commission has considered the objections / suggestions made by the stakeholder and the reply of the Petitioner. The Commission's decisions on the various components of the ARR and the Transmission Tariff for FY 2022-23 are detailed in the subsequent sections of this Order.

EXPENSES/ SCHEMES RELATED ISSUES

Comment/Suggestion of the stakeholders

3.2.79 Shri. Shafiullah submitted that the Engineers of the Petitioner company are not fair and reasonable to save the consumers from the burdens of unnecessary expenses and have usually provided technically unsound and uncalled for schemes as evident from some of the following examples.

3.2.80 The Petitioner vide Petition No. 1676 of 2021, proposed to implement a project of Rs. 390.44 Crore in the name of system improvement which consisted of six schemes. The Commission directed the Petitioner to carry out Techno Economic studies for one of the scheme in which the Petitioner proposed introducing a LILO in the Phoolpur - Jhusi Section of 400 kV Line originating from 400 kV S/S at Machhli Shahar Jaunpur. The Petitioner as stated in the orders issued by Commission carried out the system power flow studies through "MY POWER" Software and justified the expense of Rs. 75.39 Crore by forwarding the following wrong data:

(i) Either the figure of 962.66 MW and 963.93 MW of Power Losses with and without the LILO shown by the Petitioner were wrong because the same implied the annual energy losses of 8,432.94 MU and 8,443.98 MU respectively as against the 3702 MU reported by Petitioner in its Tariff Petition or the Energy Saving was only about 4.85 MU as against 11.05 MU as shown by them. Being a Technically trivial matter, the Petitioner must have been aware of it but they deliberately concealed this fact and tried to mislead the Commission.

(ii) They deliberately overlooked the past data of power load of the network and the sale rate of energy and exaggerated the extrapolation of both the power growth as well as the sale rate for proving the technical viability of the scheme.

The actual annual Energy Saving due to the scheme being only about 4.85 MU was of no consequence and the scheme deserved rejection but the Commission took a lenient view purely on commercial data and approved the scheme for Rs. 61.21 Crore for saving the projected loss of 11.05 MU which actually will be about 4.85MU. The Commission may either be pleased to withdraw the approval or may order recovery of the extra expenses from the concerned engineers in view of the Annual Energy Saving being 4.85 MU instead of 11.05 MU.

3.2.81 The works listed in Annexure-7 & Annexure-8 of the Annexures of the Petition No. 1839 of 2022 indicate that the Petitioner is constructing three time costlier but technically unsound and highly undesirable CC/RCC roads in the premises of 132 kV /S, 220 kV S/S and 400 kV S/S and have by now spent more than Rs. 10 Crores on such roads. The CC Roads besides being highly costlier badly crack within no time and become useless and irreparable in view of Shrinkage of concrete and unsound base course of Loose PCC and are provided only in the areas of water inundation or subjected to oil drainages because the bitumen is not stable in such areas but the Petitioner company became uncontrolled from the date the Board was dissolved and started providing CC Roads since then.

3.2.82 Thus, for ensuring accountability the Commission may directs the Petitioner to resubmit the Tariff proposal after properly organizing the expenses through legible figures properly serial numbered and arranged Work wise, Execution Period wise and Location wise. The Petitioner may also be directed to group the GFA and expenses in following Heads:

Particulars	Unit	Quantity	Cost
132 kV Transmission Line			
220 kV Transmission Line			
400 kV Transmission Line			
765 kV Transmission Line			
132 kV Transformers			
220 kV Transformers			
400 kV Transformers			
765 kV Transformers			
132 kV S/S Structures			
220 kV S/S Structures			
400 kV S/S Structures			
765 kV S/S Structures			
132 kV S/S Misc. Equipment			
220 kV S/S Misc. Equipment			
400 kV S/S Misc. Equipment			
765 kV S/S Misc. Equipment			
132 kV S/S Cable & Panels			
220 kV S/S Cable & Panels			
400 kV S/S Cable & Panels			
765 kV S/S Cable & Panels			
Land	Hectare		
Plant Buildings	SqM		
Type-1 Residence	Nr		
Type-1 Residence	Nr		
Type-2 Residence	Nr		

Particulars	Unit	Quantity	Cost
Type-3 Residence	Nr		
Type-4 Residence	Nr		
Type-4 Residence			
Erectors Hostels	Nr		
Guest Houses	Nr		
Committee Rooms	Nr		
SE Offices	Nr		
EE Office	Nr		
SDO Office	Nr		
Store Sheds	Nr		
Other Non-Residential Buildings	Nr		
Roads	SqM		
Security Walls	SqM		
Chain Link Fencing	SqM		
Cable Trench	RM		
Drains	RM		
Septic Tanks	Nr		
Over Head Tanks	Nr		
Over Roof Tanks	Nr		
Tube Wells	Nr		
Occupied. Residences Type-1	Nr* Days		
Occupied. Residences Type-2	Nr* Days		
Occupied. Residences Type-3	Nr* Days		
Occupied. Residences Type-4	Nr* Days		
Occupied. Residences Type-5	Nr* Days		
Occupancy of Erector Hostels	Nr* Days		
Occupancy of Guest Houses	Nr* Days		
Occupancy of Committee Rooms	Nr* Days		
Trees	Nr		

3.2.83 The Tariff Petition for Transmissions can be made purely on factual figures there is no requirement of Truing Up Petition on the basis of normative data and accordingly the Transmission Tariff Regulations 2019 may also be amended.

Petitioner's Response

3.2.84 The capital expenditure towards any assets/item are done on the basis of administrative and financial approvals received from the Competent Authority either UPPTCL level or State level.

3.2.85 The Petitioner submitted that the computation of the losses or energy is done through the simulation software under a specific scenario (such as given FY:2021-22, Peak loading: 26000 MW, Average Loading: 20106 MW, Generation: 20374MW, RE Generation: 595 MW, etc.) which is static in nature. However, the actual losses/energy for any specific period is dynamic in nature and varies depending upon the load generation balance in the network.

3.2.86 Further, with respect to peak demand growth, the Petitioner submitted that the Commission in Petition No. 1676/2021 has considered the growth rate of 5% (considering CAGR of 5.37% in the energy delivered to Discom's periphery) as estimated by the Petitioner. With regard to the BST rate the Commission has considered the growth rate of 4% (considering CAGR of past 5 years) against 8% estimated by the Petitioner. Accordingly, the Commission has approved the capital cost of Rs. 61.21 Crore against Rs. 75.39 Crore claimed by the Petitioner in the above mentioned Order, considering the IRR of the project.

3.2.87 The construction of RCC roads at 132/220/400 S/S is done as per requirement and past experience of the Petitioner. It is to be noted that the weight of the equipments to be transported to the sub-station site are upto 500 tonnes. It is further pointed out that the bitumen roads requirement regular checks and maintenance on yearly basis and maintenance cost is also very high. On the other hand, the life of the RCC roads is 30-40 years and has low maintenance cost.

3.2.88 The Petitioner has already submitted the asset-wise, location (zone) wise and unit code wise details of capitalisation & capital expenditure and Fixed Asset Register (FAR) for FY 2020-21. Further, the same shall be submitted for FY 2021-22 and FY 2022-23 at the time of truing-up of the respective years. Further, the details of the GFA are captured under the various asset categories as per the existing accounting policy.

Commission's View

3.2.89 The Commission has considered the objections / suggestions made by the stakeholder and the reply of the Petitioner. The Commission's decisions on the various components of the ARR and the Transmission Tariff for FY 2022-23 are detailed in the subsequent sections of this Order.

INTEREST ON LOAN

Comment/Suggestion of the stakeholders

3.2.90 Shri. Shafiullah submitted that the interest over Debt must be the one actually paid by the Petitioner to Bank and should not be based on the assumptions and conjectures.

3.2.91 That as per Note-12 and its Annexure-A of the Account the Weighted average Interest rate is 10.95% but the petitioner as per Table 3.5.2, Table 4.7.1 and Table 5.7.1 has calculated the same assuming the interest rate of 11.84 % as detailed below, has loaded the respective Tariff by Rs 103.97 Crore, Rs 108.4 Crore and Rs 110.96 Crore respectively.

Reference of Claim	Interest Charges Liability in Tariff	
	Claimed	Payable
Table 3.5.2	1,395.76	1291.785
Table 4.7-2	1,455.16	1346.76
Table 5.7-1	1,489.55	1378.589
Total	4,340.47	4,017.13

Petitioner's Response

3.2.92 The Petitioner has claimed the normative interest on loan in line with the provisions of the MYT Regulations 2019. For the purpose of the computation of the normative interest on loan the Petitioner has considered the loan addition as 70% of the actual capitalisation after adjusting the consumer contribution and grants. The portion of capital expenditure financed through consumer contributions, capital subsidies and grants has been separated as the depreciation and interest thereon has not been charged to the beneficiaries. The Petitioner has considered the normative opening of the loan in line with the approach of the Commission in Order dated November 10, 2020. The rate of interest has been considered as per the actual rate of interest of the long-term loan portfolio of the Petitioner. Further, the depreciation claimed has been considered as repayment of these loans.

3.2.93 The Petitioner has computed the weighted average rate of interest as per the actual long term loan portfolio of UPPTCL in FY 2020-21. The computation of the same is provided in the Annexure 4 of the petition.

Commission's View

3.2.94 The Commission has noted the comments of the Stakeholder and reply of the Petitioner. The Commission's decisions on the various components of the ARR and the Transmission Tariff for FY 2022-23 are detailed in the subsequent sections of this Order.

DUPLICATION OF ASSETS IN CAPITALISATION AND R&M EXPENSES

Comment/Suggestion of the stakeholders

3.2.95 Shri. Shafiullah submitted that there are large number of expenses of R&M works, such as R&R of various substations, Replacement of Insulator Discs, Re-Sagging of Transmission Lines, Maintenance of Civil Works etc. have also been included in the list of Capitalized work. If these expenses are also covered in R&M head as it should be, then this a deliberate duplication with an ill intention to increase ARR and the Commission may kindly view it seriously.

Petitioner's Response

3.2.96 The Petitioner submitted that where the expenditure is made for replacements, improvements, extensions, or renovations of the assets, the same has been capitalised. Further, cost incurred towards the routine maintenance of the assets are booked under the R&M expenses. However, it is to mention that the expenditure which has been capitalised has not been considered in the R&M expenses.

Commission's View

3.2.97 The Commission has noted the comments of the Stakeholder and reply of the Petitioner. The audited accounts of the Petitioner have been taken into consideration while finalising the various items of ARR of FY 2020-21. The CAG audited report has been submitted by the Petitioner and there is no specific observation in this regard. The Commission's decisions on the various components of the ARR and the Transmission Tariff for FY 2022-23 are detailed in the subsequent sections of this Order.

DISCREPENCY IN ANNEXURE-7 & ANNEXURE-8 OF THE PETITIONER

Comment/Suggestion of the stakeholders

3.2.98 Shri. Shafiullah submitted that the tariff derived in Petition is supported with the List of Capitalized Expenses vide its Annexure-7 & Annexure-8 of the Petition and the petitioner claims that the expenses shown therein were approved by the Commission. However, it is observed that the expenses listed in these Annexures are full of inconsistencies and discrepancies and huge amounts of expenses in respect of works executed in past have been gathered therein for the purpose of increasing tariff on analytical basis in most unethical manner. The following differences in the expenses shown in Annexur-7 and Annexure-8 in respect of construction of 400 KV S/S at Bhoukhari and 400 kV Transmission Lines from Tanda to Bhoukhari is an example of fuzzing the data to fit the figures taken to derive the tariff on analytical Basis.

System	Expenses in Rs Cr as per	
	Annexure-8	Annexure-7
Construction of 400 KV S/s Bhoukhari	**66.27**	**72.82**
Construction of LILO in 400 KV Lkp-Gkp line Ckt-3 at Bhoukhari	**33.97**	**52.12**
Construction of LILO in 400 KV Lkp-Gkp line Ckt-4 at Bhoukhari	**36.96**	**59.72**
Construction of Tanda-Bhoukhari 400 KV line (NTPC)	**152.14**	**286.45**
Total (Rs. Crore)	**289.35**	**501.13**

3.2.99 The expenses for the above works shown in Annexure-7 as Rs. 501.01 Crore which is Rs. 231.06 Crore higher than shown in Annexure-8.

3.2.100 The civil works listed in Annexures -2 of this application also demonstrate the following discrepancies between Annexure-7 & Annexure-8 and raises a serious question on the bonafide of the accounting system of the Petitioner company.

Work	Cost Shown in	
	Annexure-8	Annexure-7
Construction of Division Office	1,197,857.51	2,641,146.00
Construction of EE ETD Office at 220 S/S Jaunpur (Civil)	1,277,391.71	9,777,989.00
Construction of 02 no. Store at 220 s/s Jaunpur (Civil)	52,051.86	6,696,395.00
Construction of chain link, fencing drain in s/yard and other civil work 132 kV S/S Jaunpur (Civil)	28,960.21	1,550,939.00
Total	**2,556,261.29**	**20,666,469.00**

3.2.101 Large number of Works listed in Annexure-8 are not included in Annexure-7 and vice versa. The list of such omissions is voluminous, and the following works included in Annexure-8 but omitted in Annexure-7 corroborates the truth.

Sn	Work	Expenses in Rs. Crore as			
		Base Cost	Loading	Civil Work	Total
1	CONSTRUCTION OF 400 KV S/S RASARA BALLIA	54.253	3.798	-	58.050

Sn	Work	Expenses in Rs. Crore as			
		Base Cost	Loading	Civil Work	Total
2	220 Kv Rasra Bhaduara line 47 km	2.942	0.265	37.782	40.989
3	Construction of 220 KV Bay for 220 KV Rasada-Bhadaura DC Line	5.881	0.529	-	6.411
4	132 KV Rasara-Kasimabad line 26 Km	0.036	0.003	-	0.040
5	220 KV Line gazipur rasara	0.043	0.004	-	0.047
6	220 KV Rasara - Deoria SC Line	0.017	0.002	-	0.019
7	220 KV Rasra gazipur line 10 km	1.241	0.112	-	1.352
8	132 KV Ibrahimpatti basdhih Line	17.484	1.574	-	19.058
9	132 KV Rasara -Chitbadagaon line 18Km	1.305	0.117	-	1.423
10	132 KV Rasara Dighar line	0.048	0.004	-	0.052
11	132 KV Rasara-Kasimabad line 26 Km	4.005	0.360	-	4.365
12	132 Kv Rasra Ballia line 35 km	3.259	0.293	-	3.553
13	132 kv Dc Rasara-Badagaon Line	5.008	0.451	-	5.458
14	Construction of 220 KV Bay for 220 KV Rasada-Bhadaura DC Line	5.881	0.529	-	6.411
15	Construction of 132 KV Rasada-Kasimabad Line	0.517	0.047	-	0.564
	Total (Rs. Crore)	**101.921**	**8.088**	**37.782**	**147.791**

3.2.102 Shri. Shafiullah submitted that the Annexures-2 of my application list the following peculiar expenses included in Annexure-8 of the Petition:

A-Expenses over Civil Works not having any Electrical Counterparts: The expenses of Civil works amounting to Rs. 34,848,797.21 have no corresponding Electrical Works in Annexure-8. The list includes certain R&M works which cannot form part of capital.

B-Expenses over Civil Works Without Execution of Corresponding Electrical Works: The Annexure-8 includes 23 Civil Works costing Rs 38286717.54 for which there has to be corresponding Electrical Works but the same are not listed in Annexure-8. This raises serious doubt over the time spans of these expenses.

C-Negative Expenses: As many as 20 Expenses are booked with total Negative cost of Rs (-) 142,582,944.5. Negative amounts are normally booked only to correct previous overbookings but in these Annexures except for one item all the items of Negative Bookings have no corresponding previous Positive Bookings and therefore the Negative Bookings are for mere arithmetical subtractions to bring the sum of expenses to some predetermined figures.

3.2.103 This clearly proves that all these Negative Bookings are mere arithmetical adjustments in Annexure-8 to bring the sum of expenses to some desired level. However as evident from the following summary of expenses listed in Anexure-7 & 8, the petitioner could not succeed in matching the figures of expenses despite all efforts of fuzzing.

Expenses (in Rs Crore) Compiled from Annexure-8 of Petition							
Zone/ Work	**ZAO (GKP)**	**ZAO (LKO)**	**ZAO (Meerut)**	**ZAO (Agra)**	**ZAO (Jhansi)**	**ZAO (Paryagraj)**	**Total**
Transmission Work	**561.24**	**678.5**	**1,002.10**	**313.1**	**188.17**	**303.61**	**3,046.72**
Loading Over Transmission Work	**47.2**	**62.44**	**4.73**	**27.25**	**20.41**	**26.66**	**188.69**
Civil Work forming Composite Part of Transmission Work	**87.89**	**58.22**		**30.56**	**18.33**	**18.8**	**213.80**
Asset Transferred from Division		**12.97**			**5.51**		**18.48**
Exclusive Civil Works	**119.82**		**66.44**	**24.35**	**30.22**	**52.34**	**293.17**
Loadings Over Civil Works	**9.19**		**5.63**	**2.11**	**2.76**	**4.31**	**24.00**
Total	**825.34**	**812.13**	**1078.9**	**397.37**	**265.4**	**405.72**	**3,784.86**
Expenses (in Rs Cr) Compiled from Annexure-7 of Petition							
Zone/ Expenses	**ZAO (GKP)**	**ZAO (LKO)**	**ZAO (Meerut)**	**ZAO (Agra)**	**ZAO (Jhansi)**	**ZAO (Paryagraj)**	**Total**
Base/Direct Cost	**788.01**	**712.04**	**772.74**	**351.06**	**201.79**	**325.99**	**3,151.63**
Loading/ Indirect Cost	**64.23**	**8.244**	**26.04**	**32.233**	**18.826**	**22.484**	**172.05**
Employee & Interest Capitalisation		**58.384**	**75.32**			**30.149**	**163.85**
IDC	**30.696**			**0.801**	**0.0165**		**31.51**
Total	**882.93**	**778.67**	**874.10**	**384.10**	**220.63**	**378.63**	**3,519.05**

3.2.104 The Stakeholder submitted that it is very hard to believe that the Petitioner had executed civil works of value more than Rs. 506.97 Crore which was scattered all over the state at more than 300 locations and comprised of well foundations in Rivers etc. just in one FY 2020-21 which incidentally had almost 50% working days due to complete lockdowns during 6 months. Further, the Annexure-7 and Annexure-8 submitted by the Petitioner is being fuzzed are liable to be abandoned and Petitioner is required to compile the FY wise expenses for the entire control Tariff Period of FY 2015-16, FY 2016-17, FY 2017-18, FY 2018-19, FY 2019-20, FY 2020-21 and FY 2021-22 from the Statement of Date Wise Expenses for each year mentioning the dates of each expense and only such expense figures should form the basis of Tariff. Thus, in view of the unreliability data of Annexure-8, it is not relevant to discuss the validity of the figures of Rs. 3246.08 Crore and Rs 240.26 Crore entered in Table 3.3.1 of the Petition respectively as Investments and the Employees Expense Capitalization in FY 2020-21. These figures are unfounded and are totally wrong because of the following reasons: -

a-The Zone-wise expenses as per Annexure-8, summarised in the following table totals to Rs. 3553.69 Cr and not Rs 3246.08 Crore.

Zone/ Work	GKP	LKO	Meerut	Agra	Jhansi	Paryagrj	Total
Transmission Work	561.24	678.5	1,002.10	313.1	188.17	303.61	3,046.72
Civil Work forming Composite Part of Transmission Work	87.89	58.22		30.56	18.33	18.8	213.8
Exclusive Civil Works	119.82		66.44	24.35	30.22	52.34	293.17
Total (Rs Cr.)	**768.95**	**736.72**	**1,068.54**	**368.01**	**236.72**	**374.75**	**3,553.69**

b-The Zone-wise loadings over the above values of works included in Annexure-8 summarised as below do not include any expense for employees and its capitalisation.

Zone/ Work	GKP	LKO	Meerut	Agra	Jhansi	Paryagrj	Total
Loading Over Transmission Work	47.2	62.44	4.73	27.25	20.41	26.66	188.69
Asset Transferred from Division		12.97			5.51		18.48
Loadings Over Civil Works	9.19		5.63	2.11	2.76	4.31	24
Total (Rs Cr.)	56.39	75.41	10.36	29.36	28.68	30.97	231.17

c-The Annexure-7 of the Petition reveals the Zone-wise capitalization of the expenses as per table below and totals to Rs. 3306.44 Crore and not Rs. 3246.08 Crore.

Zone/ Work	GKP	LKO	Meerut	Agra	Jhansi	Paryagrj	Total
Base/Direct Cost	788.01	712.04	772.74	351.06	201.79	325.99	3151.63
Loading/ Indirect	64.23	-	-	32.23	18.83	-	123.29
IDC	30.7	-	-	0.801	0.0165	-	31.5175
Total	882.94	712.04	772.74	384.09	220.64	333.99	3306.44

d- Without giving any data of employees expenses, the Annexure-7 of the petition gives the Zone wise capitalization of the employees expense for LKO, Meerut & Paryagraj Zones as per table below which totals to Rs 163.83 Crore.

Zone/ Work	GKP	LKO	Meerut	Agra	Jhansi	Paryagrj	Total
Interest Capitalisations	-	8.24	26.04	-	-	22.4	56.68
Employees	-	58.38	75.32	-	-	30.15	163.85
Total	-	66.62	101.36	-	-	52.55	220.53

3.2.105 It is evident from the above tables that the Capitalization of employees expenses for Gorakhpur, Agra and Jhansi are not shown in Annexure-7 of the Petition and the figure of Rs. 240.26 Crore mentioned in the Petition just like that.

3.2.106 Further, as per Annexure-7, Rs. 31.51 Crore were paid during FY 2020-21 as interest over the Works (IDC) listed below and some other small works executed in past as shown below.

Sl No of Annexure-7	Name of Work (All Expenses over Works & IDC shown in Rs Lacs)	Expenses during FY 2020-21	
		Cost of	Interest During
56	40 MVAR Capacitor Bank at 220 KV S/S Jaunpur	**132.53**	**0.86**
91	Contn of 400 KV S/s Bhoukhari	**5,593.37**	**1,297.42**
99	Contn of 132 KV S/s Bhoukhari	**1,144.98**	**70.44**
100	Contn of LILO in 400 KV Lkp-Gkp line Ckt-3 at	**4,837.33**	**36.39**
101	Contn of LILO in 400 KV Lkp-Gkp line Ckt-4 at	**5,198.51**	**209.52**
102	Contn of Tanda-Bhoukhari 400 KV line (NTPC)	**28,644.84**	**969.13**
103	Contn of 1 Bay at 132kV Deoria for Salempur Line.	**25.02**	**4.06**
104	R&R works at 132KV S/S Deoria	**30.67**	**0.84**
117	Contn of 132KV Line Mahrajganj- FCI	**878.50**	**5.14**
121	10 MVAR Capacitor Bank at 132 KV S/S Mahrajganj	**22.44**	**0.36**
144	Contn of 1 Bay at 132kV Naugarh & Anandnagar.	-	**12.08**
166	Contn of 20 MVA Transformer at 220 KV S/S	**153.93**	**0.79**
176	Contn of 132KV Line Kasimabad to Kundesar	**1,318.11**	**90.25**
188	Contn of 2 (100+40) MVA 220/132/33 kV S/s	-	**207.76**
200	Contn of 1 Bay at 132 KV Krndesar	**56.34**	**17.14**
205	Replacement of 50 MVAR by 125 MVAR at 400 KV	-	**93.36**
		48,036.57	**3,015.54**

3.2.107 It is abundantly clear that payments of IDC and the works over which IDC is payable cannot be simultaneous and hence the major portion of the above expenses included in Annexure-7 could have been in FY 2019-20 and in earlier FYs and hence the actual expenses during FY 2020-21 must have been much less. The figures of expenses shown in Annexure-8 include civil works of Rs. 506.97 Crore [(+) omitted Civil Works] comprising of Long Time Cycle Well Foundations in Ghaghra and Ganges rivers. The construction of both the transmission lines and supporting well foundations within FY

2020-21 was impossible and hence the expenses of full cost of transmission lines and well foundation is falsely included in Annexure-7 & Annexure-8 of the Petition.

Petitioner's Response

3.2.108 The Petitioner submitted that the Respondent has compared the details of Annexure-7 and Annexure-8. Annexure-7 is the details of assets and amount capitalised during the FY 2020-21, whereas, Annexure 8 is the capital expenditure incurred during FY 2020-21. It is important to note that the capitalization and capital expenditure as per Annexures 7 & 8 are two different data cannot be compared.

3.2.109 The Petitioner submitted that Annexure 8 provides the details of capital expenditure incurred towards various on ongoing assets or works in the FY 2020-21. The expenditure towards all the electrical or civil items pertaining to an asset or any work may not necessarily take place in the same year.

3.2.110 The Petitioner further submitted that capital expenditure in the Annexure 8 as considered by the Respondent is towards various ongoing civil works, which shall be capitalised in the GFA as and when competed in the respective year.

3.2.111 The Petitioner added that the details of actual capitalisation or capital expenditure from FY 2015-16 to FY 2020-21 is based on the audited annual accounts submitted before the Commission alongwith the True-Up Petition for these years. Accordingly, the Commission had approved the True-Up for FY 2015-16 to FY 2019-20 as per the audited accounts in the past Tariff Orders. The actual capitalisation or capital expenditure for FY 2021-22 shall be submitted at the time of Truing-Up for FY 2021-22. Further, the details of the capitalisation or capital expenditure are captured as per the existing accounting policy of the Petitioner.

3.2.112 The Petitioner has considered the capital investment of Rs. 3,246.08 Crore, the same has been derived as per the methodology approved by the Commission in the past Tariff Orders. The computation of the same is also provided in the Table 3.3.1 of the Petition. Further, the Employee Expense capitalised and the interest capitalised is Rs. 240.26 Crore and Rs. 197.47 Crore respectively and the same is considered as per audited annual accounts for FY 2020-21. The Petitioner submitted the capital expenditure in the Annexure-8 as considered by the Respondent is towards various ongoing civil works, which shall be capitalised in the GFA as and when competed in the respective year.

Commission's View

3.2.113 The Commission has noted the comments of the Stakeholder and reply of the Petitioner. It is pertinent to mention that the capitalisation has been provisionally allowed by the Commission which shall be subject to prudence check. The Commission's decisions on the various components of the ARR and the Transmission Tariff for FY 2022-23 are detailed in the subsequent sections of this Order.

3.2.114 The list of consumers, who attended the Public Hearing, is appended at Annexure 3.

4 TRUE-UP OF AGGREGATE REVENUE REQUIREMENT FOR FY 2020-21

4.1 INTRODUCTION

4.1.1 The Commission in its Tariff Order for FY 2020-21 dated November 10, 2020 in Petition No. 1515 of 2020 & petition No. 1571 of 2020 carried out the Truing-Up for FY 2017-18 and FY 2018-19, Annual Performance Review (APR) for FY 2019-20 and Aggregate Revenue Requirement (ARR) and Tariff for FY 2020-21.

4.1.2 Further, the Commission, in its Tariff Order for FY 2021-22 dated June 29, 2021 in Petition No. 1656 of 2020 approved the True-Up of ARR for FY 2019-20, APR for FY 2020-21 and ARR and Tariff for FY 2021-22 of UPPTCL.

4.1.3 The Petitioner has now sought approval for True-Up for FY 2020-21 based on the audited accounts taking into consideration the provisions of MYT Regulations, 2019.

4.1.4 The Commission, based on the provisions of the MYT Regulations, 2019, has now carried out the True-Up for FY 2020-21 taking in account the following:

(a) Audited accounts for FY 2020-21;
(b) MYT Regulations, 2019;
(c) Materials placed before the Commission;
(d) Methodology adopted by the Commission in its earlier Orders.

4.1.5 The component-wise description of the Petitioner's submission and the Commission's analysis on the same is detailed in the subsequent paragraphs.

4.2 TRANSMISSION SYSTEM AVAILABILITY

Petitioner's Submission

4.2.1 The Petitioner vide its additional submission dated May 11, 2022 claimed the actual transmission availability for UPPTCL's Transmission System as 99.46% for FY 2020-21.

Table 4-1: NORMATIVE & ACTUAL ANNUAL TRANSMISSION SYSTEM AVAILABILITY FACTOR SUBMITTED BY PETITIONER (%)

Particulars	FY 2020-21	
	Business Plan Order dated 15.10.2020 & as per Regulation 33.1.1 of MYT Regulations, 2019	Petition (True up)
Normative Annual Transmission System Availability factor	98.00%	98.00%

Particulars	FY 2020-21	
	Business Plan Order dated 15.10.2020 & as per Regulation 33.1.1 of MYT Regulations, 2019	Petition (True up)
Actual Annual Transmission System Availability factor	-	99.46%

Commission's Analysis

4.2.2 Regulation 33.1.1 of MYT Regulations, 2019 specifies the Normative Annual Transmission System Availability factor (NATSAF) for AC system as 98% as quoted below:

Quote

33.1 Target availability

33.1.1 Normative Annual Transmission System Availability factor (NATSAF) shall be as under:

1) AC System: 98%;

2) HVDC bi-pole links and back-to-back Stations: 95%

Unquote

4.2.3 The Commission during the Technical Validation Session (TVS) dated April 18, 2022 directed the Petitioner to submit the actual transmission availability for FY 2020-21 duly certified by UPSLDC. In compliance to the Commission's direction, the Petitioner vide email dated May 11, 2022 submitted the actual transmission availability for FY 2020-21 as 99.46%.

4.2.4 The Commission has gone through the details submitted by the Petitioner and approves actual transmission availability for FY 2020-21 as 99.46% as submitted by the Petitioner.

Table 4-2: NORMATIVE & ACTUAL ANNUAL TRANSMISSION SYSTEM AVAILABILITY FACTOR APPROVED BY THE COMMISSION (%)

Particulars	FY 2020-21		
	Business Plan Order dated 15.10.2020 & as per Regulation 33.1.1 of MYT Regulations, 2019	Petition (True up)	Approved (True up)
Normative Annual Transmission System Availability factor	98.00%	98.00%	98.00%
Actual Annual Transmission System Availability factor	-	99.46%	99.46%

4.3 INTRA-STATE TRANSMISSION LOSS

Petitioner's Submission

4.3.1 The Petitioner submitted the actual Intra-State Transmission loss as 3.37% against the approved value of 3.40% as shown below.

Table 4-3: INTRA-STATE TRANSMISSION LOSS SUBMITTED BY PETITIONER (%)

Particulars	FY 2020-21	
	Tariff Order for FY 2020-21 dated 10.11.2020	Petition (True up)
Intra-State Transmission loss	3.40%	3.37%

Commission's Analysis

4.3.2 Regulation 38 of MYT Regulations, 2019 related to Transmission Losses is reproduced below:

Quote

38 Transmission Losses

The energy losses in the Intra-State Transmission System, as determined by the State Load Despatch Centre and approved by the Commission, shall be borne by the Transmission System Users in proportion to their usage of the Intra-State Transmission System.

Unquote

4.3.3 The Intra-State transmission losses has been considered as per joint statement signed by UPPTCL and UPSLDC for FY 2020-21. The Commission observed that the Petitioner was able to achieve Intra-State Transmission Loss within the target.

Table 4-4: INTRA-STATE TRANSMISSION LOSS APPROVED BY THE COMMISSION (%)

Particulars	FY 2020-21		
	Tariff Order FY 2020-21 dated 10.11.2020	Petition (True up)	Approved (True up)
Intra-State Transmission loss	3.40%	3.37%	3.37%

4.4 OPERATION AND MAINTENANCE EXPENSES (O&M)

Petitioner's Submission

4.4.1 The Petitioner submitted that in accordance with Regulations 34(b) and 34(c) of MYT Regulations, 2019, they have worked out the base year O&M expenses i.e., for FY 2019-20 by considering the trued-up value of each component of O&M expenses as approved by the Commission for FY 2015-16 and FY 2016-17 and normative O&M expenses as submitted in the true-up Petitions for the period from FY 2017-18 to FY 2019-20.

4.4.2 The Petitioner further added that the Commission while truing-up the O&M expenses for FY 2017-18 & FY 2018-19 vide its Tariff Order for FY 2020-21 dated November 10, 2020 and true up for FY 2019-20 vide Tariff Order of FY 2021-22 dated June 29, 2021 had considered the lower of normative and actual value instead of normative. The Petitioner had also filed a review Petition in this regard (Review Petition No. 1682 of 2021 against the Commission Tariff Order for FY 2020-21 dated November 10, 2020 and Review Petition No. 1776 of 2021 against the Commission Tariff Order for FY 2021-22 dated June 29, 2021) before the Commission. In light of above-mentioned reasons, the Petitioner has considered the normative O&M Expenses as per the true-up Petitions for the period from FY 2017-18 to FY 2019-20 and escalation factors as per Regulation 34(c) for arriving at Base Year norms i.e., FY 2019-20.

Table 4-5: BASE YEAR (FY 2019-20) O&M EXPENSES SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	Normative Expenses (upto Base Year)		
						FY 2017-18 (Mid-Year)	FY 2018-19	FY 2019-20 (Base-Year)
Employee Expenses	473.99	513.86	848.56	1054.67	1227.95	823.80	866.63	920.06
A&G Expenses	28.35	62.51	38.14	37.81	54.16	44.20	46.49	49.36
R&M Expenses	167.81	205.35	344.94	423.70	495.72	327.50	344.53	365.77
O&M Expenses	**607.15**	**781.72**	**1231.64**	**1516.18**	**1777.83**	**1195.5**	**1257.65**	**1335.19**
WPI & CPI Combined Inflation Rate Considered (%)	-	-	-	-	-	-	**5.20%**	**6.17%**

4.4.3 The Petitioner submitted that they have segregated each component of O&M expenses. The Petitioner has calculated the normative Employee Expenses for FY 2020-21 based on normative Employee Expenses derived for Base Year i.e., for FY 2019-20 in the Petition and escalated the same based on average of actual Consumer Price Index (CPI) for immediately preceding three financial years (5.30%) in accordance with Regulation 34.1 of MYT Regulations, 2019. The Employee Expense capitalisation for FY 2020-21 on actuals as per annual accounts for FY 2020-21.

4.4.4 Similarly, the Petitioner has projected the normative R&M Expenses for FY 2020-21 based on normative value of R&M Expenses derived for Base Year i.e., FY 2019-20 in the Petition and escalated the same based on average of actual Wholesale Price Index (WPI) for immediately preceding three financial years (2.96%) in accordance with Regulation 34.2 of MYT Regulations, 2019.

4.4.5 To calculate the normative A&G Expenses for FY 2020-21, the Petitioner has considered the normative value of A&G Expenses derived for Base Year i.e., FY 2019-20 in the Petition and escalated the same based on average of actual Wholesale Price Index (WPI) for immediately preceding three financial years (2.96%) in accordance with Regulation 34.3 of Tariff Regulations, 2019. The Petitioner has additionally claimed Rs. 5.88 Crore and Rs. 0.06 Crore towards Licensee Fee and Finance Charges respectively over and above the normative A&G Expenses.

4.4.6 The Petitioner submitted that the approach of the Commission in Tariff Order dated November 10, 2020 for FY 2020-21 and Tariff Order dated June 29, 2021 for FY 2021-22 deviates from the approach stipulated in MYT Regulations, 2014, which had been consistently followed in past Tariff Orders of the Petitioner dated November 30, 2017, January 08, 2019 and August 27, 2019. Moreover, the State Distribution Licensees have challenged the new approach of the Commission vide an appeal before the Hon'ble APTEL against the Tariff Order of State-Owned Distribution Licensees for FY 2019-20 dated September 03, 2019 in Appeal No. 389 of 2019.

4.4.7 The Petitioner prayed that the normative O&M Expenses may be considered for the period from FY 2017-18 to FY 2019-20 to arrive at Base Year value i.e., FY 2019-20 and requested the Commission to allow the O&M Expenses on normative basis.

4.4.8 The Petitioner also emphasised that the normative R&M Expenses i.e., Rs. 376.61 Crore is significantly lower than actual R&M Expenses of Rs. 448.65 Crore for FY 2020-21. Similarly, the normative A&G Expenses are also lower than the actual A&G Expenses for FY 2020-21.

Table 4-6: NORMATIVE O&M EXPENSES SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	FY 2020-21		
	Tariff Order for FY 2020-21 dated 10.11.2020	Actual (Audited Accounts)	Petition (True-up)
Employee Expenses	607.29	584.72	968.81
Less: Employee Expenses Capitalised	371.63	240.26	240.26
Net Employee Expenses	**235.66**	**344.46**	**728.55**
A&G Expenses	47.08	64.82	50.82
Add: Licensee Fee	-		5.88
Add: Finance Charges	-		0.06
Net A&G Expenses	**47.08**	**64.82**	**56.76**

Particulars	FY 2020-21		
	Tariff Order for FY 2020-21 dated 10.11.2020	Actual (Audited Accounts)	Petition (True-up)
R&M Expenses	**307.64**	**448.65**	**376.61**
Normative O&M Expenses	**590.38**	**857.93**	**1161.92**

Commission's Analysis

4.4.9 Regulation 34 of MYT Regulations, 2019 specifies the norms for calculation of O&M Expenses for Base Year (FY 2019-20) as reproduced below:

Quote

34 Operation and Maintenance Expenses

a) The Operation and Maintenance expenses for the Transmission Business shall be computed as stipulated in with these Regulations.

b) The Operation and Maintenance expenses shall be derived on the basis of the average of the Trued-Up values (without efficiency gain / loss) for the last five (5) financial years ending March 31, 2019 subject to prudence check by the Commission. However, if Trued-Up values (without efficiency gain / loss) are not available for FY 2018-19, then last five (5) available Trued-Up values (without efficiency gain / loss) will be considered and subsequently when the same are available the base year value (i.e. FY 2019-20) will be recomputed.

c) The average of such operation and maintenance expenses shall be considered as Operation and Maintenance expenses for the middle year and shall be escalated year on year with the escalation factor considering CPI and WPI of respective years in the ratio of 60:40, for subsequent years up to FY 2019-20.

d) The One-time expenses such as expense due to change in accounting policy, wage arrears paid due to Pay Commissions, etc., and the expenses beyond the control of the Transmission Licensee such as dearness allowance, terminal benefits, etc., in Employee cost, may be allowed by the Commission over and above normative Operation & Maintenance Expenses after prudence check.

e) At the time of Truing-up of the O&M expenses, the actual point to point inflation over Wholesale Price Index numbers as per Office of Economic Advisor of Government of India and the actual Consumer Price Index for Industrial Workers (all India) as per Labour Bureau, Government of India, in the concerned year shall be considered.

Unquote

4.4.10 The Petitioner had filed a review Petition (Petition No. 1682 of 2021) before the Commission to review the Commission's Tariff Order dated November 10, 2020 passed in Petition No. 1515 of 2020 & 1571 of 2020 limited to true up period of FY 2017-18 and FY 2018-19 on the following grounds:

- To approve the O&M Expenses on normative value against as approved value based on lower of normative or actual for each element of O&M Expenses as per MYT Regulations, 2014;
- To allow 25% capital investments which is disallowed during truing up.

4.4.11 The Petitioner on the similar grounds filed another review Petition (Petition No. 1776 of 2021) against the Commission's Tariff Order dated June 29, 2021 limited to Truing-Up of FY 2019-20.

4.4.12 The Commission after hearing the Petitioner disposed both the above said Petitions on the grounds of maintainability. The relevant extracts are reproduced below:

Relevant extract of Order dated March 07, 2022 in Petition No. 1682 of 2021:

Quote

Commission's view

....

18. In view of foregoing, it is pertinent to mention that the Commission has decided the issues after careful consideration of facts of the case and the reasonings have been provided in the Tariff Order itself. Therefore, the Commission is of view that the Petitioner has not been able to establish as how this Petition was coming under the scope of review. Either a ground that "Presentation of a fact which was existing at the time of passing the initial Order but which could not be placed before the court despite the due diligence of review applicant and which has potential to alter the course judgment" or "an order where an inadvertent error has crept in" are the only two grounds, which can be taken for invoking the review jurisdiction of the court. The Petitioner's grounds of review are associated with the approach that has been applied and not of any error apparent in calculation of O&M expenses and allowance of capital expenditure. Further, the Commission issued speaking order while allowing the O&M expenses and capital expenditure. The Commission is of the view that such matters, which will require a change in approach, cannot be addressed through a Review Petition, which is meant to cure only those defects or apparent errors which can be pinpointed without any elaborate argument.

19. In fact, Hon'ble Supreme Court in catena of judgments has already held that: A review is by no means an appeal in disguise whereby an erroneous decision is reheard and corrected but lies only for patent error [Tungabhadra & c v. Govt, A 1964 SC 1372; Shiv Ganesh v. State of UP., AIR 2005 All 412 (415,416)]. It has also been clearly laid down by the Hon'ble Supreme Court that: The scope of review is for review of "error apparent" only and not to review the judgment/order, even if the parties are in a position to satisfy the Court that the order under review is an erroneous order [Sharada Devi v. Bank of India, (2001), 2 BLJR 967 (969) (Pat); Ahmedabad Electricity Co. Ltd v. State of Gujarat, AIR 2003 Guj 157 (159) (DB)]. Hon'ble Supreme Court has also held that: Decision wrong in law is not error apparent on the face of record [Bardhan v. Sarkar, 53 CWN 869]. In face of above judgments of Hon'ble Supreme Court the grounds taken by review applicant prima facie does not fall stricto sensu within the scope of review.

Unquote

Relevant extract of Order dated March 09, 2022 in Petition No. 1776 of 2021:

Quote

Commission's view

14. The Commission regarding issue of Operation & Maintenance Expenses observed that, the Commission has taken a considered view to allow O&M expenses as actual or normative whichever is lower. The Commission deliberated upon the issue in detail and the justification so made in the Tariff Order for FY 2021-22 dated 29.06.2021 is reproduced here below: -

"------

4.7.17 The Commission, vide Tariff Order dated 10.11.2020 in the matter of True-up Order of FY 2018-19 of UPPTCL had decided to allow lower of normative or actual expenses for each component of O&M. The relevant extract of the same is reproduced below:

Quote

5.6.19 The Commission, vide order dated 03.09.2019 in the matter of True-up Order of FY 2018-19 for State owned Discoms was of the view that there is a wide variation between normative and actual parameters of O&M expenses, which cannot be on the account of efficiency of the Petitioners. The relevant extracts are as under:

"4.5.10 The Commission observed that there is a large variation in the normative and actual O&M Expenses. It should be noted that the Business Plan for the MYT Control Period was prepared taking into consideration, higher sales, power purchase, O&M etc. In its current filings the Licensees have shown considerable reduction in all the components, like lower sales, power purchase, O&M

expenses etc. which resulted in vast variation in all the parameters. The sharing of gains is allowed for incentivisation of efficiency. It is for sure that such wide variations cannot be on account of the efficiency of the licensees. Hence, the Commission is not allowing the sharing of O&M Expenses. Further, the Commission directs the Licensees to submit the detailed explanation for this variation in its next filings.

4.5.11 The Petitioners have considered lower of the total O & M expenses as per normative or Audited Accounts. However, the Commission while allowing the O&M expenses, has considered the "lower of normative or actual for each element of O&M, i.e. Employee Expense, R&M & A&G" otherwise the purpose of having individual norms of Employee Expenses, A&G Expenses, and R&M Expenses will be affected."

5.6.20 As per above, the Commission has taken a view to allow the "lower of normative or actual for each element of O&M, i.e. Employee Expense, R&M & A&G". It is further pertinent to mention, that the above approach of the Commission is sub judice before Hon`ble APTEL. Since, the provisions applicable for O&M expenses are same for both State owned Discoms and UPPTCL under both the MYT Regulations 2014, therefore it would be prudent to consider the same approach for UPPTCL also.

Unquote

-------"

15. It can be seen from the above that the Commission has taken a conscious view in the matter reasoning that as the said approach was sub judice in Hon'ble APTEL in Appeal No. 389 of 2019 in the matter of Tariff Order of FY 2019-20 dt. 03.09.2019 of the UP State Discoms, therefore it would be prudent to consider the same approach for UPPTCL also.

16. Further, regarding disallowance of sharing of gains, the Commission observed in Tariff Order for FY 2021-22 dated 29.06.2021 as follows:

"----------

4.7.20 In line with previous view, the Commission from above observes that there is a large variation between normative and actual O&M Expenses of UPPTCL. It is pertinent to mention that the norms in the Business Plan for the MYT Control Period was prepared taking into consideration line length (ckt kms), no. of bays, no. of employees, energy handled, etc. over the past years and the O&M expenses were allowed considering the projections of line length (ckt kms), no. of bays, energy handled by the Petitioner. It is observed that in its current true-up filings, the actual expenses as *per audited account are very low, compared to normative figures, which has resulted in vast variation in the parameters.*

4.7.21 The Commission is of the view that the sharing of gains is allowed only for the purpose of Incentivisation of efficiency. It is for sure that such wide variations cannot be on account of the efficiency of the licensee. Hence, the Commission is not allowing the sharing gain/loss of O&M Expenses in line with the view taken in the previous Tariff Order in case of True up of FY 2017-18 & FY 2018-19 dated 10.11.2020.

-------"

17. Further, regarding issue of disallowance of capital expenditure, it was observed that the Commission after considering all the facts took a conscious decision to disallow 25% of capital investment. The relevant extract of the Tariff Order for FY 2021-22 dated 29.06.2021 is reproduced as below: -

"-------

4.3.17 Further the Petitioner has not submitted the supporting document required to be submitted and the Petitioner cannot take recourse of the Tariff Petition to approve the schemes that were to be submitted for prior approval of the Commission before the commencement of the work through separate proceedings. Hence the same cannot be considered.

4.3.18 Further, in the True-of FY 2018-19 Order dated 10.11.2021, the Commission in this regard had observed as under:

Quote

5.2.14 From the above, it is observed, that the Commission in its Tariff Orders and further proceedings, kept reminding the Petitioner to submit the Capital investment plan and take prior approval of the schemes greater than INR 10 Crore as per Regulation 19A of the UPERC MYT Regulations 2014. ***However, the Petitioner did not take prior approval for the Commission for any of the schemes with capital expenditure greater than INR 10 Crore. Accordingly, the Commission has decided to disallow 25% of the Capital investment for FY 2018-19 due to repeated non-compliance of the Commission's orders.***

Unquote

4.3.19 Thus, in view of the above discussion the Commission is of opinion that since the Petitioner has not taken prior approval of the Commission for any of the schemes with the capital expenditure greater than 10 Crore in accordance with UPERC (Multi Year

Transmission Tariff) Regulations, 2014, hence it is decided to disallow 25% of the Capital investment for FY 2019-20 due to repeated non-compliance of the Commission's Orders, in line with the True-Up Order of FY 2018-19 dated 10.11.2021.

------"

18. In view of foregoing, it is pertinent to mention that the Commission has decided the issues after careful consideration of facts of the case and the reasonings have been provided in the Tariff Order itself. Therefore, the Commission is of view that the Petitioner has not been able to establish as how this Petition was coming under the scope of review. Either a ground that "Presentation of a fact which was existing at the time of passing the initial Order but which could not be placed before the court despite the due diligence of review applicant and which has potential to alter the course judgment" or "an order where an inadvertent error has crept in" are the only two grounds, which can be taken for invoking the review jurisdiction of the court. The Petitioner's grounds of review are associated with the approach that has been applied and not of any error apparent in calculation of O&M expenses and allowance of capital expenditure. Further, the Commission issued speaking order while allowing the O&M expenses and capital expenditure. The Commission is of the view that such matters, which will require a change in approach, cannot be addressed through a Review Petition, which is meant to cure only those defects or apparent errors which can be pinpointed without any elaborate argument.

19. In fact, Hon'ble Supreme Court in catena of judgments has already held that: A review is by no means an appeal in disguise whereby an erroneous decision is reheard and corrected but lies only for patent error [Tungabhadra & c v. Govt, A 1964 SC 1372; Shiv Ganesh v. State of UP., AIR 2005 All 412 (415,416)]. It has also been clearly laid down by the Hon'ble Supreme Court that: The scope of review is for review of "error apparent" only and not to review the judgment/order, even if the parties are in a position to satisfy the Court that the order under review is an erroneous order [Sharada Devi v. Bank of India, (2001), 2 BLJR 967 (969) (Pat); Ahmedabad Electricity Co. Ltd v. State of Gujarat, AIR 2003 Guj 157 (159) (DB)]. Hon'ble Supreme Court has also held that: Decision wrong in law is not error apparent on the face of record [Bardhan v. Sarkar, 53 CWN 869]. In face of above judgments of Hon'ble Supreme Court the grounds taken by review applicant prima facie does not fall stricto sensu within the scope of review.

Unquote

4.4.13 Further, the State Distribution Licensees have challenged the new approach of the Commission vide an appeal (Appeal no. 389 of 2019) before the Hon'ble APTEL against the Tariff Order of FY 2019-20 of State Owned Distribution Licensees dated September 03, 2019, which is sub-judice before the Hon'ble APTEL.

4.4.14 The Commission observed that the Petitioner instead of considering the average of Trued-Up values (without efficiency gain / loss) for the last five financial years, considered the Trued-Up values of FY 2015-16 & FY 2016-17 and normative values for the period from FY 2017-18 to FY 2019-20. Further, it is also observed that the escalation factor for FY 2019-20 considered by Petitioner (6.17%) is not matching with actual CPI and WPI inflation factor (6.30%).

4.4.15 The Commission has computed the mid-year value (FY 2017-18) taking into account the trued-up value for the last five financial years (FY 2015-16 to FY 2019-20) as per Regulation 34(b) of MYT Regulations, 2019. Further, for computing normative values for FY 2019-20, the mid-year value (FY 2017-18) is escalated on yearly basis with the escalation factor considering actual CPI and WPI of respective years in the ratio of 60:40, for subsequent years up to FY 2019-20 in line with Regulation 34(c) of MYT Regulations, 2019.

4.4.16 The Commission has considered the WPI and CPI inflation rate notified by Labour Bureau, Govt. of India (GoI) (http://labourbureau.gov.in/ LBO_indexes.htm) and Economic Advisor Govt. of India (https://eaindustry.nic.in/) respectively for different years as shown in the table below:

Table 4-7: INFLATION INDEX FOR FY 2020-21 CONSIDERED BY THE COMMISSION (%)

FY	INDEX		INFLATION RATE		60:40 Index	60:40 Index Inflation	Average of Last 3 Years	
	WPI	CPI	WPI	CPI			WPI	CPI
FY 2013-14	112.46	236.00	5.20%	9.68%	186.58	8.57%	-	
FY 2014-15	113.88	250.83	1.26%	6.29%	196.05	5.07%		
FY 2015-16	109.72	265.00	-3.65%	5.65%	202.89	3.49%		
FY 2016-17	111.62	275.92	1.73%	4.12%	210.20	3.60%		
FY 2017-18	114.88	284.42	2.92%	3.08%	216.60	3.05%		
FY 2018-19	119.79	299.92	4.28%	5.45%	227.87	**5.20%**		
FY 2019-20	121.80	322.50	1.68%	7.53%	242.22	**6.30%**	2.96%	5.35%
FY 2020-21	123.26	338.69	1.20%	5.02%	252.52	4.25%	2.57%	6.00%
FY 2021-22	139.37	355.44	12.46%	4.95%	269.01	6.42%	5.29%	5.83%

Table 4-8: O&M EXPENSES FOR BASE YEAR (FY 2019-20) APPROVED BY THE COMMISSION (RS. CRORE)

Particulars	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	Normative Expenses (upto Base Year)		
						FY 2017-18 (Mid-Year)	FY 2018-19	FY 2019-20 (Base-Year)
Employee Expenses	473.99	513.86	507.06	553.70	640.21	537.76	565.74	601.37
A&G Expenses	28.35	62.51	39.00	38.25	53.41	44.79	47.12	50.08
R & M Expenses	167.81	205.35	341.83	413.44	460.19	317.72	334.25	355.30
O&M Expenses	607.15	781.72	887.03	1,004.95	1,153.81	900.27	947.10	1,006.76
WPI & CPI Combined Inflation Rate Considered (%)	-	-	-	-	-	-	**5.20%**	**6.30%**

4.4.17 Regulations 34.1, 34.2 and 34.3 of MYT Regulations, 2019 specifies the methodology to compute each component of O&M Expenses as stated below:

Quote

34.1 Employee Cost

Employee cost shall be computed as per the following formula escalated by consumer price index (CPI), adjusted by provisions for expenses beyond the control of the Licensee and one-time expected expenses, such as recovery/adjustment of terminal benefits, implications of Pay Commission, arrears, Interim Relief, etc.,

EMPn = EMPn-1 (1+ CPI inflation)

Where:

EMPn: Employee expense for the nth year;

EMPn-1: Employee expense for the (n-1)th year;

CPI inflation is the average of Consumer Price Index (CPI) for immediately preceding three Financial Years.

34.2 Repairs and Maintenance Expense

Repair and Maintenance expense shall be calculated as per the following formula:

R&Mn= R&M n-1(1+ WPI inflation)

Where:

R&Mn: Repairs & Maintenance expense for nth year;

R&Mn-1: Repairs & Maintenance expense for the (n-1)th year;

WPI inflation is the average of Wholesale Price Index (WPI) for immediately preceding three Financial Years.

34.3 Administrative and General Expenses

A&G expense shall be computed as per the following formula escalated by the Wholesale Price Index (WPI) and adjusted by provisions for confirmed initiatives (IT, etc., initiatives as proposed by the Transmission Licensee and validated by the Commission) or other expected one-time expenses:

A&Gn= A&G n-1 (1+ WPI inflation)
Where:
A&Gn: A&G expense for the nth year;
A&Gn-1: A&G expense for the (n-1)th year;
WPI inflation is the average of Wholesale Price Index (WPI) for immediately preceding three Financial Years:
Provided that Interest and Finance charges such as Credit Rating charges, collection facilitation charges, financing cost of Delayed Payment Surcharge and other finance charges shall be a part of A&G expenses.
Illustration: For FY 2020-21, (n-1)th year will be FY 2019-20 which is also the base year.

Unquote

4.4.18 The Commission has now calculated the normative Employee Expenses for FY 2020-21 by escalating the normative Employee Expenses for FY 2019-20 derived above, with inflation factor (5.35%) i.e., average of Consumer Price Index (CPI) for immediately preceding three Financial Years as per Regulations 34.1 of MYT Regulations, 2019. The Employee Expense capitalisation for FY 2020-21 is considered on actual basis as per annual accounts for FY 2020-21.

4.4.19 The Commission has calculated the normative R&M Expenses for FY 2020-21 by escalating the normative R&M Expenses for FY 2019-20 derived above, with inflation factor (2.96%) i.e., average of Wholesale Price Index (WPI) for immediately preceding three Financial Years as per Regulations 34.2 of MYT Regulations, 2019.

4.4.20 The Commission observed that the Petitioner has claimed the Licensee Fee and Finance Charge over and above the normative value, whereas the Commission has considered the Licensee Fee and Finance Charge as a part of A&G Expenses while deriving the Mid-Year value (FY 2017-18) and Base-Year value (FY 2019-20). Hence, the claim of Petitioner for allowing Licensee Fee and Finance Charge separately over and above the normative value cannot be considered as the same has been taken into consideration while deriving the normative value of A&G Expenses for FY 2020-21.

4.4.21 The Commission has calculated the normative A&G Expenses for FY 2020-21 by escalating the normative A&G Expenses (A&G Expenses including Licensee Fee and Finance Charge) for FY 2019-20 derived above, with inflation factor (2.96%) i.e., average of Wholesale Price Index (WPI) for immediately preceding three Financial Years as per Regulations 34.3 of MYT Regulations, 2019.

4.4.22 The Normative O&M Expenses calculated based on the methodology discussed above is summarised in the table below:

Table 4-9: NORMATIVE O&M EXPENSES COMPUTED BY THE COMMISSION (RS. CRORE)

Particulars	FY 2020-21		
	Tariff Order for FY 2020-21 dated 10.11.2020	Petition (True-up)	Computed (Normative)
Employee Expenses	607.29	968.81	633.57
Less: Employee Expenses Capitalised	371.63	240.26	240.26
Net Employee Expenses	**235.66**	**728.55**	**393.31**
A&G Expenses	47.08	50.82	51.57
Add: Licensee Fee		5.88	
Add: Finance Charges		0.06	
Net: A&G Expenses	**47.08**	**56.76**	**51.57**
R&M Expenses	**307.64**	**376.61**	**365.82**
Normative O&M Expenses	**590.38**	**1161.92**	**810.69**

4.4.23 The actual O&M Expenses for FY 2020-21 as per audited accounts for FY 2020-21 is as follows:

Table 4-10: ACTUAL O&M EXPENSES AS PER AUDITED ACCOUNTS (RS. CRORE)

Particulars	FY 202-21 (Actual)
Employee Expenses	584.72
Less: Employee Expenses Capitalised	240.26
Net Employee Expenses	**344.46**
A&G Expenses	64.82
Add: Licensee Fee	
Add: Finance Charges	
Net: A&G Expenses	**64.82**
R&M Expenses	**448.65**
O&M Expenses	**857.93**

4.4.24 Further, variation in O&M Expenses is considered as Controllable Factor as per Regulation 8.2 of MYT Regulations, 2019 and treatment of gain/(loss) on account of Controllable factor is governed as per Regulation 10 of MYT Regulations, 2019 as reproduced below:

Quote

8.2 The "Controllable Factors" shall include, but shall not be limited to the following:

…………………

(i) Variation in Operation & Maintenance expenses

....

10 Treatment of Gains or Losses on account of Controllable Factors

10.1 Lower of the value as approved in ARR or actual value as per the True-Up shall be allowed by the Commission.

Unquote

4.4.25 Thus, the Commission has considered the net approved O&M Expenses for FY 2020-21 based on lower of actual or normative value of each component of O&M Expenses. The O&M Expenses approved by the Commission for FY 2020-21 is shown in the table below:

Table 4-11: O&M EXPENSES APPROVED BY THE COMMISSION (RS. CRORE)

Particulars	FY 2020-21				
	Tariff Order for FY 2020-21 dated 10.11.2020	Petition (True-up)	Computed (Normative)	Audited Accounts	Approved (True up)
Employee Expenses	607.29	968.81	633.57	584.72	584.72
Less: Employee Expenses Capitalised	371.63	240.26	240.26	240.26	240.26
Net Employee Expenses	**235.66**	**728.55**	**393.31**	**344.46**	**344.46**
A&G Expenses	47.08	50.82	51.57	64.82	51.57
Add: Licensee Fee		5.88			
Add: Finance Charges		0.06			
Net A&G Expenses	**47.08**	**56.76**	**51.57**	**64.82**	**51.57**
R&M Expenses	**307.64**	**376.61**	**365.82**	**448.65**	**365.82**
O&M Expenses	**590.38**	**1161.92**	**810.69**	**857.93**	**761.84**

4.5 CAPITAL WORK IN PROGRESS & GROSS FIXED ASSET

Petitioner's Submission

4.5.1 The Petitioner submitted that they have considered the Opening and Closing Capital Work in Progress (CWIP) as per Balance Sheet for FY 2020-21. The assets transferred to Gross Fixed Asset (GFA) are considered based on the audited accounts statement for FY 2020-21. Further, Employee Expenses capitalisation and Interest Capitalisation on Long Term Loans are claimed as per audited accounts.

4.5.2 The Petitioner further added that the Commission in its Tariff Order of FY 2020-21 dated November 10, 2020 and Tariff Order of FY 2021-22 dated June 29, 2021 had disallowed 25% of capital investment while truing up of FY 2017-18 & FY 2018-19 and FY 2019-20 respectively, citing that the Petitioner had not taken prior approval of capital expenditure in accordance with Regulation 19A of MYT Regulations, 2014. Subsequently, the Commission had also disallowed the Gross Fixed Asset (GFA) and Capital Work in Progress (CWIP) for the period from FY 2017-18 to FY 2019-20. Being aggrieved by the above, the Petitioner had filed a Review Petition seeking review of the disallowance in Capital Investment in the above said true up Orders. The CWIP and GFA for FY 2020-21 as submitted by the Petitioner is shown below.

Table 4-12: CAPITAL EXPENDITURE SUBMITTED BY PETITIONER (RS. CRORE)

Particular	Derivation	FY 2020-21	
		Tariff Order for FY 2020-21 dated 10.11.2020	Petition (True-up)
Opening CWIP as on 01.04.2020	A	7441.01	7793.56
Investments during FY 2020-21	B	4810.49	3246.08
Employee Expenses Capitalisation	C	371.63	240.26
A&G Expenses Capitalisation	D	0.00	0.00
Interest Capitalisation on Interest on Long Term Loans	E	298.36	197.47
Total Investments	F= A+B+C+D+E	12921.49	11477.38
Transferred to GFA (Total Capitalisation)	G	3230.37	3519.05
Closing CWIP as on 31.03.2021	H= F-G	9691.12	7958.32

Table 4-13: GFA AS SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	FY 2020-21	
	Tariff Order for FY 2020-21 dated 10.11.2020	Petition (True up)
Opening GFA as on 01.04.2020	27268.44	28543.10
GFA Addition during FY 2020-21	3230.37	3519.05
Decapitalisation/ Deduction during FY 2020-21	313.00	182.57
Closing GFA as on 31.03.2021	30185.81	31879.58

Commission's Analysis

4.5.3 The relevant Regulation related to Capital Investment Plan as in MYT Regulations, 2019 is reproduced below:

Quote

32 Capital Investment Plan

32.1 The Transmission Licensee shall submit a detailed capital investment plan, financing plan and physical targets for each year of the Control Period for strengthening and augmentation of the Intra-State Transmission System of the Transmission Licensee, meeting the requirement of load growth, improvement in quality of supply, reliability, metering, reduction in congestion, etc., to the Commission for approval:

Provided that in case of non- submission of the Capital Investment Plan by the Transmission Licensee for a year of the Control Period, the Commission may disallow the Capital expenditure for that year.

32.2 The Capital Investment Plan shall be a least cost plan for undertaking investments. However, all capital expenditure projects of 220 kV and above and other capital expenditure of value exceeding Rs. Twenty Crore, must have prior approval of the Commission on quarterly basis, and will be subject to prudence check.

Unquote

4.5.4 The Commission in its Tariff Order for FY 2020-21 dated November 10, 2020 in Petition No. 1515 & 1571 of 2020 directed the Petitioner to submit the complete capital investment plan at the earliest and take separate approval(s) for projects above 20 Crores and 220 kV in compliance to Regulation 32.2 of MYT Regulations, 2019. The relevant extract of above said Order dated November 10, 2020 is as below:

Quote

7.3.6 The Commission observes that the Petitioner has submitted some DPRs or details for approval and the scrutiny of the same is under process. However, the 1st & 2nd quarter of the year has already passed. Therefore, the Commission has allowed 100% of the Capital Expenditure as claimed by the Petitioner for FY 2020-21.

7.3.7 However, the Commission directs the Petitioner to submit the complete capital investment plan at the earliest and take separate approval(s) for projects above 20 Crores and 220 kV in terms of Regulation 32.2 of UPERC MYT Regulations, 2019. It is to be noted that if the Licensee fails to submit the capital investment plan and does not take separate approval(s) for projects above 20 Crores and 220 kV in terms of Regulation 32.2 of UPERC MYT Regulations 2019, the Commission would be forced to disallow the same in terms of the Regulations.

7.3.8 Therefore, in line with the above, the Commission has considered the following assumptions for the computation of GFA & CWIP for FY 2020-21:

(a) to allow 100% of the claimed capital investments for FY 2020-21.
(b) to allow 25% capitalization of total investments which includes opening CWIP, Employee capitalisation, A&G capitalisation, Interest capitalisation and investments during the year, as has been the past practice.

Unquote

4.5.5 Further, the Commission vide its Tariff Order for FY 2021-22 dated June 29, 2021 once again directed the Petitioner to comply Regulation 32.2 of MYT Regulations, 2019. The relevant extract is reproduced below:

Quote

7.2.3 The Commission directs the Petitioner to submit the detailed capital investment plans/ schemes/ projects of 220 kV and above and other capital expenditure of value exceeding Rs. 20 Crores for prior approval as per MYT Regulations, failing which the Commission may not allow the capex in the ARR and Tariff. Such investment approval Petitions should be accompanied with detailed techno-economic analysis preferably based on load flow study, IRR computations, if any.

Unquote

4.5.6 The Commission observed that the Petitioner in compliance to the directions of the Commission sought approval(s) of capital investment on quarterly basis, and the details of orders issued by the Commission in this regard are as follows:

A. Commission Order dated February 10, 2021 in Petition No. 1643 of 2020 for 1st and 2nd Quarter of FY 2020-21. The relevant extract is as follows:

Quote

Commission's View

10. The Commission heard the Petitioner at length and after careful consideration of the submissions and pleadings made by the Petitioner the findings of the Commission are provided in subsequent paras.

11. The Commission has examined the computation of IRR submitted by the Petitioner and it was observed that IRR computation needs to be revisited. Further, the Commission is of the view that following parameter/ principles need to be considered while computing IRR:

A. The Cost of the scheme is inclusive of all taxes.
B. The Capital/ cash outflow and source of the capital, i.e Debt, Equity and Grants, if any.
C. Next, the overall expenses (cash outflows) during the life of the project, and Annual Fixed Cost (AFC) has to be to be computed, which would comprise of ARR components like Depreciation, Interest on Loan, Return on Equity, Interest on Working Capital and Operation and Maintenance.
D. Further, the revenue stream (cash inflows) has to be computed over the project life, considering the existing tariff allowed by the Commission in the Tariff Order after assuming certain escalation on the tariff over the period of time.
E. The net cash flow (i.e. cash inflow - cash outflow) over the project life, needs to be considered and accordingly IRR has to be computed.
F. The project shall be deemed viable if the IRR is equal to or more than the cost of capital. In the present case, it needs to be equal to or more than the rate of interest on loan/debt (cost of borrowing) of the project.

12. The Commission has observed that UPPTCL while computing IRR, has considered the rate of return on Equity as 2%. However, it is pertinent to mention that as these projects are proposed to be commissioned during the MYT Control Period of FY 2019-20 to FY 2024-25 therefore, for computing IRR of these projects, the values shall be as per UPERC MYT (Distribution and Transmission) Regulations, 2019. Accordingly, the Commission has considered the RoE as 14.5%. The depreciation has been computed as per SLM and upto 90% of the capital cost, which is spread over the life of the project. Further, the depreciation for the year is assumed to be the loan repayment for the year.

13. Accordingly, the Commission on the basis of the principle mentioned above, has computed the IRR of the projects (sample computation attached as Annexure 1) as under:

(i) Scheme 1: Construction of 132 kV Erach & upgradation of 132 kV Moth, Jhansi S/s & Associated Lines

a. The Commission has noted that UPEIDA (U.P. Expressways Industrial Development Authority) has sought for construction of 132/33kV (2x40MVA) substation for Development of Uttar Pradesh Defense corridor. The Commission finds that the scheme is necessary for supplying power to the defense corridor, which is a crucial investment opportunity for State of Uttar Pradesh.

b. The Capital Cost proposed for the project is of Rs. 84.16 Crs.

c. The Commission, for computation of IRR, has considered following assumptions:
- *RoE of 14.5%,*
- *Annual tariff escalations as 5%*
- *Load factor for the first 10 years to be at 50% and subsequently it is increased at 70% upto the life of the scheme, of the capacity (MVA) to be constructed, as submitted by the Petitioner.*
- *The rate of interest on loan/debt of the project is considered as 10.72%, which is the last approved rate of interest as per Tariff Order of FY 2020-21 dated 10.11.2020.*

d. Based on above assumptions the IRR has been calculated, which comes out to 8.99% which is less than the cost of borrowing of the project. Accordingly, the Commission finds that the proposed capital expenditure of Rs. 84.16 Crs is not viable and to make it viable, either the cost of the project must be reduced or the grant component needs to be introduced / increased.

e. Accordingly, the Commission has capped the capital expenditure of the scheme at Rs. 73.25 Cr. at an IRR of 10.72% subject to the terms and conditions as stipulated in this Order.

(ii) ***Scheme 2: Construction of 132 kV Kaila Devi, Sambhal & Associated Lines***

a. *The Commission noted that the licensee has proposed the scheme in view of continuous increase of load by way of day to day expansion of urban area around the Sambhal city and thus considering future demand and ensuring 24x7 supply of electricity. It is also informed by the Licensee that the space is available for the construction of 33 kV bays at 132 kV S/s Sambhal but due to non-availability of right of way, it is essential to construct 132/33 kV, 2x40 MVA substation Kaila Devi, Sambhal. Therefore, the Commission finds that scheme is needed for the reliability, quality & voltage profile.*

b. *The Capital Cost proposed for the project is of Rs. 45.05 Crs.*

c. *The Commission for computation of IRR has considered following assumptions:*
   - *RoE of 14.5%;*
   - *Annual tariff escalations as 5%;*
   - *Load factor of 50% upto the life of the scheme, of the capacity (MVA) to be constructed, as submitted by the Petitioner;*
   - *The rate of interest on loan/debt of the project is considered as 10.72%, which is the last approved rate of interest as per Tariff Order of FY 2020-21 dated 10.11.2020.*

d. *The IRR of the project comes out to 18.25%. Hence, the project seems to be viable/feasible and is approved subject to the terms and conditions as stipulated in this Order.*

(iii) ***Scheme 3: Construction of 132 kV Padrauna, Kushinagar & Associated Lines***

a. *The Commission observes that the Scheme is required in order to relieve existing substations from overloading and to provide reliability, quality & voltage profile.*

b. *The Capital Cost proposed for the project is of Rs. 73.32 Crs.*

c. *The Commission for computation of IRR has considered following assumptions:*
   - *RoE of 14.5%;*
   - *Annual tariff escalations as 5%;*
   - *Load factor for the first 10 years to be at 50% and subsequently it is increased at 70% upto the life of the scheme, of the capacity (MVA) to be constructed, as submitted by the Petitioner;*
   - *The rate of interest on loan/debt of the project is considered as 10.72%, which is the last approved rate of interest as per Tariff Order of FY 2020-21 dated 10.11.2020.*

d. *The IRR of the project comes out to 11.47%. Hence, the project seems to be viable/feasible and is approved subject to the terms and conditions as stipulated in this Order.*

(iv) <u>Scheme 4: Construction of 132 kV Hasanpur, Amroha & Associated Lines</u>

a. *The Commission noted that the Scheme is required in order to relieve existing substations from overloading and to provide reliability, quality & voltage profile.*
b. *The Capital Cost proposed for the project is of Rs. 45.32 Crs.*
c. *The Commission for computation of IRR has considered following assumptions:*
    - *RoE of 14.5%;*
    - *Annual tariff escalations as 5%;*
    - *Load factor for the first 10 years to be at 50% and subsequently it is increased at 70% upto the life of the scheme, of the capacity (MVA) to be constructed, as submitted by the Petitioner;*
    - *The rate of interest on loan/debt of the project is considered as 10.72%, which is the last approved rate of interest as per Tariff Order of FY 2020-21 dated 10.11.2020.*
d. *The IRR of the project comes out to 18.06%. Hence, the project seems to be viable/feasible and is approved subject to the terms and conditions as stipulated in this Order.*

(v) ***<u>Scheme 5: Construction of 132 kV Fariha, Firozabad & Associated Lines</u>***

a. *The Commission noted that the Scheme is required in order to relieve existing substations from overloading and to provide reliability, quality & voltage profile.*
b. *The Capital Cost proposed for the project is of Rs. 46.71 Crs.*
c. *The Commission for computation of IRR has considered following assumptions:*
    - *RoE of 14.5%;*
    - *Annual tariff escalations as 5%;*
    - *Load factor for the first 10 years to be at 50% and subsequently it is increased at 70% upto the life of the scheme, of the capacity (MVA) to be constructed, as submitted by the Petitioner;*
    - *The rate of interest on loan/debt of the project is considered as 10.72%, which is the last approved rate of interest as per Tariff Order of FY 2020-21 dated 10.11.2020.*
d. *The IRR of the project comes out to 17.55%.*
e. *It is expected that the cost of the project may further reduce once it is done through competitive bidding. Hence, the project seems to be*

viable/feasible and is approved subject to the terms and conditions as stipulated in this Order.

14. The said approval to the above schemes is subject to the following conditions: -

(i) The Scheme shall be executed within the stipulated timeframe as indicated. No time overrun or cost overrun shall be allowed.

(ii) The various equipments and material or execution of the schemes shall be procured through a fair and transparent competitive bidding process.

(iii) All works shall be carried out in compliance with the Act/ Regulations Rules/ Standards. Further, the work shall be executed by adopting best industry practices, duly keeping in view the aesthetics, in case of all overhead works. The Licensee shall follow the construction standards as approved by CEA.

(iv) The Licensee shall submit the completion report indicating the actual cost incurred in implementation of the schemes. The final cost and quantity will be subject to verification by way of prudence check/truing up at the time of final approval/ capitalization.

(v) Reclamation of material, wherever applicable, shall be made and credit thereof shall be given at the time of finalization of scheme costs.

(vi) The Licensee shall submit six monthly progress report to the Commission indicating the financial and physical progress of the implementation of the schemes.

(vii) Taxes are to be levied as per actuals and it shall be accounted for accordingly at the time of finalization of account.

(viii) The Licensee shall submit the following prescribed certificates on completion of the schemes: -

- *a. Electrical Inspector's Certificate/ Report. It is also specified that the work shall be commissioned only after obtaining the requisite statutory certificates, including Electrical Inspector's Certificate.*
- *b. Contractor's Certificate for proper execution of work*
- *c. Statutory Auditor's Certificate for the full and final actual cost disbursed for execution of work.*

15. Accordingly, the Petition is disposed of.

Unquote

B. Commission Order dated May 06, 2021 in Petition No. 1676 of 2021 for 3rd Quarter of FY 2020-21. The relevant extract is as follows:

Quote

5. The summary of the capital expenditure schemes approved for 3rd quarter of FY 2020-21 are as under:

Sl. No.	Scheme No.	Name of Scheme	Type	Claimed		Approved	
				Amount (Rs. Crore)	IRR (%)	Amount (Rs. Crore)	IRR (%)
1	Scheme-1	220/33kV Khorabar (Gorakhpur) S/s & Associated Lines	Enhancing Capacity	101.02	19.12%	101.02	19.02%
2	Scheme-2	132/33kV Gharighat (Gonda) S/s & Associated Lines	Enhancing Capacity	48.66	17.00%	48.66	17.76%
3	Scheme-3	220/132kV Metro Depot,Greater Noida (G.B.Nagar) & Associated Lines (Deposit)	Deposit Work	62.86	56.12%	-	-
4	Scheme-4	132/33kV Ecotech Sector-10/11 GreaterNoida(G.B.Nagar) S/s & Associated Lines (Deposit)	Deposit Work	78.04	17.42%	-	-
5	Scheme-5	System strengthening work of U/C 400kV Machlisahar (Jaunpur) S/s	System Strengthening	75.39	16.73%	61.21*	10.72%
6	Scheme-6	Construction of 3x60MVA, 220/33kV GIS Substation, Kidwai Nagar, Govind Nagar (Kanpur) and associated lines.	Modification of earlier approved (by TWC) scheme of 99.69 Crs.	24.51	15.95%	-	-
Total (Rs. Crore)				**390.44**		**210.89**	

Amount capped to Rs. 61.21 Crs to allow IRR of 10.72% equal to the cost of borrowing of the project
Note: Scheme 2 & 3 are from consumer's deposit works, hence not deliberated upon.
Scheme 6 deferred till ETF approval is granted.

6. *The approval of the above discussed schemes is subject to the following conditions: -*

(i) *The Scheme shall be executed within the stipulated timeframe as indicated. No time overrun or cost overrun shall be allowed.*

(ii) *The various equipments and material or execution of the schemes shall be procured through a fair and transparent competitive bidding process.*

(iii) *All works shall be carried out in compliance with the Act/ Regulations Rules/ Standards. Further, the work shall be executed by adopting best industry practices, duly keeping in view the aesthetics, in case of all overhead works. The Licensee shall follow the construction standards as approved by CEA.*

(iv) *The Licensee shall submit the completion report indicating the actual cost incurred in implementation of the schemes. The final cost and quantity will be subject to verification by way of prudence check/truing up at the time of final approval/ capitalization.*

(v) *Reclamation of material, wherever applicable, shall be made and credit thereof shall be given at the time of finalization of scheme costs.*

(vi) *The Licensee shall submit six monthly progress report to the Commission indicating the financial and physical progress of the implementation of the schemes.*

(vii) *Taxes are to be levied as per actuals and it shall be accounted for accordingly at the time of finalization of account.*

(viii) *The Licensee shall submit the following prescribed certificates on completion of the schemes: -*

(ix) *Electrical Inspector's Certificate/ Report. It is also specified that the work shall be commissioned only after obtaining the requisite statutory certificates, including Electrical Inspector's Certificate.*

(x) *Contractor's Certificate for proper execution of work*

(xi) *Statutory Auditor's Certificate for the full and final actual cost disbursed for execution of work.*

7. Accordingly, the Petition is disposed of.

Unquote

C. Commission Order dated July 12, 2021 in Petition No. 1707 of 2021 for 4th Quarter of FY 2020-21. The relevant extract is as follows:

Quote

Commission's View

(i) *The Commission observed that the IRR of the said scheme claimed by the Petitioner is 134.75% as the Petitioner has considered load factor of 50% for first 10 years and 70% thereafter for the remaining life. The Commission while calculating the IRR of the said scheme has also considered load factor of 50% for first 10 years and 70% thereof for the remaining life in line with the approach adopted in the previous approval of schemes of 1st, 2nd and 3rd Quarter. The Commission has also calculated IRR of 134.75% for the said scheme, which is much more than 10.12%, i.e. the last approved rate of interest on loan/debt as per Tariff Order dated 29.06.2021 for FY 2021-22 and hence considers the same in order. Further, it has also been observed that these investments are catering to the load requirement of coming years.*

(ii) *Further, in regard to the request of the Petitioner to exempt the execution of augmentation scheme through TBCB route, the Commission has observed that the Petitioner was directed vide Order dated 10.02.2021 in Petition No. 1653 of 2020 that all new transmission projects above 220 kV shall be implemented through TBCB in view of the difficulties and issues associate with it. Hence, the Commission is of the view that it has already provided the relaxation to certain extent* *and therefore no further relaxation can be provided in this regard. However, the Petitioner can approach on case-to-case basis and the Commission if considers deem fit, may relax the same.*

(iii) Hence in view of the above, Schemes No. 1 (Augmentation of 400/220kV 2x315MVA to 2x500MVA Transformer at Panki Substation) of Rs. 33.28 Crore is approved subject to the conditions mentioned in para 6 of this Order. Further, the request of the Petitioner to exempt the scheme from TBCB route is not being accepted.

Scheme No. 2 (LILO of one circuit of 400kV Shamli - Aligarh D/C Twin Moose line on Khurja STPS)

<u>Petitioner's Submission</u>

(i) The Petitioner submitted that 2 X 660 MW Khurja Super Thermal Power Project is being implemented by THDCIL in Bulandsahar District of Uttar Pradesh. The MoU for implementation of the project was signed between THDCIL, GoUP and UP Power Corporation Ltd. Power Purchase Agreement (PPA) has been carried out by U.P. Power Corporation Ltd for 60% part of generated power of Khurja S.T.T.P. Power evacuation from Khurja S.T.T.P. is approved by CEA in 2nd meeting of NRPC (TP) dated 01.09.2020 and for share of Uttar Pradesh, LILO of one circuit of 400kV Shamli - Aligarh D/C Twin Moose line on Khurja STPS has been approved. Further the construction of LILO was principally approved by UPPTCL in 41st TWC meeting of 13th Plan. The Petitioner submitted that the 400kV Shamli-Aligarh line is already under construction in EPC mode (work is likely to be completed by June, 2021) and for evacuation of share of power allocation to U.P. from Khurja TPS, LILO having 13Km. length of this line has been planned.

(ii) Further, the Petitioner stated that as the proposed LILO work will include modification in the already planned and under construction work which is being carried out through EPC mode and also being smaller project of only 26.75 crore, the tariff discovered through TBCB may not be attractive or sufficient enough to generate interest of bidders who may have to incur the costs upfront while operating the system for 25 years to get the return in the form of fixed tariff. Alternately, the Petitioner will have to wait till other projects are approved and are available for clubbing so as to go for bidding of combined projects, with a cumulative substantial total value of say Rs. 500 crore (approx.), before TBCB project is put up before competent authority/ Bidding Process Coordinator. Further in view that part of the line (after LILO) will be owned by the Petitioner and part by TBCB developers, there would be operational/ jurisdictional issues, in case of faults/ shutdown works etc.

Hence in view of the above, the Petitioner requested the Commission to exempt the work to be implemented through TBCB and allow the implementation through EPC (Open Tender) mode.

<u>Commission's View</u>

(i) *The Commission observed that the IRR of the said scheme claimed by the Petitioner is 381% as the Petitioner has considered load factor of 50% for first 3 years and 90% thereafter for the remaining life. The Commission while calculating the IRR of the said scheme has considered load factor of 50% for first 10 years and 70% thereof for the remaining life in line with the approach adopted in the previous approval of schemes of 1st, 2nd and 3rd Quarter. The Commission has calculated IRR of 378.03% for the said scheme, which is much more than 10.12%, i.e. the last approved rate of interest on loan/debt as per Tariff Order dated 29.06.2021 for FY 2021-22 and hence considers the same in order. Further, it has been observed that these investments are catering to the load requirement of coming years. Accordingly, Schemes 2 of Rs. 26.75 Crore is approved subject to the conditions mentioned in para 6 of this Order.*

(ii) *Further, in regard to the request of the Petitioner to exempt the execution of augmentation scheme through TBCB route, the Commission has observed that the Petitioner was directed vide Order dated 10.02.2021 in Petition No. 1653 of 2020 that all new transmission projects above 220 kV shall be implemented through TBCB in view of the difficulties and issues associate with it. Hence, the Commission is of the view that it has already provided the relaxation to certain extent and therefore no further relaxation can be provided in this regard. However, the Petitioner can approach on case-to-case basis and the Commission if considers deem fit, may relax the same.*

(iii) Hence in view of the above, Scheme No. 2 (LILO of one circuit of 400kV Shamli - Aligarh D/C Twin Moose line on Khurja STPS) of Rs. 26.75 Crore is approved subject to the conditions mentioned in para 6 of this Order. Further, the request of the Petitioner to exempt the scheme from TBCB route is not being accepted.

5. In view of above deliberations, the Commission approves the capital expenditure schemes for 4th quarter of FY 2020-21 are as under:

Sl. No.	Scheme No.	Name of Scheme	Claimed		Approved	
			Amount (Rs. Crore)	IRR (%)	Amount (Rs. Crore)	IRR (%)
1	Scheme-1	Augmentation at 400/220 kV Panki S/s from 2x315 MVA to 2x500 MVA transformer	33.28	134.75%	33.28	134.75%
2	Scheme-2	LILO of one ckt of 400kV DC Shamli-Aligarh line at THDC Khurja Power Plant (2x660MW)	26.75	381.26%	26.75	378.03%
Total (Rs. Crore)			**60.03**		**60.03**	

6. The approval of the above discussed schemes is subject to the following conditions: -

(i) The Scheme shall be executed within the stipulated time frame as indicated. No time overrun or cost overrun shall be allowed.

(ii) The various equipment and material or execution of the schemes shall be procured through a fair and transparent competitive bidding process.

(iii) All works shall be carried out in compliance with the Act/ Regulations Rules/ Standards. Further, the work shall be executed by adopting best industry practices, duly keeping in view the aesthetics, in case of all overhead works. The Licensee shall follow the construction standards as approved by CEA.

(iv) The Licensee shall submit the completion report indicating the actual cost incurred in implementation of the schemes. The final cost and quantity will be subject to verification by way of prudence check/truing up at the time of final approval/ capitalization.

(v) Reclamation of material, wherever applicable, shall be made and credit thereof shall be given at the time of finalization of scheme costs.

(vi) The Licensee shall submit six monthly progress report to the Commission indicating the financial and physical progress of the implementation of the schemes.

(vii) Taxes are to be levied as per actuals and it shall be accounted for accordingly at the time of finalization of account.

(viii) The Licensee shall submit the following prescribed certificates on completion of the schemes: -

a. Electrical Inspector's Certificate/ Report. It is also specified that the work shall be commissioned only after obtaining the requisite statutory certificates, including Electrical Inspector's Certificate.

b. Contractor's Certificate for proper execution of work

c. Statutory Auditor's Certificate for the full and final actual cost disbursed for execution of work.

7. Accordingly, the Petition is disposed of.

Unquote

4.5.7 Thus, in view of the above, the Commission approves 100% capital investment/ expenditure for FY 2020-21 and also directs the Petitioner that prior approval of all the schemes/ projects as per Regulations 32.2 of MYT Regulations, 2019 should be ensured by the Petitioner to avoid penalty and disallowance in future also.

4.5.8 In regard to capitalisation, the Commission in its past True Up Orders for the period from FY 2017-18 to FY 2019-20 had allowed the capitalization based on percentage of capitalisation of total investment as per audited accounts, as the Petitioner had not taken the prior approval of Commission for the schemes as per Regulations. However, in-compliance of Commission's directive to take prior approval of investment, the Petitioner has started submitting Petition for capex approval on quarterly basis from FY 2020-21 onwards. Therefore, 100% capital investment during FY 2020-21 has been considered. Hence, actual capitalization as per balance sheet for true up of FY 2020-21 has been provisionally allowed. It is pertinent to mention here that the actual capitalization during FY 2020-21 may comprise of capital expenditure (schemes) not approved (as per MYT Regulations, 2014) in previous years by the Commission, for which the Commission has deducted 25% capex in their respective financial year Tariff Orders. However, the same may be allowed provisionally considering that the Petitioner has started taking prior approvals of capex schemes as per Regulation 32.2 of MYT Regulations, 2019. The decapitalisation/ deduction in the assets during the FY 2020-21 is considered as per audited accounts for FY 2020-21.

4.5.9 The Interest Capitalisation Rate is computed based on actual ratio of actual interest paid (Rs. 1386.78 Crore) and interest capitalised (Rs. 197.47 Crore) as per audited accounts. The rate of interest capitalisation comes out to be 14.24% (i.e. Rs. 197.47 Crore / Rs. 1386.78 Crore) and the same is considered for deriving the interest capitalisation for FY 2020-21. Accordingly, the Commission approves the Capital Expenditure and Capitalisation for FY 2020-21 as shown below:

Table 4-14: CAPITAL EXPENDITURE APPROVED BY THE COMMISSION (RS. CRORE)

Particular	Derivation	FY 2020-21		
		Tariff Order for FY 2020-21 dated 10.11.2020	Petition (True-up)	Approved (True up)
Opening CWIP as on 01.04.2020	A	7441.01	7793.56	6430.67*
Investments during FY 2020-21	B	4810.49	3246.08	3246.08

Particular	Derivation	FY 2020-21		
		Tariff Order for FY 2020-21 dated 10.11.2020	Petition (True-up)	Approved (True up)
Employee Expenses Capitalisation	C	371.63	240.26	240.26
A&G Expenses Capitalisation	D	0.00	0.00	0.00
Interest Capitalisation on Interest on Long Term Loans	E	298.36	197.47	166.18
Total Investments	F= A+B+C+D+E	12921.49	11477.38	10083.20
Transferred to GFA (Total Capitalisation)	G	3230.37	3519.05	3519.05
Closing CWIP as on 31.03.2021	H= F-G	9691.12	7958.32	6564.14

*Note: * This value is closing value as approved by the Commission in the True-Up of FY 2019-20.*

Table 4-15: GFA APPROVED BY THE COMMISSION (RS. CRORE)

Particulars	Derivation	FY 2020-21		
		Tariff Order for FY 2020-21 dated 10.11.2020	Petition (True up)	Approved (True up)
Opening GFA as on 01.04.2020	A	27268.44	28543.10	27148.61*
GFA Addition during FY 2020-21	B	3230.37	3519.05	3519.05
Decaptalisation/ Deduction during FY 2020-21	C	313.00	182.57	182.57
Closing GFA as on 31.03.2021	D=A+B-C	30185.81	31879.58	30485.09

*Note: * This value is closing value as approved by the Commission in the True-Up of FY 2019-20.*

4.6 CONSUMER CONTRIBUTION, CAPITAL GRANTS AND SUBSIDIES

Petitioner's Submission

4.6.1 The Petitioner, in its Petition submitted the Consumer Contributions, Capital Grants and Capital Subsidies based on the audited accounts for FY 2020-21, as shown in the table below:

Table 4-16: CONSUMER CONTRIBUTION SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	FY 2020-21	
	Tariff Order for FY 2020-21 dated 10.11.2020	Petition (True up)
Opening Balance of Consumer Contributions (CC), Grants and Subsidies towards Cost of Capital Assets as on 01.04.2020	1513.05	1548.05
Additions during FY 2020-21	369.94	504.34*
Less: Amortisation during FY 2020-21	91.28	129.62#
Closing Balance of CC, Grants and Subsidies towards Cost of Capital Assets as on 31.03.2021	1791.71	1922.78

*Note: * This value is as per Balance Sheet - Proceed from Consumer Contribution*
 # This value is as per Balance Sheet - Revenue recognised from Consumer Contribution

Commission's Analysis

4.6.2 The Commission observed that the Opening Balance of Consumer Contributions, Grants & Subsidies towards cost of capital assets for FY 2020-21 claimed by the Petitioner (Rs. 1548.05 Crore) is not matching with closing trued up value of FY 2019-20 (Rs. 1625.73 Crore) as approved by the Commission in its Tariff Order for FY 2021-22 dated June 29, 2021. The Commission therefore had directed the Petitioner to provide justification for such variation vide its 1st deficiency letter dated April 11, 2022.

4.6.3 The Petitioner in its reply dated April 28, 2022 submitted that the Commission in its Tariff Order for FY 2021-22 dated June 29, 2021 had considered the closing balance of Consumer Contributions, Grants & Subsidies towards cost of capital assets as Rs. 1625.73 Crore for FY 2019-20, whereas, the actual opening balance of Consumer Contributions, Grants & Subsidies for 2020-21 is Rs. 1548.05 Crore as per the audited annual accounts of FY 2020-21.

4.6.4 The Commission observed that amortisation/ depreciation on Consumer Contributions, Grants and Subsidies claimed by Petitioner is as per audited accounts which is based on Straight-Line method (SLM). Whereas the Commission computed the amortisation/ depreciation on Consumer Contributions, Grant and Subsidies based on Written Down Value (WDV) method as per MYT Regulations, 2014 for the period from FY 2017-18 to FY 2019-20. Thus, the amortisation/ depreciation during the year from FY 2017-18 to FY 2019-20 is considered as per regulatory accounting in line with MYT Regulations, 2014, resulting in variation in computed value of closing Consumer Contributions, Grants and Subsidies with respect to audited value.

4.6.5 However, as per Regulation 21.1.(b) of MYT Regulations, 2019, the amortisation/ depreciation even on Consumer Contributions, Grant and Subsidies is required to be computed as per Straight-Line Method from FY 2020-21 onwards which is also in line with the methodology adopted in audited accounts. Thus, the Commission has considered the addition in Consumer Contributions, Grant and Subsidies for FY 2020-21 and amortisation as per audited accounts as mentioned below:

Table 4-17: CONSUMER CONTRIBUTION APPROVED BY THE COMMISSION (RS. CRORE)

Particulars	FY 2020-21		
	Tariff Order for FY 2020-21 dated 10.11.2020	Petition (True up)	Approved (True up)
Opening Balance of Consumer Contributions (CC), Grants and Subsidies towards Cost of Capital Assets as on 01.04.2020	1513.05	1548.05	1625.73
Additions during FY 2020-21	369.94	504.34*	504.34
Less: Amortisation during FY 2020-21	91.28	129.62#	129.62
Closing Balance of CC, Grants and Subsidies towards Cost of Capital Assets as on 31,03.2021	1791.71	1922.78	2000.45

*Note: * This value is as per Balance Sheet - Proceed from Consumer Contribution*
 # This value is as per Balance Sheet - Revenue recognised from Consumer Contribution

4.7 DEBT-EQUITY RATIO

Petitioner's Submission

4.7.1 The Petitioner submitted that they have considered the normative approach with Debt-Equity ratio as 70:30, i.e., 70% of capitalisation during the FY 2020-21 to be financed through term loan and balance 30% through equity. The amount of Consumer Contributions, Capital Subsidies and Grants towards cost of capital assets received during FY 2020-21 as per audited accounts has been separated and reduced, as the same would not be charged to consumers.

4.7.2 Further, in line with Regulation 20.2 of MYT Regulations, 2019 and methodology approved by the Commission in past Tariff Orders, the Petitioner has considered the financing of capitalisation during FY 2020-21 in the ratio of debt and equity as 70:30. The amount of Consumer Contributions, Capital Subsidies and Grants towards cost of capital assets received during FY 2020-21 as per audited accounts is deducted to derive the net capitalisation to be funded through debt and equity. Accordingly, the Debt and Equity addition during the FY 2020-21 as claimed by Petitioner is as follows:

Table 4-18: DEBT: EQUITY RATIO SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	FY 2020-21	
	Tariff Order for FY 2020-21 dated 10.11.2020	Petition (True up)
Capitalisation during the FY 2020-21	3230.37	3519.05
Less: Decapitalisation/ Deduction during the FY 2020-21	313.00	0.00#
Less: Consumer Contribution, Grants & Capital Subsidies during the FY 2020-21	369.94	504.34
Net Capitalisation to be funded by Debt & Equity	2547.43	3014.71
Equity (%)	30.00%	30.00%

Particulars	FY 2020-21	
	Tariff Order for FY 2020-21 dated 10.11.2020	Petition (True up)
Debt (%)	70.00%	70.00%
Equity Funded during the FY 2020-21	764.23	904.41
Debt Funded during the FY 2020-21	1783.20	2110.30

Note: #Petitioner has not considered the Decapitalization while calculation of Net Debt and Equity addition during the FY 2020-21.

Commission's Analysis

4.7.3 The normative Debt-Equity ratio in respect to additional capitalisation is specified in Regulation 20 of MYT Regulations, 2019 as reproduced below:

Quote

20 Debt-Equity Ratio

20.1 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 18, after making appropriate adjustment of Assets funded by Consumer Contribution/ Deposit Works/ Capital Subsidies/ Grant subject to 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 Licensee for determination of Tariff:

Provided further that the Licensee shall submit documentary evidence for the actual deployment of equity and explain the source of funds for the equity:

Provided also that where equity actually deployed is less than 30% of the capital cost of the capitalised asset, the actual equity shall be considered for determination of Tariff:

Provided also that the equity invested in foreign currency shall be designated on the date of each investment.

20.2 In case of the Licensee, for the fixed assets capitalised on account of Capital Expenditure Scheme prior to April 1, 2020, the debt-equity ratio allowed by the Commission for determination of ARR / Tariff for the period ending March 31, 2020 shall be considered:

Provided that in case of retirement or replacement or de-capitalisation of the assets, the equity capital approved as mentioned above, shall be *reduced to the extent of 30% (or actual equity component based on documentary evidence, if it is lower than 30%) of the original cost of such assets:*

Provided further that in case of retirement or replacement or de-capitalisation of the assets, the debt capital approved as mentioned above, shall be reduced to the extent of outstanding debt component based on documentary evidence, or the normative loan component, as the case may be, of the original cost of such assets.

20.3 Any expenditure incurred or projected to be incurred on or after April 1, 2020, as may be admitted by the Commission as additional capital expenditure for determination of Tariff, and Renovation and Modernisation expenditure for life extension, shall be serviced in the manner stipulated in these Regulations.

Unquote

4.7.4 The Commission observed that the Petitioner has not taken into account the Decapitalisation/ Deduction during FY 2020-21 while deriving the net capitalisation for FY 2020-21 to be funded though debt and equity.

4.7.5 The Commission has considered the normative approach with Debt-Equity ratio as 70:30, i.e., 70% of capitalisation during FY 2020-21 to be financed through term loan and balance 30% through equity. The amount of Consumer Contributions, Capital Subsidies and Grants towards cost of capital assets during FY 2020-21 as per audited accounts is reduced, as the same would not be charged to consumers. In addition to above, the assets which are Decapitalization/ Deducted during FY 2020-21 is further deducted from capitalisation to derive net equity and debt addition during FY 2020-21 as shown below:

Table 4-19: DEBT: EQUITY RATIO APPROVED BY THE COMMISSION (RS. CRORE)

Particulars	FY 2020-21		
	Tariff Order for FY 2020-21 dated 10.11.2020	Petition (True up)	Approved (True up)
Capitalisation during FY 2020-21	3230.37	3519.05	3519.05
Less: Decapitalisation/ Deduction during FY 2020-21	313.00	0.00#	182.57*
Less: Consumer Contribution, Grants & Capital Subsidies during FY 2020-21	369.94	504.34	504.34
Net Capitalisation to be funded by Debt & Equity	2547.43	3014.71	2832.14
Equity (%)	30.00%	30.00%	30.00%
Debt (%)	70.00%	70.00%	70.00%
Equity addition during FY 2020-21	764.23	904.41	849.64

Particulars	FY 2020-21		
	Tariff Order for FY 2020-21 dated 10.11.2020	Petition (True up)	Approved (True up)
Debt addition during FY 2020-21	1783.20	2110.30	1982.50

*Note: #Petitioner has not considered the Decapitalization while calculation of Net Debt and Equity addition during the FY 2020-21, * This value is as per audited accounts.*

4.8 DEPRECIATION

Petitioner's Submission

4.8.1 For computation of allowable Depreciation for FY 2020-21, the Petitioner has considered normative closing Gross Fixed Asset Base for FY 2019-20 and subsequent addition and yearly capitalisation for FY 2020-21 as per the annual accounts. Further the Petitioner has computed the asset-wise depreciation as per rates provided in the Annexure A of MYT Regulations, 2019 based on the normative opening and closing Gross Fixed Asset Base for FY 2020-21. Thus, the allowable depreciation for Part-A & Part-B in line with MYT Regulations, 2019 and methodology adopted by Commission in its Tariff Order for FY 2020-21 dated November 10, 2020 are tabulated below:

Table 4-20: GROSS DEPRECIATION FOR ASSETS UPTO 31.03.2020 (PART-A) SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	Opening GFA	Additions to GFA	Deductions to GFA	Closing GFA	Depreciation Rate (%)	Allowable Depreciation
Land & Land Rights						
Unclassified	141.97	1.31	43.84	99.45	0.00%	-
Freehold Land	1.26	0.09	1.29	0.06	0.00%	-
Buildings	1085.14	145.76	0.87	1230.03	3.34%	38.66
Other Civil Works	91.63	11.91	0.00	103.54	3.34%	3.26
Plants & Machinery	12822.19	1435.39	456.06	13801.52	5.28%	702.87
Lines, Cable Network etc.	11314.74	1707.37	35.50	12986.62	5.28%	641.56
Vehicles	3.37	0.00	0.06	3.31	9.50%	0.32
Furniture & Fixtures	8.74	1.23	0.00	9.98	6.33%	0.59
Office Equipments	9.55	2.56	0.00	12.11	6.33%	0.69
Intangible Assets	4.27	0.03	0.00	4.30	5.28%	0.23
Assets taken over by Licensee (Pending for final Valuation)	105.44	4.74	0.57	109.61	5.28%	5.68
Total Depreciable Assets	**25445.07**	**3309.00**	**493.05**	**28261.03**	**6.71%**	**1393.84**
Total Non-Depreciable Assets	**143.23**	**1.41**	**45.13**	**99.50**	**-**	**-**
Grand Total (Assets)	**25588.30**	**3310.41**	**538.18**	**28360.53**	**0.07**	**1393.84**

Table 4-21: GROSS DEPRECIATION FOR ASSETS FROM 01.04.2020 (PART-B) SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	Opening GFA	Additions to GFA	Deductions to GFA	Closing GFA	Depreciation Rate (%)	Allowable Depreciation
Land & Land Rights						
Unclassified	-	16.73		16.73	0.00%	-
Freehold Land	-	0.00		0.00	0.00%	-
Buildings	-	118.62		118.62	3.34%	1.98
Other Civil Works	-	9.69		9.69	3.34%	0.16
Plants & Machinery	-	1531.44		1531.44	5.28%	40.43
Lines, Cable Network etc.	-	1832.08		1832.08	5.28%	48.37
Vehicles	-	0.01		0.01	9.50%	0.00
Furniture & Fixtures	-	1.21		1.21	6.33%	0.04
Office Equipments	-	0.97		0.97	6.33%	0.03
Intangible Assets	-	4.41		4.41	5.28%	0.12
Assets taken over by Licensee (Pending for final Valuation)	-	3.88		3.88	5.28%	0.10
Total Depreciable Assets	-	**3502.32**	**0.00**	**3502.32**	**5.21%**	**91.23**
Total Non-Depreciable Assets	-	**16.73**	**0.00**	**16.73**		**0.00**
Grand Total (Assets)	-	**3519.05**	**0.00**	**3519.05**	**0.05**	**91.23**

4.8.2 Further, the Petitioner submitted that the depreciation proportionates to the extent of fixed assets being funded through Consumer Contribution, Capital Grants and Capital Subsidies on actuals as per annual accounts for FY 2020-21 have been deducted from Gross Depreciation in order to arrive at the Net Depreciation for FY 2020-21.

4.8.3 The Petitioner further submitted that in compliance to provisions of Appendix 'C' to IndAS-I8, from FY 2016-17 onwards, Consumer Contribution Reserve has been recognized as revenue as equal annual income over the useful life of the underlying asset/term of the arrangement with consumers. Therefore, the Income from Consumer Contribution recognized as revenue (or equivalent depreciation amount) in annual accounts of FY 2020-21 is considered as deprecation of assets created from Consumer Contribution, Capital Grants and Capital Subsidies.

Table 4-22: NET DEPRECIATION (PART-A + PART-B) SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	FY 2020-21	
	Tariff Order for FY 2020-21 dated 10.11.2020	Petition (True up)
Depreciation of Assets upto 31.03.2020	996.51	1393.84
Depreciation of Assets from 01.04.2020 onwards	83.39	91.23
Less: Depreciation of assets created from Consumer Contribution, Capital Grants and Capital Subsidies	91.28	129.62
Net Depreciation	**988.62**	**1355.45**

Commission's Analysis

4.8.4 Regulation 21 of MYT Regulations, 2019 specifies the methodology for computation of Depreciation as reproduced below:

Quote

21 Depreciation

21.1 The Licensee, shall be permitted to recover Depreciation on the value of fixed assets used in their respective businesses, computed in the following manner:

(a) The approved original cost of the fixed assets shall be the value base for calculation of Depreciation:

Provided that the Depreciation shall be allowed on the entire capitalised amount of the new assets after reducing the approved original cost of the retired or replaced or de-capitalised assets.

(b) Depreciation shall be computed annually based on the Straight- Line Method at the rates stipulated in the Annexure- A to these Regulations.

Provided that the Licensee shall ensure that once the individual asset is depreciated to the extent of seventy percent, remaining depreciable value as on 31st March of the year closing shall be spread over the balance Useful Life of the asset including the Extended Life, as per submission of the Licensee and approved by the Commission.

(c) The salvage value of the asset shall be considered at 10% of the allowable capital cost and Depreciation shall be allowed up to a maximum of 90% of the allowable capital cost of the asset:

Provided that land owned shall not be treated as a Depreciable asset and shall be excluded while computing Depreciation:

Provided further that Depreciation shall be chargeable from the first year of commercial operation.

Depreciation shall not be allowed on assets funded by Consumer Contributions or Subsidies/ Grants/ Deposit works.

21.2 In case of existing assets, the balance depreciable value as on April 01, 2020, shall be worked out taking into consideration the life of the asset, and by deducting the cumulative Depreciation as admitted by the Commission up to March 31, 2020, from the gross depreciable value of the assets.

21.3 In case of projected commercial operation of the assets for part of the year, depreciation shall be computed based on the average of opening and closing value of assets.

21.4 Depreciation shall be re-computed for assets capitalised at the time of Truing-Up, based on Audited Accounts and documentary evidence of assets capitalised by the Petitioner, subject to the prudence check of the Commission.

Unquote

4.8.5 The Commission in its Tariff Order for FY 2020-21 dated November 10, 2020 observed as under:

Quote

7.5.7 It is observed that the Regulation 21.1 specifies for process of computation of depreciation of the new assets, wherein depreciation shall be computed annually based on the Straight- Line Method at the rates stipulated in the Regulations and the Licensee has to ensure that once the individual asset is depreciated to the extent of seventy percent, remaining depreciable value as on 31st March of the year closing has to be spread over the balance Useful Life of the asset including the Extended Life. However, the Regulations doesn't specifically say the same wrt to the existing Gross Block and further explains the treatment of existing assets in Regulation 21.2. Also, there is a huge lack of individual asset-wise details in the existing gross block since this has been carried on from FY 2007-08 after the unbundling of UPPCL and transfer scheme to UPPTCL. Further, the Licensee also started maintaining the FAR much later after repeated directions of the Commission, from FY 2014-15 onwards. Hence, the life of individual assets cannot be ascertained and as such it cannot be found whether the individual asset has depreciated to the extent of seventy percent or not.

7.5.8 Accordingly, the existing assets are to be dealt with separately as per Regulations 21.2 and their Net block (as on 31.3.2020) may be kept separate and may be considered Gross Block to apply SLM from 1.4.2020 onwards and the new assets to be dealt as per Regulations 21.1 of MYT Regulations 2019.

7.5.9 Further, UPPTCL is directed to maintain a separate individual asset wise FAR for assets capitalized after 1.4.2020 and the Gross Block and Depreciation may be computed separately from the Gross Block before 1.4.2020. Accordingly, from FY 2020-21 onwards UPPTCL to maintain two separate Gross Blocks (one for assets upto 31.3.2020 (Part-A) and second for assets after 1.4.2020 (Part B) and two separate FAR`s depicting addition *of assets details from 01.04.2020 onwards for the purpose of depreciation computation for Regulatory Accounts.*

……………………

7.5.11 As per above, the Commission has computed the depreciation. The written down closing of FY 2019-20 is considered as Opening for FY 2020-21 where the gross depreciation computed for FY 2019-20 is negated from it to get the Net written down opening (considered to be opening GFA) due to the Change in methodology of Depreciation from Written Down Value to Straight Line Method.

Unquote

4.8.6 In compliance to above, the Petitioner has submitted gross depreciation for Part-A and Part-B, separately and later combined to derive the gross depreciation for FY 2020-21. However, the Commission observed that the Petitioner has not calculated the depreciation for assets that were capitalized upto March 31, 2020 as per the methodology approved by the Commission in Tariff Order for FY 2020-21 dated November 10, 2020. Therefore, the Commission vide its 1st deficiency letter dated April 11, 2022, directed the Petitioner to submit the same as per the methodology approved by Commission.

4.8.7 The Petitioner vide reply dated April 28, 2022 submitted that since the methodology for calculating depreciation is changed from Written Down Value (WDV) method to Straight-Line Method (SLM), it is necessary to calculate the opening Gross Fixed Assets without the impact of cumulative deprecation. The methodology adopted by Commission in its Tariff Order for FY 2020-21 dated November 10, 2020 for calculation of depreciation of Part-A is WDV method. However, as per MYT Regulations, 2019, the depreciation for both Part-A and Part-B shall be calculated on SLM method. Further the depreciation from assets created out of consumer contribution, grant and subsidy is deducted to arrive at net allowable depreciation.

4.8.8 The Commission observed that the methodology adopted by the Petitioner is not inline with the methodology as approved by the Commission in Para 7.5.11 of Tariff Order of FY 2020-21 dated November 10, 2020. Para 7.5.11 clearly states that due to change in methodology of depreciation from Written Down Value to Straight Line Method, the Written Down closing of FY 2019-20 (Trued-Up value) shall be considered as opening value for FY 2020-21, where the gross depreciation approved for FY 2019-20 is negated from it to get the net Written Down opening (considered to be opening GFA). Thus, the

Commission has computed the Gross Depreciation for Part-A i.e., assets capitalised upto March 31, 2020 accordingly.

Table 4-23: GROSS FIXED ASSETS UPTO 31.03.2020 (PART-A) APPROVED BY THE COMMISSION IN TARIFF ORDER FOR FY 2021-22 DATED JUNE 29, 2021 (RS. CRORE)

Particulars	Opening GFA (FY 2019-20)	Gross Allowable Depreciation (FY 2018-19)	Written Down Opening (FY 2019-20)	Additions to GFA (FY 2019-20)	Deductions (FY 2019-20)	Closing GFA (FY 2019-20)	Average GFA (FY 2019-20)	Rate of Depreciation (%)	Gross Allowable Depreciation (FY 2019-20)
Land & Land Rights									
Unclassified	90.31		-				-	90.31	-
Freehold Land	0.03		-				-	0.03	-
Buildings	845.06	23.57	821.48	119.60	0.85	940.23	880.86	3.02%	26.60
Other Civil Works	69.40	2.02	67.38	9.77	0.00	77.15	72.27	3.02%	2.18
Plants & Machinery	9497.57	701.34	8796.23	1177.71	288.92	9685.02	9240.63	7.81%	721.69
Lines, Cable Network etc.	8832.58	434.37	8398.21	1400.87	20.61	9778.46	9088.34	5.27%	478.96
Vehicles	2.25	0.29	1.96	0.00	0.00	1.96	1.96	12.77%	0.25
Furniture & Fixtures	6.36	0.70	5.66	1.01	0.00	6.67	6.16	12.77%	0.79
Office Equipments	6.85	0.81	6.04	2.10	0.00	8.15	7.10	12.77%	0.91
Assets taken over by Licensee (Pending for final Valuation)	72.87	8.73	64.13	3.89	0.10	67.93	66.03	12.77%	8.43
Intangible Assets	3.24	0.49	2.75	0.00	0.00	2.75	2.75	15.00%	0.41
Total Assets	**19426.51***	**1172.31**	**18254.20^**	**2714.95**	**310.48**	**20658.67#**	**20042.59**		**1240.22**
Net Gross Fixed Assets upto March 31, 2020 (Part-A) [Closing GFA (Rs. 20658.67 Crore) minus Gross Allowable Depreciation (1240.22)									**19418.45**

*Note: * Opening GFA includes Rs. 19336.17 (Depreciable assets) plus Rs. 90.34 Crore of Land & Land Rights (Non-Depreciable assets). ^ Written Down Opening includes Rs. 18163.36 (Depreciable assets) plus Rs. 90.34 Crore of Land & Land Rights (Non-Depreciable assets). # Closing GFA includes Rs. 20568.33 (Depreciable assets) plus Rs. 90.34 Crore of Land & Land Rights (Non-Depreciable assets)*

4.8.9 The net Gross Fixed Assets upto March 31, 2020 (Part-A) is calculated by considering the approved trued up value of closing GFA for FY 2019-20 (Rs. 20658.67 Crore) minus gross allowable depreciation for FY 2019-20 (Rs. 1240.22 Crore) in true up Order for FY 2019-20 dated June 29, 2021.

4.8.10 For Part-B i.e., assets capitalised after April 01, 2020, the Commission has calculated the asset wise depreciation as per Regulation 21.1.(b) of MYT Regulations, 2019 i.e., depreciation shall be computed annually based on the Straight-Line Method at the rates stipulated in the Annexure-A of MYT Regulations, 2019.

4.8.11 Further, the Commission observed that the depreciation on asset created out of Consumer Contribution, Capital Grants and Capital Subsidies in audited accounts for FY 2020-21 are as per Straight Line Method and the rates of depreciation adopted by the Petitioner are as per CERC which are in accordance with MYT Regulations, 2019. Hence, the depreciation on asset created out of Consumer Contribution, Capital Grants and Capital Subsidies are considered as per audited accounts for FY 2020-21.

4.8.12 Further, considering the FY 2020-21, the assets in Part-A are way older than the assets under Part-B and therefore, practically the assets in Part-A will be decapitalised / deducted first when compared to Part-B assets. Hence, the Commission has considered the complete decapitalised / deducted during the FY 2020-21 in Part-A asset base.

4.8.13 The following tables summarizes the Depreciation as claimed by the Petitioner and as approved by the Commission for FY 2020-21.

Table 4-24: GROSS DEPRECIATION FOR ASSETS UPTO 31.03.2020 (PART-A) APPROVED BY THE COMMISSION (RS. CRORE)

Particulars	Opening GFA	Additions to GFA	Deductions to GFA	Closing GFA	Depreciation Rate (%)	Allowable Depreciation
Land & Land Rights						
Unclassified	90.31	-	-	90.31	-	-
Freehold Land	0.03	-	-	0.03	-	-
Buildings	913.63	-	0.02	913.61	3.34%	30.51
Other Civil Works	74.97	-	-	74.97	3.34%	2.50
Plants & Machinery	8963.33	-	167.14	8796.19	5.28%	468.85
Lines, Cable Network etc.	9299.51	-	14.88	9284.62	5.28%	490.62
Vehicles	1.71	-	0.06	1.65	9.50%	0.16
Furniture & Fixtures	5.88	-	-	5.88	6.33%	0.37
Office Equipments	7.24	-	-	7.24	6.33%	0.46
Assets taken over by Licensee (Pending for final Valuation)	59.49	-	0.47	59.02	5.28%	3.13
Intangible Assets	2.34	-	-	2.34	5.28%	0.12
Total Assets	**19418.45**	**-**	**182.57**	**19235.88**	**5.16%**	**996.73**

Table 4-25: GROSS DEPRECIATION FOR ASSETS FROM 01.04.2020 ONWARDS (PART-B) APPROVED BY THE COMMISSION (RS. CRORE)

Particulars	Opening GFA	Additions to GFA	Deductions to GFA	Closing GFA	Depreciation Rate (%)	Allowable Depreciation
Land & Land Rights						
Unclassified	-	16.73	-	16.73	-	-
Freehold Land	-	0.00	-	0.00	-	-
Buildings	-	118.62	-	118.62	3.34%	1.98
Other Civil Works	-	9.69	-	9.69	3.34%	0.16
Plants & Machinery	-	1531.44	-	1531.44	5.28%	40.43
Lines, Cable Network etc.	-	1832.08	-	1832.08	5.28%	48.37
Vehicles	-	0.01	-	0.01	9.50%	0.001
Furniture & Fixtures	-	1.21	-	1.21	6.33%	0.04
Office Equipments	-	0.97	-	0.97	6.33%	0.03
Intangible Assets	-	4.41	-	4.41	5.28%	0.12
Assets taken over by Licensee (Pending for final Valuation)	-	3.88	-	3.88	5.28%	0.10

Particulars	Opening GFA	Additions to GFA	Deductions to GFA	Closing GFA	Depreciation Rate (%)	Allowable Depreciation
Total Assets	-	**3519.05**	**0.00**	**3519.05**	**5.18%**	**91.23**

Table 4-26: NET DEPRECIATION (PART-A + PART-B) APPROVED BY THE COMMISSION (RS. CRORE)

Particulars	FY 2020-21		
	Tariff Order for FY 2020-21 dated 10.11.2020	Petition (True up)	Approved (True up)
Depreciation of Assets upto 31.03.2020	996.51	1393.84	996.73
Depreciation of Assets from 01.04.2020 onwards	83.39	91.23	91.23
Less: Depreciation of assets created from Consumer Contribution, Capital Grants and Capital Subsidies	91.28	129.62	129.62
Net Depreciation	**988.62**	**1355.45**	**958.34**

4.9 INTEREST ON LONG TERM LOANS

Petitioner's Submission

4.9.1 The Petitioner submitted that the Commission in its Tariff Order for FY 2020-21 dated November 10, 2020 had considered the normative opening of the loan as mentioned below:

Quote

7.6.5 As per the Regulation 23.2, the normative long term loan outstanding as on April 1, 2020, shall be worked out by deducting the cumulative repayment as admitted by the Commission up to March 31, 2020, from the gross normative loan as shown below:

Unquote

4.9.2 Accordingly, the Petitioner in its Petition has computed the normative opening loan as on April 01, 2020 as follows:

Table 4-27: OPENING NORMATIVE LOAN AS ON 01.04.2020 SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	Derivation	FY 2020-21	
		Tariff Order for FY 2020-21 dated 10.11.2020	Petition (True up)
Opening GFA	A	27268.44	28543.10
Opening CC, Grants & Subsidies	B	1513.05	1548.05
Net Opening GFA	C=A-B	25755.39	26995.05
Opening Debt (70%)	D=70%	70.00%	70.00%
Opening Debt	E=D*C	18028.77	18896.54
Cumulative Net Depreciation	F	7344.64	7490.39
Opening Normative Loan	G=E-F	10684.13	11406.15

4.9.3 The Petitioner submitted that the normative loan has been computed considering the normative Debt-Equity ratio of 70:30. The deemed normative loan addition is considered as 70% of additional capitalisation net of Consumer Contribution capitalised during the FY 2020-21. The deemed repayment has been considered equivalent to net depreciation for FY 2020-21.

4.9.4 The table below shows the normative loan and normative equity addition during the FY 2020-21 as submitted by the Petitioner. The normative loan is estimated based on the actual capitalization and actual Consumer Contribution, Capital Grants and Capital Subsidies received during FY 2020-21 as per the audited accounts.

Table 4-28: NORMATIVE LOAN & NORMATIVE EQUITY ADDED DURING FY 2020-21 SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	Derivation	FY 2020-21	
		Tariff Order for FY 2020-21 dated 10.11.2020	Petition (True up)
Capitalization during the FY	A	3230.37	3519.05
Decaptalisation/ Deduction	B	313.00	0.00
Consumer Contributions, Grants and Subsidies towards Cost of Capital Assets during FY 2020-21	C	369.94	504.34
Net Capitalization during the FY	D=A-B-C	2547.43	3014.71
Equity (%)	E=30%	30.00%	30.00%
Loan (%)	F=70%	70.00%	70.00%
Equity addition during the FY	G=E*D	764.23	904.41
Loan addition during the FY	H=F*D	1783.20	2110.30

4.9.5 The Petitioner submitted that normative interest has been computed in accordance with the Regulations 23.5 of MYT Regulations, 2019 on the average balance of weighted average rate of interest of the actual long- term loan portfolio during the concerned financial year. The interest capitalisation has been considered at a rate of 14.15% for FY 2020-21 which is as actual capitalisation rate for FY 2020-21 as per audited accounts.

Table 4-29: INTEREST ON LONG TERM LOANS SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	Derivation	FY 2020-21	
		Tariff Order for FY 2020-21 dated 10.11.2020	Petition (True up)
Opening Loan as on 1st April of FY	A	10684.13	11406.15
Addition during the FY	B	1783.20	2110.30
Less: Repayment during the FY	C	988.62	1355.45
Closing Loan	D=A+B-C	11478.71	12160.99
Wtg. Avg. Interest Rate	E	10.72%	11.84%
Interest on Loan	F=average (A, D)*E	1187.47	1395.76
Interest Capitalisation Rate	G	25.13%	14.15%

Particulars	Derivation	FY 2020-21	
		Tariff Order for FY 2020-21 dated 10.11.2020	Petition (True up)
Less: Interest Capitalised	H=F*G	298.36	197.47
Net Interest Charged	**I=F-H**	**889.11**	**1198.29**

Commission's Analysis

4.9.6 Regulation 23 of MYT Regulations, 2019 specifies as under:

Quote

23 Interest on Long-Term Loan

23.1 The long-term loans arrived at in the manner indicated in these Regulations on the assets put to use shall be considered as gross normative loan for calculation of interest on loan:

Provided that in case of retirement or replacement or de-capitalisation of assets, the loan capital approved as mentioned above, shall be reduced to the extent of outstanding loan component of the original cost of such assets based on documentary evidence.

23.2 The normative long- term loan outstanding as on April 1, 2020, shall be worked out by deducting the cumulative repayment as admitted by the Commission up to March 31, 2020, from the gross normative loan.

23.3 The repayment for each year shall be deemed to be equal to the Depreciation allowed for that year.

23.4 Notwithstanding any moratorium period availed, the repayment of loan shall be considered from the first year of commercial operation of the asset.

23.5 The rate of interest shall be the weighted average rate of interest computed on the basis of the actual long- term loan portfolio at the beginning of each year:

Provided that at the time of Truing- Up, the weighted average rate of interest of the actual long- term loan portfolio during the concerned year shall be considered as the rate of interest:

Provided further that if there is no actual long- term loan for a particular year but normative loan is still outstanding, the last available weighted average rate of interest for actual loan shall be considered:

Provided also that if the Licensee, does not have actual long- term loan even in the past, the weighted average rate of interest of its other Businesses regulated by the Commission shall be considered:

Provided also that if the Licensee does not have actual long- term loan, and its other Businesses regulated by the Commission also do not have actual loan even in the past, then the weighted average rate of interest of the entity as a whole shall be considered:

Provided also that if the entity as a whole does not have actual long-term loan because of which interest rate is not available, then the rate of interest for the purpose of allowing the interest on the normative long- term loan should be the weighted average SBI MCLR (1 Year) prevailing during the concerned year.

23.6 The interest on long- term loan shall be computed on the normative average long- term loan of the year by applying the weighted average rate of interest:

Provided that at the time of Truing-Up, the normative average loan of the concerned year shall be considered on the basis of the actual asset capitalisation approved by the Commission for the year.

23.7 The excess interest during construction on account of time and / or cost overrun as compared to the approved completion schedule and capital cost or on account of excess drawal of the debt funds disproportionate to the actual requirement based on Scheme completion status, shall be allowed or disallowed partly or fully on a case to case basis, after prudence check by the Commission:

Provided that where the excess interest during construction is on account of delay attributable to an agency or contractor or supplier engaged by the Licensee, any liquidated damages recovered from such agency or contractor or supplier shall be taken into account for computation of capital cost:

Provided further that the extent of liquidated damages to be considered shall depend on the amount of excess interest during construction that has been allowed by the Commission.

Unquote

4.9.7 The Commission in its Tariff Order for FY 2020-21 dated November 10, 2020 observed as under:

Quote

7.6.5 As per the Regulation 23.2, the normative long term loan outstanding as on April 1, 2020, shall be worked out by deducting the cumulative repayment as admitted by the Commission up to March 31, 2020, from the gross normative loan as shown below:

S. No.	Particulars	Approved
1	Opening debt	18028.77*
2	Cumulative Net Depreciation upto 31.03.2020	7344.64
3	Opening Normative Loan	10684.13

** derived in section 7.4.11*

7.6.6 As per Regulation 20.2, the debt capital i.e. opening loan base as on 1.4.2020 shall be reduced to the extent of outstanding debt component of the fixed asset base computed as on 31.03.2020 (i.e. Rs. 10684.13 Crores) or the normative closing loan base of FY 2019-20 Rs. 11329.31 Crores, whichever is lower.

Unquote

4.9.8 As per Regulation 23.2 of MYT Regulations, 2019, the normative long term loan outstanding as on April 01, 2020 is computed as follow:

- Reducing the opening Consumer Contributions, Capital Grants and Subsides as on April 01, 2020 from Opening GFA as on April 01, 2020; (a)
- Opening debt is considered as 70% of net Opening GFA; (b=70%*a)
- Further, Cumulative Net Depreciation as on March 31, 2020 is deducted from Opening debt to derive Opening Normative loan as on April 01, 2020. (c=b-cumulative net deprecation as on March 31, 2020).

4.9.9 The Commission observed that the Petitioner had considered the Gross Fixed Asset as on April 01, 2020 as per audited accounts instead of approved true up value of FY 2019-20 in Tariff Order of FY 2021-22 dated June 29, 2021. The Commission has computed the normative Opening Loan based on the approved trued up values. The opening Normative Loan as on April 01, 2020 as per Regulation 23.2 of MYT Regulations, 2019 is shown below:

Table 4-30: OPENING NORMATIVE LOAN AS ON 01.04.2020 AS PER REGULATION 23.2 OF MYT REGULATIONS, 2019 (RS. CRORE)

Particulars	Derivation	FY 2020-21		
		Tariff Order for FY 2020-21 dated 10.11.2020	Petition (True up)	Approved (True up)
Opening GFA	A	27268.44	28543.10	27148.61*
Opening CC, Grants & Subsidies	B	1513.05	1548.05	1625.73
Net Opening GFA	C=A-B	25755.39	26995.05	25522.88
Opening Debt (70%)	D=70%	70.00%	70.00%	70.00%
Opening Debt	E=D*C	18028.77	18896.54	17866.01
Cumulative Net Depreciation as on 31.03.2020	F	7344.64	7490.39	7326.67
Opening Normative Loan	G=E-F	10684.13	11406.15	10539.35

*Note: * This is as per approved trued up closing value for FY 2019-20.*

4.9.10 The Commission approved the normative closing loan balance of FY 2019-20 as Rs. 11118.88 Crore in its True-Up Order dated June 29, 2021 for FY 2019-20.

4.9.11 As per Regulation 20.2 of MYT Regulations, 2019 the opening normative loan as on April 01, 2020 should be lower of value derived as per Regulation 23.2 of MYT Regulations, 2019 or the normative closing loan base of FY 2019-20 approved by the Commission in its True-Up Order dated June 29, 2021 for FY 2019-20.

4.9.12 It is observed that normative opening loan as per Regulation 23.2 of MYT Regulations, 2019 comes out to be Rs. 10539.35 Crore, which is lower than normative closing loan base of FY 2019-20 (Rs. 11118.88 Crore) approved by the Commission in its True-Up Order dated June 29, 2021 for FY 2019-20. Thus, the Commission has considered the opening Normative Loan as on April 01, 2020 as Rs. 10539.35 Crore.

4.9.13 The Commission has considered the normative Debt-Equity ratio of 70:30 in accordance with Regulation 20.1 of MYT Regulations, 2019. The normative loan addition during FY 2020-21 is considered as 70% of capitalisation incurred during the year which is net of Consumer Contribution, Capital Grants and Capital Subsidies and Decapitalisation/ Deduction in the assets during FY 2020-21.

4.9.14 The Commission observed that the Petitioner in its Petition has calculated the normative equity and loan addition during FY 2020-21, considering the net GFA addition for FY 2020-21 as Rs. 3014.71 Crore, i.e., GFA addition of Rs. 3519.05 Crore less GFA funded out of Consumer Contribution, Capital Grants and Capital Subsidies of Rs. 504.34 Crore. However, the Petitioner has not taken into account the decapitalisation/ deduction in the assets during FY 2020-21 while deriving the net equity and loan addition during FY 2020-21. The Commission has taken into account the

Decapitalisation/ Deduction of assets during FY 2020-21 as per audited accounts while deriving the net equity and loan addition during FY 2020-21 as shown below:

Table 4-31: NORMATIVE LOAN & NORMATIVE EQUITY ADDED DURING FY 2020-21 APPROVED BY THE COMMISSION (RS. CRORE)

Particulars	Derivation	FY 2020-21		
		Tariff Order for FY 2020-21 dated 10.11.2020	Petition (True up)	Approved (True up)
Capitalization during the FY	A	3230.37	3519.05	3519.05
Decaptalisation/ Deduction	B	313.00	0.00	182.57
Consumer Contributions, Grants and Subsidies towards Cost of Capital Assets during FY 2020-21	C	369.94	504.34	504.34
Net Capitalization during the FY	D=A-B-C	2547.43	3014.71	2832.14
Equity (%)	E=30%	30.00%	30.00%	30.00%
Loan (%)	F=70%	70.00%	70.00%	70.00%
Equity addition during the FY	G=E*D	764.23	904.41	849.64
Loan addition during the FY	H=F*D	1783.20	2110.30	1982.50

4.9.15 The Commission, while approving the normative addition for FY 2020-21, has considered Rs. 2832.14 Crore as net capitalisation during the year, which is net of Rs. 504.34 Crore on account of Consumer Contribution, Grants and Subsidies towards Cost of Capital Assets received during FY 2020-21 and Decaptalisation/ Deduction of assets of Rs. 182.57 Crore.

4.9.16 Further, in accordance with the Tariff Regulations, 2019 and the principles adopted in the previous Tariff Orders, the Commission has computed the normative loan addition during the year equal to 70% of the approved net capitalization during FY 2020-21. The deemed repayment is considered as equal to the approved net depreciation during the Financial Year.

4.9.17 The Commission on prudence check found that the Petitioner has claimed the interest rate of 11.84%. The Commission observed that the Petitioner has considered Current Maturity from Long Term Debt while deriving the opening and closing value of interest base which is as follows:

Table 4-32: INTEREST RATE ON LONG TERM LOAN SUBMITTED BY PETITIONER (%)

Loan No.	Lender	FY 2020-21								
		Opening as on 01.04.2020	Current Maturity from long term debt	Opening as on 01.04.2020	Addition	Repayment	Closing as on 31.03.2021	Current Maturity from long term debt	Closing as on 31.03.2021	Interest Paid (Claimed by Petitioner)
		A	B	C=A-B	D	E	F=A+D-E	G	H=F-G	I
Loan-1	PFC	5659.30	612.38	5046.92	764.99	633.67	5790.63	645.96	5144.67	543.36
Loan-2	REC	7327.74	781.31	6546.43	966.58	807.87	7486.45	808.96	6677.49	843.42
Total		12987.04	1393.68	11593.36	1731.57	1441.54	13277.07	1454.92	11822.15	1386.78

Loan No.	Lender	FY 2020-21								
		Opening as on 01.04.2020	Current Maturity from long term debt	Opening as on 01.04.2020	Addition	Repayment	Closing as on 31.03.2021	Current Maturity from long term debt	Closing as on 31.03.2021	Interest Paid (Claimed by Petitioner)
		A	B	C=A-B	D	E	F=A+D-E	G	H=F-G	I
Weighted Average Interest Rate for Long Term Loan										11.84%

4.9.18 The basis and methodology considered for calculation of weighted average rate of interest was enquired from the Petitioner during the Technical Validation Session (TVS) held on April 18, 2022. Further, the Commission in its 1st query dated April 11, 2022 directed the Petitioner to clarify the term "Current Maturity from Long Term Debt as on March 31, 2020" as mentioned in Annexure-A of Note-12 of audited accounts of FY 2020-21. The Petitioner in its reply dated 28, 2022 submitted that the long term debt payable during the year is considered as "Current Maturity from Long Term Debt as on March 31, 2020".

4.9.19 The Commission has observed that the Petitioner has claimed interest rate of 11.84% incorrectly whereas, the Commission has considered the interest rate of 10.56% based on the audited figures for FY 2020-21, inline with Regulation 23.4 of MYT Regulations, 2019 and methodology adopted by the Commission in its Tariff Order for FY 2021-22 dated June 29, 2021 as shown below.

Table 4-33: INTEREST RATE ON LONG TERM LOAN APPROVED BY THE COMMISSION (RS. CRORE)

Loan No.	Lender	FY 2020-21					
		Opening as on 01.04.2020	Addition	Repayment	Closing as on 31.03.2021	Interest Paid (Claimed by Petitioner)	Interest paid (as per Balance Sheet)
		A	B	C	D=A+B-C	E	F
Loan-1	PFC	5659.30	764.99	633.67	5790.63	543.36	543.36
Loan-2	REC	7327.74	966.58	807.87	7486.45	843.42	843.42
Total		12987.04	1731.57	1441.54	13277.07	1386.78	1386.78
Weighted Average Interest Rate for Long Term Loan (%)						**11.84%**	**10.56%**

Note: *The Petitioner had considered Current Maturity from long term debt while deriving the opening and closing loan. Whereas, the Commission has not considered the Current Maturity from long term debt which is provisioned, while calculating the opening and closing loan.*

4.9.20 The Interest Capitalisation Rate is determined based on actual ratio of actual Interest paid (Rs. 1386.78 Crore) and Interest Capitalised (Rs. 197.47 Crore) as per audited accounts. The Interest Capitalisation Rate comes out to be 14.24% and the same is considered for deriving the Interest Capitalisation.

4.9.21 The following table details the Interest on Long Term Loan as submitted by the Petitioner and that approved by the Commission for FY 2020-21 as shown below.

Table 4-34: INTEREST ON LONG TERM LOAN APPROVED BY THE COMMISSION (RS. CRORE)

Particulars	Derivation	FY 2020-21		
		Tariff Order for FY 2020-21 dated 10.11.2020	Petition (True up)	Approved (True up)
Opening Loan as on 1st April of FY	A	10684.13	11406.15	10539.35
Addition during the FY	B	1783.20	2110.30	1982.50
Less: Repayment during the FY	C	988.62	1355.45	958.34
Closing Loan	D=A+B-C	11478.71	12160.99	11563.50
Weighted Average Interest Rate	E	10.72%	11.84%	10.56%
Interest on Loan	F=average (A, D)*E	1187.47	1395.76	1167.06
Interest Capitalisation Rate	G	25.13%	14.15%	14.24%
Less: Interest Capitalised	H=F*G	298.36	197.47	166.18
Net Interest Charged	**I=F-H**	**889.11**	**1198.29**	**1000.88**

4.10 INTEREST ON WORKING CAPITAL

Petitioner's Submission

4.10.1 In accordance with Regulation 25 of MYT Regulations, 2019, the Petitioner has derived the value of each component of Working Capital requirement of the Transmission Licensee. Further, the Interest Rate on Working Capital requirement is considered as "weighted average SBI MCLR (1 Year) prevailing during the concerned Year (FY 2020-21) plus 250 basis points" i.e. 9.57% as per proviso of Regulation 25 of MYT Regulations, 2019.

Table 4-35: INTEREST ON WORKING CAPITAL SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	Derivation	FY 2020-21	
		Tariff Order for FY 2020-21 dated 10.11.2020	Petition (True up)
O&M Expenses for one Month	A=O&M/12	49.20	116.85
Maintenance Spares at 40% of R&M Expenses for two Months	B=40%*R&M/6	20.51	25.11
One and Half Month equivalent of the expected revenue for transmission Charges at prevailing Tariff	C=ARR*1.5/12	251.57	354.00
Less: Amount held as security deposits, if any, from Transmission System Users	D	0.00	0.00
Total Working Capital	E=A+B+C-D	321.28	495.96
Interest Rate on Working Capital Requirement	F	10.65%	9.57%
Interest on Working Capital	**G=E*F**	**34.22**	**47.49**

Commission's Analysis

4.10.2 Regulation 25 of MYT Regulations, 2019 specifies as under:

Quote

25 Interest on Working Capital

25.1 Transmission

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

(i) Operation and maintenance expenses for one month;

(ii) Maintenance spares at 40% of the R&M expenses for two months; 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, if any, from Transmission System Users:

Provided further that for the purpose of Truing- Up for any year, the working capital requirement shall be re-computed on the basis of the values of components of working capital approved by the Commission in the Truing- Up;

(b) Rate of interest on working capital shall be simple interest and shall be equal to the SBI MCLR (1 Year) on October 01, 2019 plus 250 basis points:

Provided that for the purpose of Truing- Up for any year, simple interest on working capital shall be allowed at a rate equal to the weighted average SBI MCLR (1 Year) prevailing during the concerned Year plus 250 basis points.

Unquote

4.10.3 For computing working capital, the Commission has considered approved O&M Expenses for one Month and Maintenance Spares at 40% of R&M Expenses for two Months in line with the provisions of MYT Regulations, 2019. In addition to above, other components of Working Capital requirement are also calculated as per MYT Regulations, 2019.

4.10.4 The Interest Rate on Working Capital requirement is considered as "weighted average SBI MCLR (1 Year) prevailing during the year (FY 2020-21) plus 250 basis points" i.e. 9.57% as per first proviso of Regulation 25.1(b) of MYT Regulations, 2019. The calculation of Interest rate and interest on working capital approved by the Commission is shown in table below:

Table 4-36: INTEREST RATE ON WORKING CAPITAL FOR FY 2020-21 APPROVED BY THE COMMISSION (%)

From Date	To Date	Derivation	FY 2020-21	
			SBI 1 Year MCLR	No. of Days
01.04.2020	09.04.2020	A	7.75%	9
10.04.2020	09.05.2020	B	7.40%	30
10.05.2020	09.06.2020	C	7.25%	31
10.06.2020	31.03.2021	D	7.00%	295
Average MCLR (FY 2020-21)		E=wtg. avg. of (A, B,C,D)	7.07%	-
Interest Rate on Working Capital Requirement		**F=E + 2.50%**	**9.57%**	-

Table 4-37: INTEREST ON WORKING CAPITAL APPROVED BY THE COMMISSION (RS. CRORE)

Particulars	Derivation	FY 2020-21		
		Tariff Order for FY 2020-21 dated 10.11.2020	Petition (True up)	Approved (True up)
O&M Expenses for one Month	A=O&M/12	49.20	116.85	63.49
Maintenance Spares at 40% of R&M Expenses for two Months	B=40%*R&M/6	20.51	25.11	24.39
One and Half Month equivalent of the expected revenue for transmission Charges at prevailing Tariff	C=ARR*1.5/12	251.57	354.00	348.96
Less: Amount held as security deposits, if any, from Transmission System Users	D	0.00	0.00	0.00
Total Working Capital	E=A+B+C-D	321.28	495.96	436.83
Interest Rate on Working Capital Requirement	F	10.65%	9.57%	9.57%
Interest on Working Capital Requirement	**G=E*F**	**34.22**	**47.49**	**41.82**

4.11 RETURN ON EQUITY

Petitioner's Submission

4.11.1 The Petitioner submitted that in line with Regulation 20.2 of MYT Regulations, 2019 and methodology considered by Commission in past Tariff Orders, Fixed Asset Base (including retired/ replacement/ de-capitalised assets) computed as on March 31, 2020 is considered for calculation of normative opening base of loan and equity. The normative equity capital as on April 01, 2020, is considered as 30% of Gross Fixed Asset, while the debt is considered as remaining 70% of Gross Fixed net of accumulated depreciation.

Table 4-38: OPENING NORMATIVE EQUITY AS ON 01.04.2020 SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	Derivation	FY 2020-21	
		Tariff Order for FY 2020-21 dated 10.11.2020	Petition (True up)
Opening GFA	A	27268.44	28543.10
Opening CC, Grants & Subsidies	B	1513.05	1548.05
Net Opening GFA	C=A-B	25755.39	26995.05
Opening Equity (30%)	D=70%	30.00%	30.00%
Opening Normative Equity	E=D*C	7726.62	8098.51

4.11.2 The Petitioner submitted that under provisions of MYT Regulations, 2019, the Petitioner is eligible for Return on Equity at 14.50% on equity base. The Petitioner further added that seeing the huge gap to recover cost of supply from Distribution Licensee, claiming Return on Equity at 14.50% would only result in increase in arrears and accumulation of receivables. Hence, the Petitioner is claiming Return on Equity at 2.00% since FY 2009-10.

4.11.3 The Petitioner has computed the eligible Return on Equity by considering the opening normative equity as April 01, 2020 and normative equity closing based on capital addition for FY 2020-21. Return on Equity has been computed on normative equity portion (30%) of capitalised assets i.e., debt-equity ratio as 70:30. The Petitioner further added that Return on Equity has been computed as per methodology adopted by Commission in its previous Tariff Orders.

Table 4-39: RETURN ON EQUITY SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	Derivation	FY 2020-21	
		Tariff Order for FY 2020-21 dated 10.11.2020	Petition (True up)
Opening Equity	A	7,726.62	8,098.51
Equity addition during FY 2020-21	B	764.23	904.41
Closing Equity	C=A+B	8,490.85	9,002.93
Average Equity	D=(A+C)/2	8,108.73	8,550.72
Rate of Return on Equity	E	2.00%	2.00%
Return on Equity	**F=D*E**	**162.17**	**171.01**

Commission's Analysis

4.11.4 Regulation 22 of MYT Regulations, 2019 specifies as under:

Quote

22 Return on Equity

22.1 Return on equity shall be computed in Rs. terms on equity base at the rate of 14.5% post-tax per annum for the Transmission Licensee and at the rate of 15% post-tax per annum for Distribution Licensee respectively as determined in accordance with Regulation 20:

Provided that assets funded by Consumer Contribution / Deposit works, Capital Subsidies / Grants and corresponding Depreciation shall not form part of the Capital Cost. Actual Equity infused by the Licensee as per book value shall be considered and shall be used for computation in these Regulations.

Unquote

4.11.5 The Commission in its Tariff Order for FY 2020-21 dated November 10, 2020 ruled as under:

Quote

7.11.7 As per Regulation 20.2 of MYT Regulations, 2019, the opening equity base, shall be reduced to the extent of 30% of the fixed asset base approved as on 31.03.2020 (i.e. Rs. 7726.62 Crores) or the closing equity base of FY 2019-20 on 31.03.2020 is Rs. 8658.08 Crores, whichever is lower.

Unquote

4.11.6 The Commission observed that the Petitioner had considered the Gross Fixed Asset as on April 01, 2020 as per audited accounts instead of approved true up value of FY 2019-20 in Order dated June 29, 2021. The Commission has computed the normative Opening Equity based on the approved trued up value as below:

Table 4-40: OPENING NORMATIVE EQUITY AS ON 01.04.2020 APPROVED BY THE COMMISSION (RS. CRORE)

Particulars	Derivation	FY 2020-21		
		Tariff Order for FY 2020-21 dated 10.11.2020	Petition (True up)	Approved (True up)
Opening GFA	A	27268.44	28543.10	27148.61
Opening CC, Grants & Subsidies	B	1513.05	1548.05	1625.73
Net Opening GFA	C=A-B	25755.39	26995.05	25522.88
Opening Equity (30%)	D=30%	30.00%	30.00%	30.00%
Opening Normative Equity	E=D*C	7726.62	8098.51	7656.86

4.11.7 The Commission approved the normative closing equity balance of FY 2019-20 as Rs. 8782.16 Crore in its True-Up Order dated June 29, 2021 for FY 2019-20.

4.11.8 As per Regulation 20.2 of MYT Regulations, 2019 the opening normative equity as on April 01, 2020 should be lower of value derived as per Regulation 23.2 of MYT

Regulations, 2019 or the normative closing equity base of FY 2019-20 approved by the Commission in its True-Up Order dated June 29, 2021 for FY 2019-20.

4.11.9 It is observed that normative opening equity calculated above comes out to be Rs. 7656.86 Crore is lower than normative closing equity base of FY 2019-20 (Rs. 8782.16 Crore) approved by the Commission in its True-Up Order dated June 29, 2021 for FY 2019-20. Thus, the Commission has considered the opening Normative equity as on April 01, 2020 as Rs. 7656.86 Crore.

4.11.10 The Commission observed that the Petitioner has claimed the rate of Return on Equity as 2.00% instead of 14.50% as per Regulation 22.1 of MYT Regulations, 2019, citing the reason that the Distribution Licensees are already in financial stress and further claiming rate of return on equity at 14.50% will further worsen the financial condition of Distribution Licensee.

4.11.11 The Commission is of the view that as per Regulation 22.1 of MYT Regulations, 2019, the Petitioner is entitled for rate on Return on Equity at 14.50%, however, the Petitioner has forgone its rate of Return on Equity of 14.50% and has claimed only 2.00%. Therefore, the Commission taking into the account the plea/claim of the Petitioner considered the rate of Return on Equity as 2.00% instead of 14.50%.

4.11.12 Considering above, the equity addition during the year is considered as 30% of capitalisation net of Consumer Contribution, Capital Grants and Capital Subsidies and Decapitalisation/ Deduction in the assets during FY 2020-21.

4.11.13 The Commission observed that the Petitioner, in its Petition has calculated the normative equity and loan addition during the FY 2020-21, considering the net GFA addition for FY 2020-21 of Rs. 3014.71 Crore, i.e., GFA addition of Rs. 3519.05 Crore less GFA funded out of Consumer Contribution, Capital Grants and Capital Subsidies of Rs. 504.34 Crore. However, the Petitioner had not taken into account the Decapitalisation/ Deduction in the assets during FY 2020-21 while deriving the net equity and loan addition during the FY 2020-21. The Commission has taken into account the Decapitalisation/ Deduction in the assets during FY 2020-21 as per audited accounts while deriving the net equity and loan addition during the FY 2020-21 as shown below:

Table 4-41: NORMATIVE LOAN & NORMATIVE EQUITY ADDED DURING FY 2020-21 APPROVED BY THE COMMISSION (RS. CRORE)

Particulars	Derivation	FY 2020-21		
		Tariff Order for FY 2020-21 dated 10.11.2020	Petition (True up)	Approved (True up)
Capitalization during the FY	A	3230.37	3519.05	3519.05
Decaptalisation/ Deduction	B	313.00	0.00	182.57
Consumer Contributions, Grants and Subsidies towards Cost of Capital Assets during FY 2020-21	C	369.94	504.34	504.34
Net Capitalization during the FY	D=A-B-C	2547.43	3014.71	2832.14
Equity (%)	E=30%	30.00%	30.00%	30.00%
Loan (%)	F=70%	70.00%	70.00%	70.00%
Equity addition during the year (30% of net capitalisation)	G=E*D	764.23	904.41	849.64
Loan addition during the year (70% of net capitalisation)	H=F*D	1783.20	2110.30	1982.50

4.11.14 The Commission, while approving the normative addition for FY 2020-21, has considered Rs. 2832.14 Crore as net capitalisation during the year, which is net of Rs. 504.34 Crore on account of Consumer Contribution, Grants and Subsidies towards Cost of Capital Assets received during FY 2020-21 and Decaptalisation/ Deduction of assets of Rs. 182.57 Crore.

4.11.15 Further, in accordance with the MYT Regulations, 2019 and the principles adopted in the previous Tariff Orders, the Commission has computed the normative equity addition during the year equal to 30% of the approved net capitalization during FY 2020-21. Accordingly, the Return on Equity for FY 2020-21 is shown in the table below:

Table 4-42: RETURN ON EQUITY APPROVED BY THE COMMISSION (RS. CRORE)

Particulars	Derivation	FY 2020-21		
		Tariff Order for FY 2020-21 dated 10.11.2020	Petition (True up)	Approved (True up)
Opening Normative Equity	A	7,726.62	8,098.51	7656.86
Equity addition during the year (30% of net capitalisation)	B	764.23	904.41	849.64
Closing Normative Equity	C=A+B	8,490.85	9,002.93	8506.50
Average Normative Equity	D=(A+C)/2	8,108.73	8,550.72	8081.68
Rate of Return on Equity	E	2.00%	2.00%	2.00%
Return on Equity	**F=D*E**	**162.17**	**171.01**	**161.63**

4.12 INCOME TAX

Petitioner's Submission

4.12.1 The Petitioner has not projected any income tax for FY 2020-21.

Commission's Analysis

4.12.2 Regulation 26 of MYT Regulations, 2019 specifies as under:

> ***Quote***
>
> ***26 Income Tax***
>
> *26.1 Income Tax, if any, on the licensed business of the Licensee shall be treated as expense and shall be recoverable from consumers through Tariff. However, tax on any income other than that through its Licenced business shall not be a pass through, and it shall be payable by the Licensee itself.*
>
> *26.2 Notwithstanding anything contained in Regulation 26.1, total Income Tax payable by the Licensee, in any year, shall be lowest of the following:*
>
> *(a) Actual payment made;*
> *(b) ROE allowed in that year x MAT (%) or ROE allowed in that year x Corporate tax (%), whichever is applicable.*
>
> *26.3 Any under recoveries or over recoveries of Tax on income shall be adjusted every year on the basis of Income Tax assessment under the Income Tax Act 1961, subject to Regulation 26.2 above, as certified by the Statutory Auditors.*
>
> ***Unquote***

4.12.3 The Commission observed that the Petitioner has not projected any income tax for FY 2020-21. Thus, the Commission has not approved any income tax for FY 2020-21.

4.13 NON-TARIFF INCOME

Petitioner's Submission

4.13.1 The Petitioner submitted that against the approved Non-Tariff Income of Rs. 75.36 Crore vide Tariff Order dated November 10, 2020 for FY 2020-21, the actual Non-Tariff Income as per audited accounts is Rs. 262.48 Crore. Further, as per FY 2020-21 annual accounts the Income from Consumer Contribution to the tune of Rs. 129.62 Crore is also recognized under "Other Income" which is already deducted from Gross allowable

Depreciation. Thus, the Petitioner considered the net Non-Tariff Income as Rs. 132.86 Crore for FY 2020-21.

Table 4-43: NON-TARIFF INCOME SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	FY 2020-21	
	Tariff Order for FY 2020-21 dated 10.11.2020	Petition (True up)
Non-Tariff Income	75.36	132.86

Commission's Analysis

4.13.2 Regulation 35 of MYT Regulations, 2019 specifies as under:

Quote

35 Non-Tariff Income

35.1 The amount of Non-Tariff income relating to the Transmission Business as approved by the Commission shall be deducted from the ARR in determining the Annual Transmission Charges of the Transmission Licensee:

Provided that the Transmission Licensee shall submit full details of its forecast of non-Tariff income to the Commission in such form as may be stipulated by the Commission.

35.2 Non-Tariff Income shall include:
Income from rent of land or buildings;
Income from sale of scrap;
Income from investments;
Interest income on advances to suppliers/contractors;
Interest income on loans / advances to employees;
Income from rental from staff quarters;
Income from rental from contractors;
Income from hire charges from contactors and others;
Supervision charges for capital works;
Income from advertisements;
Income from sale of tender documents;
Excess found on physical verification;
Prior Period Income;
Miscellaneous receipts; and
Any other Non-Tariff Incomes:

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

Unquote

4.13.3 The Commission observed that the Petitioner has claimed Income from Subsidies & Grants (Repayment of Loan Principal) and PoC Charges of CERC lines as zero for FY 2020-21, whereas the same was Rs. 44.40 Crore and Rs. 7.87 Crore respectively in FY 2019-20. Thus, the Commission vide email dated May 17, 2022, directed the Petitioner to provide the reason for such drastic change in the above said values. The Petitioner in its reply dated June 02, 2022 submitted that GoUP has decided to provide assistance for repayment of loan in the form of equity instead of subsidy for FY 2020-21. Hence, the same has been shown as nil for FY 2020-21. In regard to POC Charges, the Petitioner submitted that:

- Disbursement of POC charges for NRPC certified lines of UPPTCL during FY 2014-15 to FY 2019-20 by CTU, was done in excess of the approved charges, the excess amount already disbursed to UPPTCL and is being adjusted by CTU. Thus, there is nil disbursement to UPPTCL in the head of POC charges during FY 2020-21.
- Further, as per the CERC Regulations the STU is required to submit the petition before Hon'ble CERC for approval of tariff for ISTS assets. In view of non-availability of CERC approved tariff for FY 2019-20 onwards for these UPPTCL lines included in the ISTS pool, the billing by CTU for UPPTCL lines as per CERC Sharing Regulations, 2020, has been stopped since October 2019 onwards. Accordingly, UPPTCL is in process of filing the True-up Petition for FY 2014-19 tariff period, along with tariff petition for FY 2019-24 tariff period before the Hon'ble CERC as per the respective CERC Tariff Regulations.

4.13.4 The Commission has scrutinized the audited accounts and finds the claim of the Petitioner in line with MYT Regulations, 2019. Hence, the Commission approves the Non-Tariff Income as claimed by the Petitioner.

Table 4-44: NON-TARIFF INCOME APPROVED BY THE COMMISSION (RS. CRORE)

Particulars	FY 2020-21		
	Tariff Order for FY 2020-21 dated 10.11.2020	Petition (True up)	Approved (True up)
Interest Income	75.36	16.44	16.44
Maintenance & Shutdown Charges		24.17	24.17
Income from Contractors/Suppliers		43.46	43.46
Incomes from Consumer Contribution Reserve		129.62	129.62

Particulars	FY 2020-21		
	Tariff Order for FY 2020-21 dated 10.11.2020	Petition (True up)	Approved (True up)
Supervision Charges		44.02	44.02
Rental from Staff		0.48	0.48
Miscellaneous Reciepts		4.28	4.28
Income from subsidies & Grants (Repayment of Loan Prinicipal)		0.00	0.00
PoC Charges of CERC lines		0.00	0.00
Non-Tariff Income		**262.48**	**262.48**
Less: Consumer Contribution during FY 2020-21		129.62	129.62
Net Non-Tariff Income	**75.36**	**132.86**	**132.86**

4.14 REVENUE

Petitioner's Submission

4.14.1 The Petitioner submitted the transmission charges as Rs. 3302.21 Crore for FY 2020-21. Further, as part of separate function of UPSLDC, the Petitioner is maintaining a separate account for UPSLDC and recovered UPSLDC charges to the tune of Rs. 5.37 Crore in FY 2020-21. The Open Access charges to the tune of Rs. 60.30 Crore as considered in audited accounts for FY 2020-21, includes Short-Term Open Access charges recovered in FY 2020-21 for approved Inter-State and Intra-State transactions by NRLDC and UPSLDC respectively and the share of UPPTCL in POC charges for utilization of its assets as Inter-State Transmission System (ISTS) as disbursed by PGCIL during FY 2019-20. Thus, the net revenue receipts of the Petitioner for FY 2020-21 are of Rs. 2434.28 Crore after adjustment of True-up gap of Rs. 867.93 Crore pertaining to FY 2019-20 and approved by the Commission vide its Order dated June 29, 2021 for truing up for FY 2019-20.

Table 4-45: REVENUE FROM OPERATIONS SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	FY 2020-21	
	Tariff Order for FY 2020-21 dated 10.11.2020	Petition (True up)
Transmission Charges for FY 2020-21	-	3236.54
Open Access Charges for FY 2020-21	-	60.30
SLDC Charges for FY 2020-21	-	5.37
Gross Revenue for FY 2020-21	**2589.14**	**3302.21**
Less: True-up adjustment for FY 2019-20	-	867.93
Net Revenue for FY 2020-21	**2589.14**	**2434.28**

Table 4-46: DETAIL BREAKUP OF REVENUE FROM OPERATIONS SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	FY 2020-21	
	Energy Delivered (MU)	Amount (Rs. Crore)
Distribution Licensee		
DVVNL	25888.03	708.94
MVVNL	23520.97	643.11
PVVNL	33463.71	928.79
PuVVNL	27603.46	756.15
KESCO	3382.74	94.42
NPCL	2187.61	38.42
Sub-Total (Distribution Licensees)	**116046.52**	**3169.83**
Open Access Consumer		
Northern Railway (U.P)	1299.12	32.65
Open Access Customers	1715.06	94.35
Others (Start-up Power Drawal)	31.28	
Sub-Total (Open Access Consumers)	**3045.46**	**127.00**
SLDC Charges		
SLDC Charges including Application Fee/ Concurrence Fee/SLDC Charges	-	5.37
Sub-Total (SLDC Charges & Fee)	**-**	**5.37**
Gross Revenue	**119091.98**	**3302.20**

Commission's Analysis

4.14.2 The Commission has considered the Revenue from Operations as per audited accounts for FY 2020-21. The energy wheeled for FY 2020-21 is considered as per joint statement signed by UPPTCL and SLDC for FY 2020-21. Accordingly, the net revenue of Rs. 2434.28 Crore has been approved based on transmission charges, open access charges and SLDC charges received during the year and deducting true-up adjustment for FY 2019-20 as shown below:

Table 4-47: REVENUE FROM OPERATIONS APPROVED BY THE COMMISSION (RS. CRORE)

Particulars	FY 2020-21		
	Tariff Order for FY 2020-21 dated 10.11.2020	Petition (True up)	Approved (True up)
Transmission Charges for FY 2020-21	-	3236.54	3236.54
Open Access Charges for FY 2020-21	-	60.30	60.30
SLDC Charges for FY 2020-21	-	5.37	5.37

Particulars	FY 2020-21		
	Tariff Order for FY 2020-21 dated 10.11.2020	Petition (True up)	Approved (True up)
Gross Revenue for FY 2020-21	**2589.14**	**3302.21**	**3302.21**
Less: True-up adjustment for FY 2019-20	-	867.93	867.93
Net Revenue for FY 2020-21	**2589.14**	**2434.28**	**2434.28**

Table 4-48: DETAIL BREAKUP OF REVENUE FROM OPERATIONS APPROVED BY THE COMMISSION (RS. CRORE)

Particulars	FY 2020-21			
	Petition (True up)		Approved (True up)	
	Energy Delivered (MU)	Amount (Rs. Crore)	Energy Delivered (MU)	Amount (Rs. Crore)
Distribution Licensee				
DVVNL	25888.03	708.94	25888.03	708.94
MVVNL	23520.97	643.11	23520.97	643.11
PVVNL	33463.71	928.79	33463.71	928.79
PuVVNL	27603.46	756.15	27603.46	756.15
KESCO	3382.74	94.42	3382.74	94.42
NPCL	2187.61	38.42	2187.61	38.42
Sub-Total (Distribution Licensees)	**116046.52**	**3169.83**	**116046.52**	**3169.83**
Open Access Consumer				
Northern Railway (U.P)	1299.12	32.65	1299.12	32.65
Open Access Customers	1715.06	94.35	1715.06	94.35
Others (Start-up Power Drawal)	31.28		31.28	
Sub-Total (Open Access Consumers)	**3045.46**	**127.00**	**3045.46**	**127.00**
SLDC Charges				
SLDC Charges including Application Fee/ Concurrence Fee/SLDC Charges	-	5.37	-	5.37
Sub-Total (SLDC Charges & Fee)	-	**5.37**	-	**5.37**
Gross Revenue	**119091.98**	**3302.20**	**119091.98**	**3302.20**
Less: True-up adjustment for FY 2019-20		867.93		867.93
Net Revenue for FY 2020-21		**2434.28**		**2434.28**

4.15 SUMMARY OF ANNUAL REVENUE REQUIREMENT AND GAP/(SURPLUS)

Petitioner's Submission

4.15.1 The Petitioner has projected a Gap/(Surplus) of Rs. 1367.03 Crore for FY 2020-21 and requested the Commission to approve the same.

Table 4-49: SUMMARY OF ARR SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	FY 2020-21	
	Tariff Order for FY 2020-21 dated 10.11.2020	Petition (True up)
O&M Expenses	962.01	1402.18
Employee Expenses	607.29	968.81
A&G Expenses	47.08	56.76
R&M Expenses	307.64	376.61
Interest on Loan Capital	1187.47	1395.76
Interest on Working Capital	34.22	47.49
Depreciation	988.62	1355.45
Gross Expenditure	**3172.32**	**4200.88**
Less: Employee Expenses Capitalised	371.63	240.26
Less: A&G Expenses Capitalised	0.00	0.00
Less: Interest Expenses Capitalised	298.36	197.47
Net Expenditure	**2502.33**	**3763.15**
Add: Return on Equity	162.17	171.01
Less: Non-Tariff Income	75.36	132.86
Annual Revenue Requirement	**2589.14**	**3801.31**
Less: SLDC ARR	-	-
Net Annual Revenue Requirement	**2589.14**	**3801.31**
Revenue from Operations	-	2434.28
Net Gap/ (Surplus)	**-**	**1367.03**

Commission's Analysis

4.15.2 The following table summarises the Annual Revenue Requirement and Gap/(Surplus) for FY 2020-21 as submitted by the Petitioner vis-à-vis the values approved by the Commission.

Table 4-50: SUMMARY OF ARR APPROVED BY THE COMMISSION (RS. CRORE)

Particulars	FY 2020-21		
	Tariff Order for FY 2020-21 dated 10.11.2020	Petition (True up)	Approved (True up)
O&M Expenses	962.01	1402.18	1002.10
Employee Expenses	607.29	968.81	584.72
A&G Expenses	47.08	56.76	51.57
R&M Expenses	307.64	376.61	365.82
Interest on Loan Capital	1187.47	1395.76	1167.06
Interest on Working Capital	34.22	47.49	41.82
Depreciation	988.62	1355.45	958.34
Gross Expenditure	**3172.32**	**4200.88**	**3169.32**
Less: Employee Expenses Capitalised	371.63	240.26	240.26

Particulars	FY 2020-21		
	Tariff Order for FY 2020-21 dated 10.11.2020	Petition (True up)	Approved (True up)
Less: A&G Expenses Capitalised	0.00	0.00	0.00
Less: Interest Expenses Capitalised	298.36	197.47	166.18
Net Expenditure	**2502.33**	**3763.15**	**2762.88**
Add: Return on Equity	162.17	171.01	161.63
Less: Non-Tariff Income	75.36	132.86	132.86
Annual Revenue Requirement	**2589.14**	**3801.31**	**2791.66**
Less: SLDC ARR	-	-	-
Net Annual Revenue Requirement	**2589.14**	**3801.31**	**2791.66**
Revenue from Operations	-	2434.28	2434.28
Net Gap/ (Surplus)	**-**	**1367.03**	**357.38**

4.15.3 The Commission has approved the net gap of Rs. 357.38 Crore for FY 2020-21 against the claimed value of Rs. 1367.03 Crore. The Commission further allows the Petitioner to recover the net gap of Rs. 357.38 Crores, on account of true up for FY 2020-21 in four monthly instalments from the date of this Order in the proportion of amount billed to the Distribution Licensees and other entities in FY 2020-21.

4.16 TRANSMISSION TARIFF

Commission's Analysis

4.16.1 Regulation 33.2 of MYT Regulations, 2019 specifies the methodology for allocation of Annual Transmission Service Charge to its Beneficiaries as stated below:

Quote

33.2 Allocation of Annual Transmission Service Charge:

The Annual Transmission Service Charge (ATSC) shall be divided between Beneficiaries of the Transmission System on monthly basis based on the allotted Transmission Capacity or contracted capacity, as the case may be.

If a Transmission System has been created for a particular Long-term Transmission Beneficiary including dedicated transmission line(s) for a generating station, transmission charges for such Transmission System shall be payable by that Long-term Transmission Beneficiary.

For Intra-State Transmission System, the monthly transmission charges shall be pooled for sharing by Long-Term Transmission Customers in accordance with the following formula:

Transmission Charges for Intra-State System payable for a month by a Long -term Transmission Customer of that Transmission System =

∑_(i=0)^n(TCi/12) x CL/SCL

Where,
TCi = Annual Transmission Service Charges for the ith project in the State computed in accordance with these Regulations;
N = Number of Projects in the State;
CL = Allotted Transmission Capacity to the Long-term Transmission Customer;
SCL = Sum of Allotted Transmission Capacities to all the Long-term Transmission Customers of the State Transmission System

In the case of Medium-term users of the Intra-State Transmission System, charges payable shall be in proportion to the MW for which Medium-term usage has been approved by the State Transmission Utility for that month.

In case of Short-term Open Access consumers, charges payable shall be calculated in accordance with the following methodology:
ST_RATE = [ATSC / Av CAP] / 365
Where,
ST_RATE is the rate for short-term Open Access consumers in Rs. Per MW per day;
ATSC is Annual Transmission Service Charge;

Av CAP means the average capacity in MW served by the Transmission System of the Transmission Licensee in the last Financial Year and shall be the sum of the generating capacities connected to the Transmission System and contracted capacities of other transactions handled by the system of the Transmission Licensee;

Transmission charges corresponding to any plant capacity for which a Beneficiary has not been identified and contracted shall be paid by the concerned generating Company:

Provided that till the time transmission charges for Intra- State system cannot be determined for long- term, medium- term and short- term customers as stipulated above, the Commission will determine per unit charges for energy transmitted by dividing the total ARR by the total number of units transmitted and will be same for long- term, medium- term and short- term customers.

Unquote

4.16.2 The MYT Regulations, 2019 provide for capacity (MW) based transmission charges. However, there are still numerous issues in the determination of MW based Transmission Tariff, like allocation of transmission capacity to the existing long-term transmission system users, allocation of existing PPAs, etc. Presently, the State

Distribution Licensees have not been allotted transmission capacity as such; hence, the Transmission Tariff has been calculated by the Commission on the basis of the number of units wheeled by the Transmission Licensee for the Distribution Licensees.

4.16.3 Further, the Petitioner has submitted that 119091.98 MU was delivered to Transmission System Users in FY 2020-21. The following table summarises the Annual Revenue Requirement and Transmission Tariff for FY 2020-21 as submitted by the Petitioner vis-à-vis the values approved by the Commission.

Table 4-51: TRUED UP TRANSMISSION TARIFF APPROVED BY THE COMMISSION (RS. /KWh)

Particulars	Derivation	FY 2020-21		
		Tariff Order for FY 2020-21 dated 10.11.2020	Petition (True up)	Approved (True up)
Net Annual Revenue Requirement (Rs. Cr.)	A	2589.14	3801.31	2791.66
Energy Delivered (MU)	B	108890.33	119091.98	119091.98
Transmission Tariff (Rs. /kWh)	**C=A*B/10**	**0.2378**	**0.3192**	**0.2344**

4.16.4 The net incremental transmission tariff for FY 2020-21 after truing up to recover the gap of Rs. 357.38 Crore is as follows:

Table 4-52: REVENUE GAP RECOVERY FOR FY 2020-21 APPROVED BY THE COMMISSION (RS./KWh)

Particulars	FY 2020-21		
	Tariff Order for FY 2020-21 dated 10.11.2020	Petition (True up)	Approved (True up)
Net Annual Revenue Requirement (Rs. Cr.)	2589.14	3801.31	2791.66
Revenue from Operations (Rs. Cr.)	2589.14	2434.28	2434.28
Net Gap/ (Surplus) (Rs. Cr.)	0.00	1367.02	357.38
Energy Delivered (MU)	108890.33	119091.98	119091.98
Transmission Tariff (Rs. /kWh)	**0.2378**	**0.3192**	**0.2344**
Additional Transmission Tariff to be Recovered from Transmission System Users (Rs. /kWh)	**-**	**0.1148**	**0.0300**

4.16.5 Based on the approved net gap of Rs. 357.38 Crore for FY 2020-21, the net additional transmission Tariff to be recovered from Transmission System Users is Rs. 0.03/kWh for FY 2020-21.

5 ANNUAL PERFORMANCE REVIEW FOR FY 2021-22

5.1 INTRODUCTION

5.1.1 Regulation 7 of MYT Regulations, 2019 specifies as under:

Quote

7 Annual Performance Review

7.1 The Licensee shall file Petition for Annual Performance Review (APR) as provided in Regulation 4.1 of these Regulations:

Provided that the Petition shall include information in such form as may be prescribed by the Commission, together with the audited/ provisional Accounting Statements, extracts of books of account and such other details, etc., as per the Guidelines and Formats prescribed.

Unquote

5.1.2 The Petitioner has submitted the Annual Performance Review (APR) for FY 2021-22 as per the provisions of MYT Regulations, 2019 and based on the revised projections of expenses and capital expenditure.

5.1.3 The Commission in this Order has not carried out the detailed analysis of various components of APR for FY 2021-22. The Commission has carried out comparison of each component of APR as claimed by the Petitioner with that approved in Tariff Order for FY 2021-22 vide Order dated June 29, 2021. The Commission will carry out the detailed prudence check of various components of ARR for FY 2021-22 while carrying out the truing up for FY 2021-22.

5.1.4 The component-wise description of the Petitioner's submission against the approved value in Tariff Order dated June 29, 2021 for FY 2021-22 is provided hereunder.

5.2 TRANSMISSION SYSTEM AVAILABILITY

Petitioner's Submission

5.2.1 The Petitioner has estimated transmission availability for FY 2021-22 more than normative annual transmission system availability factor of 98% as per Regulation 33.1.1 of MYT Regulations, 2019.

Commission's Analysis

5.2.2 The Commission observed that the Petitioner has estimated transmission availability for FY 2021-22 more than normative value as per Regulation 33.1.1 of MYT Regulations, 2019. The prudence of the same will be done at the time of Truing-up.

5.3 TRANSMISSION LOSS

Petitioner's Submission

5.3.1 The Petitioner has estimated the Intra-State Transmission loss as 3.33% inline with Business Plan Order dated October 15, 2020 and Tariff Order for FY 2021-22 dated June 29, 2021 as shown below.

Table 5-1: INTRA-STATE TRANSMISSION LOSS SUBMITTED BY PETITIONER (%)

Particulars	FY 2021-22	
	Business Plant Order dated 15.10.2020 & Tariff Order for FY 2021-22 dated 29.06.2021	Petition (APR)
Intra-State Transmission loss	3.33%	3.33%

Commission's Analysis

5.3.2 The Commission observed that the Petitioner has claimed the transmission loss inline with Business Plan Order dated October 15, 2020 and Tariff Order for FY 2021-22 dated June 29, 2021. The prudence of the same will be done at the time of Truing-up.

5.4 OPERATION AND MAINTENANCE EXPENSES (O&M)

Petitioner's Submission

5.4.1 The Petitioner submitted that they have segregated each component of O&M expenses. The Petitioner has calculated the normative value of Employee Expenses for FY 2021-22 based on normative value of Employee Expenses for FY 2020-21 derived in its Petition and escalated the same based on average of actual Consumer Price Index (CPI) for immediately preceding three financial years (6.00%) in accordance with Regulation 34.1 of MYT Regulations, 2019. The actual Employee Expense capitalisation for FY 2020-21 works out to be 41.09% of the actual Employee Expenses as per audited account and the same ratio (41.09%) is considered for projection of Employee Expense capitalisation for FY 2021-22.

5.4.2 Similarly, the Petitioner has projected the normative R&M Expenses for FY 2021-22 based on normative value of R&M Expenses for FY 2020-21 derived in its Petition and escalated the same based on average of actual Wholesale Price Index (WPI) for immediately preceding three financial years (2.42%) in accordance to Regulation 34.2 of MYT Regulations, 2019.

5.4.3 To calculate the normative A&G Expenses for FY 2020-21, the Petitioner has considered the normative value of A&G Expenses derived for FY 2021-22 derived in its Petition and escalated the same based on average of actual Wholesale Price Index (WPI) for immediately preceding three financial years (2.42%) in accordance to Regulation 34.3 of MYT Regulations, 2019. The Petitioner has additionally claimed Rs. 0.07 Crore towards Finance Charges over and above the normative A&G Expenses.

Table 5-2: NORMATIVE O&M EXPENSES SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	FY 2021-22	
	Tariff Order for FY 2021-22 dated 29.06.2021	Petition (APR)
Employee Expenses	671.58	1026.93
Less: Employee Expenses Capitalised	406.64	421.96
Net Employee Expenses	**264.94**	**604.97**
A&G Expenses	52.80	52.05
Add: Licensee Fee	-	-
Add: Finance Charges	-	0.07
Net: A&G Expenses	**52.80**	**52.12**
R&M Expenses	**378.45**	**385.71**
O&M Expenses	**696.19**	**1042.79**

Commission's Analysis

5.4.4 The overall O&M expenses claimed by the Petitioner have increased as compared to the O&M expenses approved in Tariff Order dated June 29, 2021 for the FY 2021-22. The prudence of the same will be done at the time of Truing-up.

5.5 CAPITAL WORK IN PROGRESS (CWIP) & GROSS FIXED ASSET (GFA)

Petitioner's Submission

5.5.1 The Petitioner has estimated the capital investment for FY 2021-22 based on the expected expenditure projected towards the ongoing projects/ schemes and those towards the new projects to be undertaken in FY 2021-22. The capital investment estimated by the Petitioner for FY 2021-22 is shown below:

Table 5-3: SOURCE OF CAPITAL INVESTMENT SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	FY 2021-22 Petition (APR)
Consumer Contribution/ Deposit Works	504.34
Debt Funded	2115.89
Equity Funded	906.81
Total Capital Investment	**3527.05**

5.5.2 The Petitioner submitted that the above capital expenditure as per Business Plan has been revised in view of the change in the timelines of the projects. The proposed capex and timeline estimated above is revised after taking into account Government approvals of extension of timelines, across the Board, due to COVID-19 impact as well as funding crunch from Government of Uttar Pradesh (GoUP) and directed to take up important projects only due to austerity measures declared by GoUP. Further, in absence of MNRE's approval of grant, the Petitioner is not in a position to take up GEC-II projects in FY 2020-21. Therefore, expenditure towards the same has not been considered in FY 2021-22.

5.5.3 In regards to capitalisation, the Petitioner has estimated that 25% of the total investment will be capitalised during FY 2021-22. Further, the Petitioner has not considered any deduction/ deletion of assets and submitted that the same may be considered on actual basis at the time of truing-up.

Table 5-4: CAPITAL EXPENDITURE SUBMITTED BY PETITIONER (RS. CRORE)

Particular	Derivation	FY 2021-22	
		Tariff Order FY 2021-22 dated 29.06.2021	Petition (APR)
Opening CWIP as on 1st April 2021	A	8315.33	7958.32
Investments during FY 2021-22	B	5123.22	3527.05
Employee Expenses Capitalisation	C	406.64	421.96
A&G Expenses Capitalisation	D	0.00	0.00
Interest Capitalisation on Interest on Long Term Loans	E	180.94	205.88
Total Investments	F= A+B+C+D+E	14026.13	12113.21
Transferred to GFA (Total Capitalisation)	G	3506.53	3028.30
Closing CWIP as on 31st March 2022	H= F-G	10519.60	9084.90

Table 5-5: GFA SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	FY 2021-22	
	Tariff Order FY 2021-22 dated 10.11.2020	Petition (APR)
Opening GFA as on 1st April 2021	29690.36	31879.58
GFA Addition during FY 2021-22	3506.53	3028.30
Decapitalisation/ Deduction during FY 2021-22	214.77	0.00
Closing GFA as on 31st March 2022	32982.12	34907.88

Commission's Analysis

5.5.4 The Commission observes that the Petitioner has considered the normative closing GFA for FY 2020-21 as the opening GFA for FY 2021-22, which is the main reason for the difference in the claimed figure of the Petitioner against the approved value in last year's Tariff Order. The prudence check of the same will be done at the time of Truing-up.

5.6 CONSUMER CONTRIBUTION, CAPITAL GRANTS AND GRANTS

Petitioner's Submission

5.6.1 The Consumer Contribution considered towards the capital formation in FY 2021-22 as Rs. 504.34 crore, same as that of FY 2020-21, whereas, no grant has been considered for FY 2021-22, as summarised below:

Table 5-6: CONSUMER CONTRIBUTION SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	FY 2021-22	
	Tariff Order FY 2021-22 dated 29.06.2021	Petition (APR)
Opening Balance of Consumer Contributions (CC), Grants and Subsidies towards Cost of Capital Assets as on 1st April 2021	1919.96	1922.78
Additions during FY 2021-22	829.56	504.34
Less: Amortisation during FY 2021-22	109.55	161.00
Closing Balance of CC, Grants and Subsidies towards Cost of Capital Assets as on 31st March 2022	2639.97	2266.13

Commission's Analysis

5.6.2 The Commission observes that the Petitioner has considered the opening and closing Consumer Contributions, Grants and Subsidies towards cost of capital assets for FY 2020-21 as per audited accounts instead of approved value by Commission, which resultant in difference in the claimed figure of the Petitioner against the approved value in Tariff of FY 2021-22. The prudence check of the same will be done at the time of Truing-up.

5.7 DEBT-EQUITY RATIO

5.7.1 The Petitioner submitted that they have considered the normative approach with Debt-Equity ratio as 70:30, i.e., 70% of estimated capitalisation during the FY 2021-22 to be financed through term loan and balance 30% through equity. The amount of Consumer Contributions, Capital Subsidies and Grants towards cost of capital assets estimated for FY 2021-22 is reduced to derive the net capitalisation, as the same would not be charged to consumers.

Table 5-7: DEBT: EQUITY RATIO AND FINANCING OF CAPITALISATION SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	FY 2021-22	
	Tariff Order FY 2021-22 dated 29.06.2021	Petition (APR)
Capitalisation during the FY 2021-22	3506.53	3028.30
Less: Decapitalisation/ Deduction during the FY 2021-22	214.77	0.00
Less: Consumer Contribution, Grants & Capital Subsidies during the FY 2021-22	829.56	504.34
Net Capitalisation to be funded by Debt & Equity	2462.20	2523.96
Equity (%)	30.00%	30.00%
Debt (%)	70.00%	70.00%
Equity Funded during the FY 2021-22	738.66	757.19
Debt Funded during the FY 2021-22	1723.54	1766.77

Commission's Analysis

5.7.2 The Commission observed that there is variation in estimated capitalisation, Decapitalisation/ Deduction and Consumer Contribution, Grants & Capital Subsidies during the FY 2021-22, resulting in variation of debt and equity addition during FY 2021-22 against the approved value of FY 2021-22 in Tariff Order dated June 29, 2021. The detail analysis will be carried out at the time of truing up.

5.8 DEPRECIATION

Petitioner's Submission

5.8.1 For computation of allowable Depreciation for FY 2021-22, the Petitioner has considered Normative Closing Gross Fixed Asset Base for FY 2019-20 and FY 2020-21 and subsequent addition and yearly capitalization for FY 2021-22 as per revised estimates. Further the Petitioner has computed the asset-wise depreciation as per the rates provided in the Annexure A of the MYT Regulations, 2019 based on the normative opening and closing Gross Fixed Asset base for FY 2021-22. The Petitioner in line with the above MYT Regulation, 2019 and methodology adopted by the Commission in Tariff Order dated November 10, 2020 for FY 2020-21 and June 29, 2021 for FY 2021-22 has computed the allowable depreciation for assets upto March 31, 2020 (Part-A) and assets after April 01, 2020 (Part-B).

5.8.2 Further, the Petitioner has projected the depreciation on assets created out of Consumer Contributions, Capital Grants and Subsidies for FY 2021-22 in the same ratio as per annual accounts of FY 2020-21. The Petitioner has reduced the equivalent depreciation amounting to Rs. 135.67 Crore for FY 2021-22 in respect of depreciation on assets created out of Consumer Contributions, Capital Grants and Subsidies.

5.8.3 The Petitioner further submitted that in compliance to the provisions of Appendix 'C' to IndAS-I8, FY 2016-17 onwards the Consumer Contribution Reserve has been recognized as revenue as equal annual income over the useful life of the underlying asset/term of the arrangement with consumers. The Income from Consumer Contribution recognized as revenue (or equivalent depreciation amount) in FY 2021-22 has been projected as the percentage of Non-Tariff Income (same ratio as in the annual accounts of FY 2020-21).

5.8.4 Thus, the Petitioner requests the Commission to consider the net depreciation amount of Rs. 1518.80 crore for FY 2021-22.

Table 5-8: GROSS DEPRECIATION FOR ASSETS UPTO 31.03.2020 (PART-A) SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	Opening GFA	Additions to GFA	Deductions to GFA	Closing GFA	Depreciation Rate (%)	Allowable Depreciation
Land & Land Rights						
Unclassified	141.97	1.31	43.84	99.45	0.00%	-
Freehold Land	1.26	0.09	1.29	0.06	0.00%	-
Buildings	1085.14	145.76	0.87	1230.03	3.34%	38.66
Other Civil Works	91.63	11.91	0.00	103.54	3.34%	3.26
Plants & Machinery	12822.19	1435.39	456.06	13801.52	5.28%	702.87
Lines, Cable Network etc.	11314.74	1707.37	35.50	12986.62	5.28%	641.56
Vehicles	3.37	0.00	0.06	3.31	9.50%	0.32
Furniture & Fixtures	8.74	1.23	0.00	9.98	6.33%	0.59
Office Equipments	9.55	2.56	0.00	12.11	6.33%	0.69

Particulars	Opening GFA	Additions to GFA	Deductions to GFA	Closing GFA	Depreciation Rate (%)	Allowable Depreciation
Intangible Assets	4.27	0.03	0.00	4.30	5.28%	0.23
Assets taken over by Licensee (Pending for final Valuation)	105.44	4.74	0.57	109.61	5.28%	5.68
Total Depreciable Assets	**25445.07**	**3309.00**	**493.05**	**28261.03**	**6.71%**	**1393.84**
Total Non-Depreciable Assets	**143.23**	**1.41**	**45.13**	**99.50**	**-**	**-**
Grand Total (Assets)	**25588.30**	**3310.41**	**538.18**	**28360.53**	**0.07**	**1393.84**

Table 5-9: GROSS DEPRECIATION FOR ASSETS FROM 01.04.2020 (PART-B) SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	Opening GFA	Additions to GFA	Deductions to GFA	Closing GFA	Depreciation Rate (%)	Allowable Depreciation
Land & Land Rights						
Unclassified	16.73	16.80	0.00	33.53	0.00%	-
Freehold Land	0.00	0.15	0.00	0.15	0.00%	-
Buildings	118.62	128.42	0.00	247.05	3.34%	6.11
Other Civil Works	9.69	10.84	0.00	20.54	3.34%	0.50
Plants & Machinery	1531.44	1517.47	0.00	3048.91	5.28%	120.92
Lines, Cable Network etc.	1832.08	1339.07	0.00	3171.15	5.28%	132.09
Vehicles	0.01	0.40	0.00	0.41	9.50%	0.02
Furniture & Fixtures	1.21	1.03	0.00	2.24	6.33%	0.11
Office Equipments	0.97	1.13	0.00	2.10	6.33%	0.10
Intangible Assets	4.41	0.50	0.00	4.91	5.28%	0.25
Assets taken over by Licensee (Pending for final Valuation)	3.88	12.48	0.00	16.35	5.28%	0.53
Total Depreciable Assets	3502.32	3011.35	0.00	6513.67	5.20%	260.63
Total Non-Depreciable Assets	16.73	16.95	0.00	33.68		0.00
Grand Total (Assets)	3519.05	3028.30	0.00	6547.36	0.05	260.63

Table 5-10: NET ALLOWABLE DEPRECIATION (PART-A + PART-B) SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	FY 2021-22	
	Tariff Order FY 2021-22 dated 29.06.2021	Petition (APR)
Depreciation of Assets upto 31.03.2020	984.33	1393.84
Depreciation of Assets from 01.04.2020 onwards	233.83	260.63
Less: Depreciation of assets created from Consumer Contribution, Capital Grants and Capital Subsidies	109.54	135.67
Net Depreciation	**1108.62**	**1518.80**

Commission's Analysis

5.8.5 The Commission will carry out the detailed prudence check of depreciation of each asset while carrying out the truing up for FY 2021-22.

5.9 INTEREST ON LONG TERMS LOANS

Petitioner's Submission

5.9.1 The Petitioner submitted that the normative opening loan for FY 2021-22 has been considered as per the closing loan balance of FY 2020-21 considered in its Petition. The normative loan addition during the FY 2021-22 is estimated as 70% of estimated capitalisation after adjusting the Consumer Contribution, Capital Grants and Subsidies, as the same can't be charges to the Beneficiaries.

5.9.2 The estimated allowable depreciation for FY 2021-22 is considered as repayment during the respective financial year. The weighted average rate of interest of overall long-term loan portfolio for FY 2020-21 (11.84%) has been considered for FY 2021-22, as it seems to be fair and equitable and interest capitalisation at 14.15% for FY 2021-22, based on ratio of actual capitalization for FY 2020-21 as per audited accounts. The computations for interest on long term loan is depicted below:

Table 5-11: INTEREST ON LONG TERM LOANS SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	Derivation	FY 2021-22	
		Tariff Order FY 2021-22 dated 29.06.2021	Petition (APR)
Opening Loan as on 1st April of FY	A	11084.78	12160.99
Addition during the FY	B	1723.54	1766.77
Less: Repayment during the FY	C	1108.62	1518.80
Closing Loan	D=A+B-C	11699.70	12408.97
Wtg. Avg. Interest Rate	E	10.12%	11.84%
Interest on Loan	F=average (A, D)*E	1152.50	1455.16
Interest Capitalisation Rate	G	15.70%	14.15%
Less: Interest Capitalised	H=F*G	180.94	205.88
Net Interest Charged	**I=F-H**	**971.56**	**1249.28**

Commission's Analysis

5.9.3 The Commission observed that the Petitioner has considered the normative approach with debt-equity ratio of 70:30 specified in MYT Regulations, 2019. The portion of capital expenditure financed through Consumer Contributions, Capital Grants and Subsidies has been separated as the depreciation thereon would not be charged to the consumers. Further, the allowable depreciation for the financial year has been considered for normative loan repayment. The Commission will carry out the detailed prudence check of Interest on Long Term Loan while carrying out the truing up for FY 2021-22.

5.10 INTEREST ON WORKING CAPITAL

Petitioner's Submission

5.10.1 In accordance to Regulation 25 of MYT Regulations, 2019, the Petitioner has derived the value of each component of Working Capital requirement of the Transmission Licensee. Further, the Interest Rate on Working Capital requirement is considered as current State Bank Marginal Cost of Funds based Lending Rate (MCLR) i.e., 10.65%.

Table 5-12: INTEREST ON WORKING CAPITAL SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	Derivation	FY 2021-22	
		Tariff Order FY 2021-22 dated 29.06.2021	Petition (APR)
O&M Expenses for one Month	A=O&M/12	58.02	122.06
Maintenance Spares at 40% of R&M Expenses for two Months	B=40%*R&M/6	25.23	25.71
One and Half Month equivalent of the expected revenue for transmission Charges at prevailing Tariff	C=ARR*1.5/12	340.06	389.90
Less: Amount held as security deposits, if any, from Transmission System Users	D	0.00	0.00
Total Working Capital	E=A+B+C-D	423.31	537.68
Interest Rate on Working Capital Requirement	F	10.65%	10.65%
Interest on Working Capital	**G=E*F**	**45.08**	**57.26**

Commission's Analysis

5.10.2 The Interest on Working Capital claimed by the Petitioner has increased as compared to the Interest on Working Capital Expenses approved in Tariff Order dated June 29, 2021 for FY 2021-22. The prudence of the same will be done at the time of Truing-up.

5.11 RETURN ON EQUITY

Petitioner's Submission

5.11.1 The Petitioner submitted that the normative opening equity for FY 2021-22 has been considered as per the closing loan balance of FY 2020-21 considered in its Petition. The normative equity addition during the FY 2021-22 is estimated as 30% of estimated capitalisation after adjusting the Consumer Contribution, Capital Grants and Subsidies, as the same can't be charges to the Beneficiaries.

5.11.2 The Petitioner submitted that under provisions of MYT Regulations, 2019, the Petitioner is eligible for Return on Equity at 14.50% on equity base. The Petitioner further added that seeing the huge gap to recover cost of supply from Distribution Licensee, claiming Return on Equity at 14.50% would only result in increase in arrears and accumulation of receivables. Hence, the Petitioner is claiming Return on Equity at 2.00% since FY 2009-10.

Table 5-13: RETURN ON EQUITY SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	Derivation	FY 2021-22	
		Tariff Order FY 2021-22 dated 29.06.2021	Petition (APR)
Opening Equity	A	8,302.60	9,002.93
Equity addition during FY 2020-21	B	738.66	757.19
Closing Equity	C=A+B	9,041.26	9,760.11
Average Equity	D=(A+C)/2	8,671.93	9,381.52
Rate of Return on Equity	E	2.00%	2.00%
Return on Equity	**F=D*E**	173.44	187.63

Commission's Analysis

5.11.3 The Commission observed that the increase in claimed amount of Return on Equity by the Petitioner is because of increase in the equity at the beginning of FY 2021-22. The Commission will do the prudence check at the time of truing up of FY 2021-22.

5.12 NON-TARIFF INCOME

Petitioner's Submission

5.12.1 The Petitioner submitted that the Non-Tariff Income, comprises of interest on loans and advances to employees, income from fixed rate investment deposits and interest on loans and advances to Licensees. Further, the amount of depreciation charged on assets created out of Consumer Contributions, Capital Grants and Subsidies are also booked under the head "Other Incomes" in the annual accounts. The Non-Tariff Income for FY 2021-22 is claimed as Rs. 139.06 Crore, projected after deducting the estimated amount of Income from Consumer Contribution from the total Non-Tariff Income for FY 2021-22.

Table 5-14: NON-TARIFF INCOME SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	FY 2021-22	
	Tariff Order FY 2021-22 dated 29.06.2021	Petition (APR)
Non-Tariff Income	237.68	139.06

Commission's Analysis

5.12.2 The Commission noted the submission made by the Petitioner and analysis and prudence check will be carried out at the time of truing up.

5.13 SUMMARY OF AGGREGATE REVENUE REQUIRMENT FOR FY 2021-22

Petitioner's Submission

5.13.1 The Petitioner has projected the Annual Revenue Requirement and Transmission Tariff as Rs. 3886.65 Crore and Rs. 0.3017/ kWh respectively for FY 2021-22 as shown below:

Table 5-15: SUMMARY OF ARR SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	FY 2021-22	
	Tariff Order FY 2021-22 dated 29.06.2021	Petition (APR)
O&M Expenses	1102.83	1464.76
Employee Expenses	671.58	1026.93
A&G Expenses	52.80	52.12
R&M Expenses	378.45	385.71
Interest on Loan Capital	1152.50	1455.16
Interest on Working Capital	45.08	57.26
Depreciation	1108.62	1518.80
Gross Expenditure	**3409.03**	**4495.97**
Less: Employee Expenses Capitalised	406.64	421.96
Less: A&G Expenses Capitalised	0.00	0.00
Less: Interest Expenses Capitalised	180.94	205.88
Net Expenditure	**2821.45**	**3868.13**
Add: Return on Equity	173.44	187.63
Less: Non-Tariff Income	237.68	139.06

Particulars	FY 2021-22	
	Tariff Order FY 2021-22 dated 29.06.2021	Petition (APR)
Annual Revenue Requirement	**2757.21**	**3916.70**
Less: SLDC ARR	36.71	30.05
Net Annual Revenue Requirement	**2720.50**	**3886.65**

Commission's Analysis

5.13.2 The Commission observes that the revised ARR for FY 2021-22 as estimated by the Petitioner is Rs. 3886.65 Crore against approved value of Rs. 2720.50 Crore in the Tariff Order of FY 2021-22 dated June 29, 2021. Further, the Petitioner has neither mentioned the estimated revenue for FY 2021-22, nor claimed any Revenue Gap for FY 2021-22. The Commission shall determine Revenue Gap/(Surplus) for FY 2021-22 during the truing up exercise.

6 AGGREGATE REVENUE REQUIREMENT FOR FY 2022-23

6.1 INTRODUCTION

6.1.1 The Commission has analysed the Tariff Petition submitted for approval of ARR and determination of transmission charges for FY 2022-23 as per provisions specified in MYT Regulations, 2019. In this regard Regulation 30.10 of MYT Regulations, 2019 provides as below:

Quote

30.10 The Annual Transmission Charges shall provide for the recovery of the ARR of the Transmission Licensee, as approved by the Commission and comprise the following components:

(a) Operation and maintenance expenses;
(b) Depreciation;
(c) Interest on Loan Capital;
(d) Interest on Working Capital;
(e) Contribution to Contingency Reserves;
(f) Return on Equity;
(g) Income Tax;

minus:

(h) Non-Tariff Income;
(i) Income from other Business, to the extent stipulated in these Regulations:

Provided that Depreciation, Interest on Loan Capital, Interest on Working Capital, Contribution to Contingency Reserves, Return on Equity, and Income Tax for Transmission Licensees shall be allowed in accordance with the provisions stipulated in Part D of these Regulations:

Provided further that the components of the ARR corresponding to the transmission lines owned by the Transmission Licensee and conveying electricity to other States, being recovered through the Point of Connection (PoC) transmission charges in accordance with the Regulations and Orders of the Central Electricity Regulatory Commission, shall not be recovered from the Annual Transmission Charges determined under these Regulations:

Provided also that in case any such components have already been recovered through the Intra-State transmission Tariff, then such excess recovery shall be deducted from the ARR of the Transmission Licensee for the future years, along with associated carrying Cost, as applicable:

Provided also that prior period income/expenses shall be allowed by the Commission at the time of Truing- Up based on audited accounts, on a case to case basis, subject to prudence check:

Provided also that all penalties and compensation payable by the Licensee to any party for failure to meet any Standards of Performance or for damages, as a consequence of the Orders of the Commission, Courts, etc., shall not be allowed to be recovered through the ARR:

Provided also that the Transmission Licensee shall maintain separate details of such penalties and compensation paid or payable by the Licensee, if any, and shall submit them to the Commission along with its Petition.

Unquote

6.1.2 The detailed deliberation upon each element identified above is presented in the subsequent sections.

6.2 TRANSMISSION SYSTEM AVAILABILITY

Petitioner's Submission

6.2.1 The Petitioner submitted the normative Annual Transmission System Availability factor for FY 2022-23 as 98.00% inline to Regulation 33.1 of MYT Regulations, 2019 and projected Annual Transmission System Availability factor more than normative Annual Transmission System Availability factor.

Commission's Analysis

6.2.2 Regulation 33.1.1 of MYT Regulations, 2019 specifies the Normative Annual Transmission System Availability factor (NATSAF) for AC system as 98% as quoted below:

Quote

33.1 Target availability

33.1.1 Normative Annual Transmission System Availability factor (NATSAF) shall be as under:

1) AC System: 98%;

2) HVDC bi-pole links and back-to-back Stations: 95%

Unquote

6.2.3 In this regard, it would be prudent to summarize the past trends of the Annual Transmission System Availability factor achieved by the Petitioner from FY 2011-12 to FY 2020-21, which is tabulated below:

Table 6-1: ACTUAL ANNUAL TRANSMISSION SYSTEM AVAILABILITY FACTOR (%)

Particulars	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Actual Annual Transmission System Availability factor	99.75%	99.68%	99.72%	99.64%	99.75%	99.03%	99.00%	99.01%	99.47%	99.46%

6.2.4 Further, it is observed that the Commission has approved the normative annual transmission system availability factor as 98% for each year of the Control Period from FY 2020-21 to FY 2024-25 in Business Plan Order dated October 15, 2020 in accordance with Regulation 33.1.1 of MYT Regulations, 2019. Therefore, the Commission accordingly approves the normative ATSAF as 98% for FY 2022-23.

6.3 INTRA-STATE TRANSMISSION LOSS

Petitioner's Submission

6.3.1 The Petitioner claimed the Intra-State Transmission loss as 3.27% in accordance with approved value of 3.27% in Business Plan Order dated October 15, 2020.

Commission's Analysis

6.3.2 The actual intra-State transmission loss from FY 2008-09 to FY 2020-14 for the Petitioner along with the Transmission loss trajectory approved by the Commission for the control period from FY 2020-21 to FY 2024-25 and provision of MYT Regulations, 2019 has been summarized subsequently before considering the intra-State transmission loss for FY 2022-23.

6.3.3 Regulation 38 of MYT Regulations, 2019 provides as follows:

Quote

38 Transmission Losses

The energy losses in the Intra-State Transmission System, as determined by the State Load Despatch Centre and approved by the Commission, shall be borne by the Transmission System Users in proportion to their usage of the Intra-State Transmission System.

Unquote

6.3.4 The past trends of actual Intra-State transmission losses are shown below:

Table 6-2: ACTUAL INTRA-STATE TRANSMISSION LOSS FROM FY 2008-09 TO FY 2013-14 (%)

Particulars	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Intra-State Transmission loss	4.11%	3.98%	3.56%	3.63%	4.08%	4.10%

Table 6-3: ACTUAL INTRA-STATE TRANSMISSION LOSS FROM FY 2014-15 TO FY 2020-21 (%)

Particulars	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Intra-State Transmission loss	3.67%	3.59%	3.55%	3.56%	3.56%	3.43%	3.37%

6.3.5 Further, the Commission has already approved the Transmission loss trajectory for the control period from FY 2020-21 to FY 2024-25 in Business Plan Order dated October 15, 2020 as tabulated below:

Table 6-4: APPROVED TRAJECTORY OF INTRA-STATE TRANSMISSION LOSS (%)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Trajectory of Intra-State Transmission loss	3.40%	3.33%	3.27%	3.22%	3.18%
Actual Intra-State Transmission loss	3.37%	-	-	-	-

6.3.6 Accordingly, the Commission approves intra-state transmission loss of 3.27% for FY 2022-23.

6.3.7 The above loss figures are for the purpose of regulatory treatment in the True-Up and ARR. However, for commercial purposes, estimated or actual or normative intra-State transmission loss as approved/ specified in the applicable Regulations/ Orders of the Commission shall be used/considered by all concerned.

6.4 OPERATION AND MAINTENANCE EXPENSES (O&M)

Petitioner's Submission

6.4.1 The Petitioner submitted that it has segregated each component of O&M expenses. The Petitioner has calculated the normative value of Employee Expenses for FY 2022-23 based on normative value of Employee Expenses for FY 2021-22 derived in its Petition and escalated the same by 6.00% i.e., escalation factor for FY 2021-22. The actual Employee Expense capitalisation for FY 2020-21 works out to be 41.09% of the actual Employee Expenses as per audited account and the same ratio (41.09%) is considered for projection of Employee Expense capitalisation for FY 2021-22.

6.4.2 Similarly, the Petitioner has projected the normative R&M Expenses for FY 2022-23 based on normative value of R&M Expenses for FY 2021-22 in its Petition and escalated the same based by 2.42% i.e., escalation factor for FY 2021-22.

6.4.3 To calculate the normative A&G Expenses for FY 2022-23, the Petitioner has considered the normative value of A&G Expenses derived for FY 2021-22 derived in its Petition and escalated the same by 2.42% i.e., escalation factor for FY 2021-22. The Petitioner has also claimed Rs. 0.07 Crore towards Finance Charges over and above the normative A&G Expenses.

Table 6-5: NORMATIVE O&M EXPENSES SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	FY 2021-22	Average of previous 3 years CPI and WPI		FY 2022-23
	Petition (APR)	WPI	CPI	Petition (ARR)
Employee Expenses	1026.93	-	6.00%	1088.53
Less: Employee Expenses Capitalised	421.96	-	-	447.27
Net Employee Expenses	**604.97**	-	-	**641.26**
A&G Expenses	52.05	2.42%	-	53.31
Add: Finance Charges	0.07	-	-	0.07
Net: A&G Expenses	**52.12**	-	-	**53.38**
R&M Expenses	**385.71**	**2.42%**	-	**395.03**
O&M Expenses	**1042.79**	-	-	**1089.67**

Commission's Analysis

6.4.4 Regulations 34.1, 34.2 and 34.3 of MYT Regulations, 2019 specifies the methodology to compute each element of O&M Expenses as stated below:

Quote

34.1 Employee Cost

Employee cost shall be computed as per the following formula escalated by consumer price index (CPI), adjusted by provisions for expenses beyond the control of the Licensee and one-time expected expenses, such as recovery/adjustment of terminal benefits, implications of Pay Commission, arrears, Interim Relief, etc.,

EMPn = EMPn-1 (1+ CPI inflation)

Where:

EMPn: Employee expense for the nth year;

EMPn-1: Employee expense for the (n-1)th year;

CPI inflation is the average of Consumer Price Index (CPI) for immediately preceding three Financial Years.

34.2 Repairs and Maintenance Expense

Repair and Maintenance expense shall be calculated as per the following formula:

R&Mn= R&M n-1(1+ WPI inflation)

Where:

R&Mn: Repairs & Maintenance expense for nth year;

R&Mn-1: Repairs & Maintenance expense for the (n-1)th year;

WPI inflation is the average of Wholesale Price Index (WPI) for immediately preceding three Financial Years.

34.3 Administrative and General Expenses

A&G expense shall be computed as per the following formula escalated by the Wholesale Price Index (WPI) and adjusted by provisions for confirmed initiatives (IT, etc., initiatives as proposed by the Transmission Licensee and validated by the Commission) or other expected one-time expenses:

A&Gn= A&G n-1 (1+ WPI inflation)

Where:

A&Gn: A&G expense for the nth year;

A&Gn-1: A&G expense for the (n-1)th year;

WPI inflation is the average of Wholesale Price Index (WPI) for immediately preceding three Financial Years:

Provided that Interest and Finance charges such as Credit Rating charges, collection facilitation charges, financing cost of Delayed Payment Surcharge and other finance charges shall be a part of A&G expenses.

Illustration: For FY 2020-21, (n-1)th year will be FY 2019-20 which is also the base year.

Unquote

6.4.5 The Commission has considered the WPI and CPI inflation rate as notified by Labour Bureau, GoI (http://labourbureau.gov.in/LBO_indexes.htm) and Economic Advisor Govt. of India (https://eaindustry.nic.in/) respectively for different years as shown in the table below:

Table 6-6: INFLATION INDEX FOR FY 2022-23 CONSIDERED BY THE COMMISSION (%)

FY	INDEX		INFLATION RATE		60:40 Index	60:40 Index Inflation	Average of Last 3 Years	
	WPI	CPI	WPI	CPI			WPI	CPI
FY 2013-14	112.46	236.00	5.20%	9.68%	186.58	8.57%	-	
FY 2014-15	113.88	250.83	1.26%	6.29%	196.05	5.07%		
FY 2015-16	109.72	265.00	-3.65%	5.65%	202.89	3.49%		
FY 2016-17	111.62	275.92	1.73%	4.12%	210.20	3.60%		
FY 2017-18	114.88	284.42	2.92%	3.08%	216.60	3.05%		
FY 2018-19	119.79	299.92	4.28%	5.45%	227.87	5.20%		
FY 2019-20	121.80	322.50	1.68%	7.53%	242.22	6.30%	2.96%	5.35%

FY	INDEX		INFLATION RATE		60:40 Index	60:40 Index Inflation	Average of Last 3 Years	
	WPI	CPI	WPI	CPI			WPI	CPI
FY 2020-21	123.26	338.69	1.20%	5.02%	252.52	4.25%	2.57%	6.00%
FY 2021-22	139.37	355.44	12.46%	4.95%	269.01	6.42%	**5.29%**	**5.83%**

In order to compute the normative Employee Expenses for FY 2022-23, the Commission has taken the normative Employee Expenses for FY 2021-22 (provisionally) and the same has been escalated with inflation factor (5.83%) i.e., average of Consumer Price Index (CPI) for immediately preceding three Financial Years as per Regulations 34.1 of MYT Regulations, 2019. Further, for computing net Employee Expenses to be allowed, the Employee Expenses Capitalised as claimed by the Petitioner for FY 2022-23 is provisionally considered and deducted from the normative Employee Expenses so calculated.

6.4.6 The Commission has calculated the normative R&M Expenses for FY 2022-23, while escalating the normative R&M Expenses for FY 2021-22 provisionally approved in this Order with inflation factor (5.29%) i.e., average of Wholesale Price Index (WPI) for immediately preceding three Financial Years as per Regulations 34.2 of MYT Regulations, 2019.

6.4.7 The Commission observed that the Petitioner has claimed Finance Charge over and above the normative value, whereas the Commission has considered the Finance Charge in A&G Expenses while deriving the Mid-Year value (FY 2017-18) and Base-Year value (FY 2019-20). Hence, the claim of Petitioner for allowing Finance Charge separately over and above the normative value cannot be considered.

The Commission has calculated the normative A&G Expenses for FY 2022-23, while escalating the normative A&G Expenses (A&G Expenses including Licensee Fee and Finance Charge) for FY 2021-22 provisionally approved in this Order with inflation factor (5.29%) i.e., average of Wholesale Price Index (WPI) for immediately preceding three Financial Years as per Regulations 34.3 of MYT Regulations, 2019.

6.4.8 Accordingly, the Commission approves the O&M Expenses for FY 2022-23 based on the norms specified in Regulation 34 of MYT Regulations, 2019 as shown in table below:

Table 6-7: NORMATIVE O&M EXPENSES APPROVED BY THE COMMISSION (RS. CRORE)

Particulars	FY 2020-21	Average of previous 3 years CPI and WPI		FY 2021-22	Average of previous 3 years CPI and WPI		FY 2022-23
	Approved (True Up)	WPI	CPI	Provisionally Computed (APR)	WPI	CPI	Approved (ARR)
Employee Expenses	584.72	-	6.00%	619.80	-	5.83%	655.95
Less: Employee Expenses Capitalised	240.26	-	-	421.96	-	-	447.27
Net Employee Expenses	**344.46**	**-**	**-**	**197.85**	**-**	**-**	**208.68**
A&G Expenses Add: Finance Charges	51.57	2.57%	-	52.89	5.29%	-	55.69
Net: A&G Expenses	**51.57**	**-**	**-**	**52.89**	**-**	**-**	**55.69**
R&M Expenses	**365.82**	**2.57%**	**-**	**375.21**	**5.29%**	**-**	**395.07**
O&M Expenses	**761.84**	**-**	**-**	**625.94**	**-**	**-**	**659.44**

6.5 CAPITAL WORK IN PROGRESS, GROSS FIXED ASSET & ASSET CAPITALISATION

Petitioner's Submission

6.5.1 The Petitioner has estimated the capital investment for FY 2022-23 based on the expected expenditure projected towards the ongoing projects/ schemes and those towards the new projects to be undertaken in FY 2022-23. The capital investment estimated by Petitioner for FY 2022-23 is shown below:

Table 6-8: SOURCE OF CAPITAL INVESTMENT SUBMITTED BY PETITIONER (RS. CRORE)

Source of Capital Investment	FY 2022-23
Grant towards the Green Energy Corridor	349.97
Consumer Contribution/ Grant	504.34
Debt	3053.81
Equity	1308.78
Total Capital Investment	**5216.90**

6.5.2 The Petitioner submitted that the capital investment as per Business Plan Petition was Rs. 6525.00 Crore, which is revised to Rs. 5216.90 Crore in view of the ongoing COVID-19 pandemic and considering change in the timelines for execution of projects. Further, the Petitioner submitted that the proposed CAPEX and timeline for FY 2022-23 is also changed considering the Government approval of extension of timelines, due to COVID-19 impact as well as funding crunch from Government of Uttar Pradesh (GoUP) and directive to take up important projects only due to austerity measures declared by GoUP.

6.5.3 In regard to GEC-II, the Petitioner submitted that initially the evacuation system for 4000 MW solar plants was planned in four phases (1000 MW each year from FY 2019-20 to FY 2022-23). However, out of planned 4000 MW approximately 3400 MW has been approved and are expected to be commissioned by December 2023. The Petitioner received CCEA approval for GEC-II scheme on January 06, 2022 and GoUP approval on January 07, 2022. Accordingly, UPPTCL has provisionally revised the implementation of GEC-II scheme in two phases and the same has been communicated to MNRE.

6.5.4 For capitalisation, the Petitioner has assumed 25% of the opening CWIP and 25% of investment during the year including Employee Expenses capitalised & interest capitalised to be capitalised during FY 2022-23, in line with the past practice of the Commission.

Table 6-9: CAPITAL EXPENDITURE SUBMITTED BY PETITIONER (RS. CRORE)

Particular	Derivation	FY 2022-23 Petition (ARR)
Opening CWIP as on 01.04.2022	A	9084.90
Investments during FY 2022-23	B	5216.90
Employee Expenses Capitalisation	C	447.27
A&G Expenses Capitalisation	D	0.00
Interest Capitalisation on Interest on Long Term Loans	E	210.74
Total Investments	F= A+B+C+D+E	14959.82
Transferred to GFA (Total Capitalisation)	G	3739.95
Closing CWIP as on 31.03.2023	H= F-G	11219.86

Table 6-10: GFA SUBMITTED BY PETITIONER (RS. CRORE)

Particular	Derivation	FY 2022-23 Petition (ARR)
Opening GFA as on 01.04.2022	A	34907.88
GFA Addition during FY 2022-23	B	3739.95
Decapitalisation/ Deduction during FY 2022-23	C	0.00
Closing GFA as on 31.03.2023	D=A+B-C	38647.84

Commission's Analysis

6.5.5 In order to deliberate upon asset capitalisation, it would be prudent to give brief background of provisions of relevant Regulations, Business Plan Order, Tariff Orders & other Orders, which is as below:

Regulation 32 of MYT Regulations, 2019:

Quote

32 Capital Investment Plan

32.1 The Transmission Licensee shall submit a detailed capital investment plan, financing plan and physical targets for each year of the Control Period for strengthening and augmentation of the Intra-State Transmission System of the Transmission Licensee, meeting the requirement of load growth, improvement in quality of supply, reliability, metering, reduction in congestion, etc., to the Commission for approval:

Provided that in case of non- submission of the Capital Investment Plan by the Transmission Licensee for a year of the Control Period, the Commission may disallow the Capital expenditure for that year.

32.2 The Capital Investment Plan shall be a least cost plan for undertaking investments. However, all capital expenditure projects of 220 kV and above and other capital expenditure of value exceeding Rs. Twenty Crore, must have prior approval of the Commission on quarterly basis, and will be subject to prudence check.

Unquote

6.5.6 Business Plan Order dated October 15, 2020 provides peak demand of UPPTCL (MW) from FY 2012-13 to FY 2019-20 and Year on Year increase approved by the Commission. The same is reproduced in below table:

Table 6-11: ACTUAL PEAK DEMAND (MW) & YEAR ON YEAR INCREASE (%)

Particulars	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Peak Demand (MW)	12048.25	12327.00	13002.75	14502.79	16110.45	18061.41	20062.00	21632.00
Year on Year Increase (%)	-	2.31%	5.48%	11.54%	11.09%	12.11%	11.08%	7.83%

6.5.7 Further, the Commission has approved the projected peak demand for control period from FY 2020-21 to FY 2024-25 of the Petitioner in its Business Plan Order dated October 15, 2020 as shown below:

Table 6-12: PEAK DEMAND (MW) APPORVED BY THE COMMISSION IN BUSINESS PLAN ORDER DATED 15.10.2020

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Peak Demand (MW)	23867	25486	27212	28991	30819

6.5.8 Further, the Commission observed that the Petitioner in its Business Plan Petition for the Control period from FY 2020-21 to FY 2024-25 had submitted the capital investment as follows:

Table 6-13: CAPITAL INVESTMENT PLAN FOR MYT CONTROL FOR FY 2020-21 TO FY 2024-25 SUBMITED BY PETITIONER IN ITS BUSINESS PLAN PETITION (RS. CRORE)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
New/Ongoing Projects	3436	4351	4214	1734	1621
Green Energy Corridor (Solar Power)	335	1476	1584	1007	610
Augmentation	594	225	377	388	360
System Strengthening (Line & Bays)	359	264	250	300	350
Addition of Capacitor/Reactor	87	75	100	100	100
Total	4810	6393	6525	3529	3041
Through Tariff Based Competitive Bidding (TBCB)	2952	3317	0	0	0

It is observed that the Petitioner has revised its capital investment for FY 2022-23 to Rs. 5216.90 Crore in view of the ongoing COVID-19 pandemic and considering change in the timelines for execution of projects.

6.5.9 The Commission vide its letter dated June 09, 2022 directed the Petitioner to submit the detail of schemes/projects projected to be capitalised in FY 2022-23. In compliance to Commission's query, the Petitioner submitted the list of schemes estimated to be capitalised in FY 2022-23. However, in regard to amount of capitalisation, the Petitioner submitted that the detail of capitalisation will be submitted on actual basis at the time of APR/Truing-Up for FY 2022-23.

6.5.10 The Commission in its Tariff Order for FY 2020-21 dated November 10, 2020 in Petition No. 1515 & 1571 of 2020 had directed the Petitioner to submit the complete capital investment plan at the earliest and take separate approval(s) for projects above 20 Crores and 220 kV in compliance to Regulation 32.2 of MYT Regulations, 2019. The relevant extract of above said Order dated November 10, 2020 is as below:

Quote

7.3.6 The Commission observes that the Petitioner has submitted some DPRs or details for approval and the scrutiny of the same is under process. However, the 1st & 2nd quarter of the year has already passed. Therefore, the Commission has allowed 100% of the Capital Expenditure as claimed by the Petitioner for FY 2020-21.

7.3.7 However, the Commission directs the Petitioner to submit the complete capital investment plan at the earliest and take separate *approval(s) for projects above 20 Crores and 220 kV in terms of Regulation 32.2 of UPERC MYT Regulations, 2019. It is to be noted that if the Licensee fails to submit the capital investment plan and does not take separate approval(s) for projects above 20 Crores and 220 kV in terms of Regulation 32.2 of UPERC MYT Regulations 2019, the Commission would be forced to disallow the same in terms of the Regulations.*

7.3.8 Therefore, in line with the above, the Commission has considered the following assumptions for the computation of GFA & CWIP for FY 2020-21:

(a) to allow 100% of the claimed capital investments for FY 2020-21.
(b) to allow 25% capitalization of total investments which includes opening CWIP, Employee capitalisation, A&G capitalisation, Interest capitalisation and investments during the year, as has been the past practice.

Unquote

6.5.11 Further, the Commission vide its Tariff Order for FY 2021-22 dated June 29, 2021 once again directed the Petitioner to comply with the Regulation 32.2 of MYT Regulations, 2019. The relevant extract is reproduced below:

Quote

7.2.3 The Commission directs the Petitioner to submit the detailed capital investment plans/ schemes/ projects of 220 kV and above and other capital expenditure of value exceeding Rs. 20 Crores for prior approval as per MYT Regulations, failing which the Commission may not allow the capex in the ARR and Tariff. Such investment approval Petitions should be accompanied with detailed techno-economic analysis preferably based on load flow study, IRR computations, if any.

Unquote

6.5.12 Further, it would be in order to quickly recap the background of decisions of the Commission regarding capital investment projects to be implemented through TBCB route. The framework allowed by the Commission in this context through its various orders are reproduced subsequently.

The Commission in its Business Plan Order dated October 15, 2020 in Petition No. 1572 of 2020 for MYT Control Period (FY 2020-21 to FY 2024-25) of UPPTCL observed that all new transmission projects should be implemented through TBCB only. The relevant extract of the same is as below:

Quote

3.9.3 ……

Further, to provide a level playing field between the public and private sector, all new transmission projects should be implemented through Tariff Based Competitive Bidding (TBCB) only. ......"

Unquote

Subsequently, UPPTCL filed a review Petition (Petition No. 1653 of 2020) before the Commission against the above said Business Plan Order dated October 15, 2020 on various grounds, with one of the grounds for review was to exempt the implementation of 220 kV & 132 kV projects and augmentation works through TBCB, which was disposed by the Commission vide its Order dated February 10, 2021 with the following directions:

Quote

(iv) The Commission has examined the issue in light of difficulties being faced by the Petitioner and has also considered the procedure being followed by other States. Thus, the Commission directs that all new transmission projects above 220 kV shall be implemented through TBCB in view of the difficulties and issues associated with it.

Unquote

Further, the Commission in its Order dated October 26, 2021 in Petition No. 1756/2021 provided clarification that all new green field transmission projects of 220 kV voltage level shall also be implemented through TBCB route as below:

Quote

The Commission in view of above, would like to mention that due to implementation of schemes through TBCB route, there is significant scope for gaining efficiencies in procurement and construction resulting in lower tariffs to the end consumers. Hence, the Commission hereby clarifies that all new green field transmission projects of 220 kV voltage level shall also be implemented through TBCB route. For projects other than new green field transmission projects of 220 kV voltage level, the Commission may decide on case to case basis regarding projects on which TBCB route shall not be applicable.

Unquote

6.5.13 The Commission observed that the Petitioner in compliance to the directions of the Commission started taking approval(s) of capital investment on quarterly basis from FY 2020-21 onwards.

6.5.14 Thus, in view of the above, the Commission has taken into consideration capital investment/ expenditure for FY 2022-23 as projected by the Petitioner and accordingly approves the projected capitalisation for FY 2022-23. Further, the Commission directs the Petitioner that prior approval of all the schemes/ projects as per Regulation 32.2 of MYT Regulations, 2019 should be ensured by the Petitioner to avoid penalty and disallowance at the time of True Up.

6.5.15 The Commission observed that the Petitioner has not claimed any decapitalisation/ deduction in the assets during FY 2022-23 for FY 2022-23. However, the Commission has considered the projected decapitalisation/ deduction in the assets and interest capitalisation rate of 14.24% during FY 2022-23 equivalent to Trued-Up value of FY 2020-21. Accordingly, the approvals for FY 2022-23 are as shown below in the tables.

Table 6-14: CAPITAL INVESTMENT COMPUTED FOR FY 2021-22 (RS. CRORE)

Particular	Derivation	FY 2021-22		
		Tariff Order for FY 2021-22 dated 29.06.2021	Petition (APR)	Computed (APR)
Opening CWIP as on 01.04.2021	A	8315.33	7958.32	6564.14
Investments during FY 2021-22	B	5123.22	3527.05	3527.05
Employee Expenses Capitalisation	C	406.64	421.96	421.96
A&G Expenses Capitalisation	D	0.00	0.00	0.00
Interest Capitalisation on Interest on Long Term Loans	E	180.94	205.88	178.03
Total Investments	F= A+B+C+D+E	14026.13	12113.21	10691.18
Transferred to GFA (Total Capitalisation)	G	3506.53	3028.30	3028.30
Closing CWIP as on 31.03.2022	H= F-G	10519.60	9084.90	7662.88

Table 6-15: CAPITAL INESTMENT APPROVED BY THE COMMISSION FOR FY 2022-23 (RS. CRORE)

Particular	Derivation	FY 2022-23	
		Petition (ARR)	Approved (ARR)
Opening CWIP as on 01.04.2022	A	9084.90	7662.88
Investments during FY 2022-23	B	5216.90	5216.90
Employee Expenses Capitalisation	C	447.27	447.27
A&G Expenses Capitalisation	D	0.00	0.00
Interest Capitalisation on Interest on Long Term Loans	E	210.74	186.86
Total Investments	F= A+B+C+D+E	14959.82	13513.91
Transferred to GFA (Total Capitalisation)	G	3739.95	3739.95
Closing CWIP as on 31.03.2023	H= F-G	11219.86	9773.96

6.5.16 In view of the above, the Commission has considered the closing GFA of APR for FY 2021-22 (provisional) as opening GFA for FY 2022-23. Further, capitalisation and decapitalisation as approved above by the Commission for FY 2022-23 has been considered for arriving at closing GFA for FY 2022-23. The opening and closing GFA approved by the Commission for FY 2022-23 is shown as below:

Table 6-16: GFA COMPUTED FOR FY 2021-22 (RS. CRORE)

Particulars	Derivation	FY 2021-22		
		Tariff Order for FY 2021-22 dated 29.06.2021	Petition (APR)	Approved (APR)
Opening GFA as on 01.04.2021	A	29690.36	31879.58	30485.09
GFA Addition during FY 2021-22	B	3506.53	3028.30	3028.30
Decaptalisation/ Deduction during FY 2021-22	C	214.77	0.00	182.57
Closing GFA as on 31.03.2022	D=A+B-C	32982.12	34907.88	33330.82

Table 6-17: GFA APPROVED BY THE COMMISSION FOR FY 2022-23 (RS. CRORE)

Particulars	Derivation	FY 2022-23	
		Petition (ARR)	Approved (ARR)
Opening GFA as on 01.04.20202	A	34907.88	33330.82
GFA Addition during FY 2022-23	B	3739.95	3739.95
Decaptalisation/ Deduction during FY 2022-23	C	0.00	182.57
Closing GFA as on 31.03.2023	D=A+B-C	38647.84	36888.20

6.6 CONSUMER CONTRIBUTION, CAPITAL GRANTS AND GRANTS

Petitioner's Submission

6.6.1 The Petitioner in its Petition has considered Consumer Contribution for FY 2022-23 as Rs. 504.84 Crore, equivalent to actual value of FY 2020-21. In addition to Consumer Contribution, the Petitioner has also projected Capital Grant as 33% of investment towards assets under GEC-II during FY 2022-23. Thus, the net Consumer Contributions, Capital Grants and Capital Subsidies of Rs. 854.31 Crore is projected for FY 2022-23 as shown in the table below:

Table 6-18: CONSUMER CONTRIBUTION, CAPITAL GRANTS & SUBSIDIES SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	FY 2022-23 Petition (ARR)
Opening Balance of Consumer Contributions (CC), Grants and Subsidies towards Cost of Capital Assets as on 01.04.2022	2266.13
Additions during FY 2022-23	854.31
Less: Amortisation during FY 2022-23	189.75
Closing Balance of CC, Grants and Subsidies towards Cost of Capital Assets as on 31.03.2023	2930.69

Commission's Analysis

6.6.2 The Commission has considered the opening balance of Consumer Contributions, Grants and Subsidies towards cost of capital assets of APR for FY 2021-22 as Trued-Up value of closing balance of Consumer Contributions, Grants & Subsidies towards cost of capital assets of True-Up for FY 2020-21. The addition and amortisation during FY 2021-22 is provisionally considered as claimed by the Petitioner as shown below:

Table 6-19: CONSUMER CONTRIBUTION, CAPITAL GRANTS & SUBSIDIES COMPUTED PROVISIONALLY FOR FY 2021-22 (RS. CRORE)

Particulars	FY 2021-22		
	Tariff Order for FY 2021-22 dated 29.06.2021	Petition (APR)	Computed (Provisional) (APR)
Opening Balance of Consumer Contributions (CC), Grants and Subsidies towards Cost of Capital Assets as on 01.04.2021	1919.96	1922.78	2000.45
Additions during FY 2021-22	829.56	504.34	504.34
Less: Amortisation during FY 2021-22	109.55	161.00	161.00
Closing Balance of CC, Grants and Subsidies towards Cost of Capital Assets as on 31.03.2022	2639.97	2266.13	2343.79

6.6.3 The Commission has considered opening balance of Consumer Contributions, Grants & Subsidies towards cost of capital assets for FY 2022-23 as closing balance of Consumer Contributions, Grants & Subsidies considered for APR of FY 2021-22 (provisional). The addition and amortisation during FY 2022-23 is considered as claimed by the Petitioner. Accordingly, the Consumer Contributions, Grants & Subsidies towards cost of capital assets for FY 2022-23 is approved as follows:

Table 6-20: CONSUMER CONTRIBUTION, CAPITAL GRANTS & SUBSIDIES APPROVED BY THE COMMISSION FOR FY 2022-23 (RS. CRORE)

Particulars	FY 2022-23	
	Petition (ARR)	Approved (ARR)
Opening Balance of Consumer Contributions (CC), Grants and Subsidies towards Cost of Capital Assets as on 01.04.2022	2266.13	2343.79
Additions during FY 2022-23	854.31	854.31
Less: Amortisation during FY 2022-23	189.75	189.75
Closing Balance of CC, Grants and Subsidies towards Cost of Capital Assets as on 31.03.2023	2930.69	3008.35

6.7 DEBT-EQUITY RATIO OF CAPITALIZATION

Petitioner's Submission

6.7.1 The Petitioner submitted that it has considered the normative approach with Debt-Equity ratio as 70:30, i.e., 70% of capitalisation during the FY 2022-23 to be financed through term loan and balance 30% through equity. The amount of Consumer Contributions, Capital Subsidies and Grants towards cost of capital assets projected for FY 2022-23 has been separated and reduced as the same would not be charged to consumers. Accordingly, the Debt and Equity addition during FY 2022-23 as claimed by Petitioner is as follows:

Table 6-21: DEBT: EQUITY RATIO OF CAPITALIZATION SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	FY 2022-23 Petition (ARR)
Capitalisation during the FY 2022-23	3739.95
Less: Decapitalisation/ Deduction during the FY 2022-23	0.00#
Less: Consumer Contribution, Grants & Capital Subsidies during the FY 2022-23	854.31
Net Capitalisation to be funded by Debt & Equity	2885.64
Equity (%)	30.00%
Debt (%)	70.00%
Equity Funded during the FY 2022-23	865.69
Debt Funded during the FY 2022-23	2019.95

Note: #Petitioner has not considered the Decapitalization while calculation of Net Debt and Equity addition during the FY 2022-23.

Commission's Analysis

6.7.2 The Debt-Equity ratio in respect to additional capitalisation is specified in Regulation 20 of MYT Regulations, 2019 as reproduced below:

Quote

20 Debt-Equity Ratio

20.1 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 18, after making appropriate adjustment of Assets funded by Consumer Contribution/ Deposit Works/ Capital Subsidies/ Grant subject to 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 Licensee for determination of Tariff:

Provided further that the Licensee shall submit documentary evidence for the actual deployment of equity and explain the source of funds for the equity:

Provided also that where equity actually deployed is less than 30% of the capital cost of the capitalised asset, the actual equity shall be considered for determination of Tariff:

Provided also that the equity invested in foreign currency shall be designated on the date of each investment.

20.2 In case of the Licensee, for the fixed assets capitalised on account of Capital Expenditure Scheme prior to April 1, 2020, the debt-equity ratio allowed by the Commission for determination of ARR / Tariff for the period ending March 31, 2020 shall be considered:

Provided that in case of retirement or replacement or de-capitalisation of the assets, the equity capital approved as mentioned above, shall be reduced to the extent of 30% (or actual equity component based on documentary evidence, if it is lower than 30%) of the original cost of such assets:

Provided further that in case of retirement or replacement or de-capitalisation of the assets, the debt capital approved as mentioned above, shall be reduced to the extent of outstanding debt component based on documentary evidence, or the normative loan component, as the case may be, of the original cost of such assets.

20.3 Any expenditure incurred or projected to be incurred on or after April 1, 2020, as may be admitted by the Commission as additional capital expenditure for determination of Tariff, and Renovation and Modernisation expenditure for life extension, shall be serviced in the manner stipulated in these Regulations.

Unquote

6.7.3 The Commission observed that the Petitioner has not taken into account the Decapitalisation/ Deduction during FY 2022-23 while deriving the net capitalisation for FY 2022-23 to be funded though debt and equity.

6.7.4 The Commission has considered Debt-Equity ratio as 70:30, i.e., 70% of capitalisation projected during FY 2022-23 to be financed through term loan and balance 30% through equity. The amount of Consumer Contributions, Capital Subsidies and Grants towards cost of capital assets projected during FY 2022-23 is reduced considering as approved by the Commission. In addition to above, projected Decapitalization of asset has been considered as approved by the Commission which is deducted from capitalisation to derive net equity and debt addition during FY 2022-23 Crore as shown below:

Table 6-22: DEBT- EQUITY RATIO OF CAPITALIZATION APPROVED BY THE COMMISSION (RS. CRORE)

Particulars	FY 2022-23	
	Petition (ARR)	Approved (ARR)
Capitalisation during the FY 2022-23	3739.95	3739.95
Less: Decapitalisation/ Deduction during the FY 2022-23	0.00#	182.57*
Less: Consumer Contribution, Grants & Capital Subsidies during the FY 2022-23	854.31	854.31
Net Capitalisation to be funded by Debt & Equity	2885.64	2703.07
Equity (%)	30.00%	30.00%
Debt (%)	70.00%	70.00%
Equity addition during the FY 2022-23	865.69	810.92
Debt addition during the FY 2022-23	2019.95	1892.15

Note: #Petitioner has not considered the Decapitalization while calculation of Net Debt and Equity addition during the FY 2022-23;
** This value is considered equivalent to Trued-Up value of decapitalisation of FY 2020-21 in this Order.*

6.8 DEPRECIATION

Petitioner's Submission

6.8.1 For computation of allowable Depreciation for FY 2022-23, the Petitioner has considered normative closing Gross Fixed Asset Base for FY 2019-20 and subsequent addition and yearly capitalisation from FY 2020-21 to FY 2022-23. Further, the Petitioner has computed the asset-wise depreciation as per rates provided in Annexure-A of MYT Regulations, 2019 based on the normative opening and closing Gross Fixed Asset Base for FY 2022-23. Thus, the allowable depreciation for Part-A & Part-B in line with MYT Regulations, 2019 and methodology adopted by Commission in its Tariff Order for FY 2020-21 dated November 10, 2020 and Tariff Order for FY 2021-22 dated June 29, 2021 are tabulated below:

Table 6-23: GROSS DEPRECIATION FOR ASSETS UPTO 31.03.2020 (PART-A) SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	Opening GFA	Additions to GFA	Deductions to GFA	Closing GFA	Depreciation Rate (%)	Allowable Depreciation
Land & Land Rights						
Unclassified	141.97	1.31	43.84	99.45	0.00%	-
Freehold Land	1.26	0.09	1.29	0.06	0.00%	-
Buildings	1085.14	145.76	0.87	1230.03	3.34%	38.66
Other Civil Works	91.63	11.91	0.00	103.54	3.34%	3.26
Plants & Machinery	12822.19	1435.39	456.06	13801.52	5.28%	702.87
Lines, Cable Network etc.	11314.74	1707.37	35.50	12986.62	5.28%	641.56
Vehicles	3.37	0.00	0.06	3.31	9.50%	0.32
Furniture & Fixtures	8.74	1.23	0.00	9.98	6.33%	0.59
Office Equipments	9.55	2.56	0.00	12.11	6.33%	0.69
Intangible Assets	4.27	0.03	0.00	4.30	5.28%	0.23
Assets taken over by Licensee (Pending for final Valuation)	105.44	4.74	0.57	109.61	5.28%	5.68
Total Depreciable Assets	**25445.07**	**3309.00**	**493.05**	**28261.03**	**6.71%**	**1393.84**
Total Non-Depreciable Assets	**143.23**	**1.41**	**45.13**	**99.50**	**-**	**-**
Grand Total (Assets)	**25588.30**	**3310.41**	**538.18**	**28360.53**	**0.07**	**1393.84**

Table 6-24: GROSS DEPRECIATION FOR ASSETS FROM 01.04.2020 (PART-B) SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	Opening GFA	Additions to GFA	Deductions to GFA	Closing GFA	Depreciation Rate (%)	Allowable Depreciation
Land & Land Rights						
Unclassified	33.53	20.75	0.00	54.29	0.00%	-
Freehold Land	0.15	0.18	0.00	0.33	0.00%	-
Buildings	247.05	158.60	0.00	405.65	3.34%	10.90
Other Civil Works	20.54	13.39	0.00	33.93	3.34%	0.91
Plants & Machinery	3048.91	1874.08	0.00	4922.99	5.28%	210.46
Lines, Cable Network etc.	3171.15	1653.75	0.00	4824.90	5.28%	211.10
Vehicles	0.41	0.49	0.00	0.91	9.50%	0.06
Furniture & Fixtures	2.24	1.28	0.00	3.52	6.33%	0.18
Office Equipments	2.10	1.40	0.00	3.50	6.33%	0.18
Intangible Assets	4.91	0.62	0.00	5.54	5.28%	0.28
Assets taken over by Licensee (Pending for final Valuation)	16.35	15.41	0.00	31.77	5.28%	1.27
Total Depreciable Assets	**6513.67**	**3719.02**	**0.00**	**10232.69**	**5.20%**	**435.33**
Total Non-Depreciable Assets	**33.68**	**20.93**	**0.00**	**54.62**	**-**	**0.00**
Grand Total (Assets)	**6547.36**	**3739.95**	**0.00**	**10287.31**	**0.05**	**435.33**

6.8.2 Further, the Petitioner has projected the depreciation on assets created out of Consumer Contributions, Capital Grants and Subsidies for FY 2022-23 in the same ratio as per annual accounts of FY 2020-21. The Petitioner has reduced the equivalent depreciation amounting to Rs. 142.01 Crore for FY 2022-23 in respect of depreciation on assets created out of Consumer Contributions, Capital Grants and Subsidies.

Table 6-25: NET DEPRECIATION (PART-A + PART-B) SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	FY 2022-23 Petition (ARR)
Depreciation of Assets upto 31.03.2020	1393.84
Depreciation of Assets from 01.04.2020 onwards	435.33
Less: Depreciation of assets created from Consumer Contribution, Capital Grants and Capital Subsidies	142.01
Net Depreciation	**1687.17**

Commission's Analysis

6.8.3 The depreciation has been calculated in accordance with Regulation 21 of MYT Regulations, 2019 and methodology considered in Tariff Order dated November 10, 2020 for FY 2020-21. The relevant extract of MYT Regulations 2019 is reproduced as below:

Quote

21 Depreciation

21.1 The Licensee, shall be permitted to recover Depreciation on the value of fixed assets used in their respective businesses, computed in the following manner:

(a) The approved original cost of the fixed assets shall be the value base for calculation of Depreciation:

Provided that the Depreciation shall be allowed on the entire capitalised amount of the new assets after reducing the approved original cost of the retired or replaced or de-capitalised assets.

(b) Depreciation shall be computed annually based on the Straight- Line Method at the rates stipulated in the Annexure- A to these Regulations.

Provided that the Licensee shall ensure that once the individual asset is depreciated to the extent of seventy percent, remaining depreciable value as on 31st March of the year closing shall be spread over the balance Useful Life of the asset including the Extended Life, as per submission of the Licensee and approved by the Commission.

(c) The salvage value of the asset shall be considered at 10% of the allowable capital cost and Depreciation shall be allowed up to a maximum of 90% of the allowable capital cost of the asset:

Provided that land owned shall not be treated as a Depreciable asset and shall be excluded while computing Depreciation:

Provided further that Depreciation shall be chargeable from the first year of commercial operation.

Depreciation shall not be allowed on assets funded by Consumer Contributions or Subsidies/ Grants/ Deposit works.

21.2 In case of existing assets, the balance depreciable value as on April 01, 2020, shall be worked out taking into consideration the life of the asset, and by deducting the cumulative Depreciation as admitted by the Commission up to March 31, 2020, from the gross depreciable value of the assets.

21.3 In case of projected commercial operation of the assets for part of the year, depreciation shall be computed based on the average of opening and closing value of assets.

21.4 Depreciation shall be re-computed for assets capitalised at the time of Truing-Up, based on Audited Accounts and documentary evidence of assets capitalised by the Petitioner, subject to the prudence check of the Commission.

Unquote

6.8.4 The relevant extract of Tariff Order for FY 2020-21 dated November 10, 2020 in regard to calculation of deprecation is as follows:

Quote

7.5.7 It is observed that the Regulation 21.1 specifies for process of computation of depreciation of the new assets, wherein depreciation shall be computed annually based on the Straight- Line Method at the rates stipulated in the Regulations and the Licensee has to ensure that once the individual asset is depreciated to the extent of seventy percent, remaining depreciable value as on 31st March of the year closing has to be spread over the balance Useful Life of the asset including the Extended Life. However, the Regulations doesn't specifically say the same wrt to the existing Gross Block and further explains the treatment of existing assets in Regulation 21.2. Also, there is a huge lack of individual asset-wise details in the existing gross block since this has been carried on from FY 2007-08 after the unbundling of UPPCL and transfer scheme to UPPTCL. Further, the Licensee also started maintaining the FAR much later after repeated directions of the Commission, from FY 2014-15 onwards. Hence, the life of individual assets cannot be ascertained and as such it cannot be found *whether the individual asset has depreciated to the extent of seventy percent or not.*

7.5.8 Accordingly, the existing assets are to be dealt with separately as per Regulations 21.2 and their Net block (as on 31.3.2020) may be kept separate and may be considered Gross Block to apply SLM from 1.4.2020 onwards and the new assets to be dealt as per Regulations 21.1 of MYT Regulations 2019.

7.5.9 Further, UPPTCL is directed to maintain a separate individual asset wise FAR for assets capitalized after 1.4.2020 and the Gross Block and Depreciation may be computed separately from the Gross Block before 1.4.2020. Accordingly, from FY 2020-21 onwards UPPTCL to maintain two separate Gross Blocks (one for assets upto 31.3.2020 (Part-A) and second for assets after 1.4.2020 (Part B) and two separate FAR`s depicting addition of assets details from 01.04.2020 onwards for the purpose of depreciation computation for Regulatory Accounts.

7.5.10 Further, for the purpose the computation of Closing GFA for FY 2020-21, Petitioner has not claimed any de-capitalisation. However, the Commission has considered, the decapitalisation for FY 2020-21 as average of last three years (FY 2016-17, FY 2017-18 & FY 2018-19) trued-up decapitalisation.

Table 101: ASSET RETIRED OR DEDUCTED FOR FY 2020-21 (RS. CRORE)

Particulars	FY 2016-17 (% of Deductions)	FY 2016-17 (% of Deductions)	FY 2016-17 (% of Deductions)	Average % of Deductions of last 3 True-Ups
Depreciable assets	2.51%	1.18%	1.31%	1.66%

7.5.11 As per above, the Commission has computed the depreciation. The written down closing of FY 2019-20 is considered as Opening for FY 2020-21 where the gross depreciation computed for FY 2019-20 is negated from it to get the Net written down opening (considered to be opening GFA) due to the Change in methodology of Depreciation from Written Down Value to Straight Line Method.

Unquote

6.8.5 In compliance to above, the Petitioner submitted gross depreciation for Part-A and Part-B, separately and later combined to derive the gross depreciation for FY 2022-23. However, the Commission observed that the Petitioner has not calculated the depreciation for assets that were capitalized upto March 31, 2020 as per the methodology approved by the Commission in Tariff Order for FY 2020-21 dated November 10, 2020. Therefore, the Commission vide its 1st deficiency letter dated April

11, 2022, directed the Petitioner to submit the same as per the methodology approved by Commission.

6.8.6 The Petitioner vide reply dated April 28, 2022 submitted that since the methodology for calculating depreciation is changed from Written Down Value method to Straight-Line Method, it is necessary to calculate the opening Gross Fixed Assets without the impact of cumulative deprecation. The methodology adopted by Commission in its Tariff Order for FY 2020-21 dated November 10, 2020 for calculation of depreciation of Part-A is WDV method. However, as per MYT Regulations, 2019, the depreciation for both part A and Part B shall be calculated on SLM method. Further the depreciation from assets created out of consumer contribution, grant and subsidy is deducted to arrive at net allowable depreciation.

6.8.7 The Commission observed that the methodology adopted by Petitioner is not inline with the methodology as approved in Para 7.5.11 of Tariff Order of FY 2020-21 dated November 10, 2020. Para 7.5.11 clearly states that due to change in methodology of Depreciation from Written Down Value to Straight Line Method, the Written Down closing of FY 2019-20 (Trued up value) shall be considered as opening value for FY 2020-21, where the gross depreciation approved for FY 2019-20 is negated from it to get the net Written Down opening (considered to be opening GFA). Thus, the Commission has computed the Gross Depreciation for Part-A i.e., assets capitalised upto March 31, 2020 accordingly.

Table 6-26: DEPRECIATION ON GFA UPTO 31.03.2020 (PART-A) APPROVED BY THE COMMISSION IN TARIFF ORDER FOR FY 2021-22 DATED JUNE 29, 2021 (RS. CRORE)

Particulars	Opening GFA (FY 2019-20)	Gross Allowable Depreciation (FY 2018-19)	Written Down Opening (FY 2019-20)	Additions to GFA (FY 2019-20)	Deductions (FY 2019-20)	Closing GFA (FY 2019-20)	Average GFA (FY 2019-20)	Rate of Depreciation (%)	Gross Allowable Depreciation (FY 2019-20)
Land & Land Rights									
Unclassified	90.31		-				-	90.31	-
Freehold Land	0.03		-				-	0.03	-
Buildings	845.06	23.57	821.48	119.60	0.85	940.23	880.86	3.02%	26.60
Other Civil Works	69.40	2.02	67.38	9.77	0.00	77.15	72.27	3.02%	2.18
Plants & Machinery	9497.57	701.34	8796.23	1177.71	288.92	9685.02	9240.63	7.81%	721.69
Lines, Cable Network etc.	8832.58	434.37	8398.21	1400.87	20.61	9778.46	9088.34	5.27%	478.96
Vehicles	2.25	0.29	1.96	0.00	0.00	1.96	1.96	12.77%	0.25
Furniture & Fixtures	6.36	0.70	5.66	1.01	0.00	6.67	6.16	12.77%	0.79
Office Equipments	6.85	0.81	6.04	2.10	0.00	8.15	7.10	12.77%	0.91
Assets taken over by Licensee (Pending for final Valuation)	72.87	8.73	64.13	3.89	0.10	67.93	66.03	12.77%	8.43
Intangible Assets	3.24	0.49	2.75	0.00	0.00	2.75	2.75	15.00%	0.41
Total Assets	**19426.51***	**1172.31**	**18254.20^**	**2714.95**	**310.48**	**20658.67#**	**20042.59**		**1240.22**
Net Gross Fixed Assets upto March 31, 2020 (Part-A) [Closing GFA (Rs. 20658.67 Crore) minus Gross Allowable Depreciation (1240.22)]									**19418.45**

*Note: * Opening GFA includes Rs. 19336.17 (Depreciable assets) plus Rs. 90.34 Crore of Land & Land Rights (Non-Depreciable assets).*
^ Written Down Opening includes Rs. 18163.36 (Depreciable assets) plus Rs. 90.34 Crore of Land & Land Rights (Non-Depreciable assets).
 # Closing GFA includes Rs. 20568.33 (Depreciable assets) plus Rs. 90.34 Crore of Land & Land Rights (Non-Depreciable assets)

6.8.8 The net Gross Fixed Assets upto March 31, 2020 (Part-A) is calculated by considering the approved Trued-Up value of closing GFA for FY 2019-20 (Rs. 20658.67 Crore) minus gross allowable depreciation for FY 2019-20 (Rs. 1240.22 Crore) in True-Up Order for FY 2019-20 dated June 29, 2021.

6.8.9 For Part-B i.e., assets capitalised after April 01, 2020 till FY 2022-23, the Commission has calculated the asset wise depreciation as per Regulation 21.1(b) of MYT Regulations, 2019 i.e., depreciation shall be computed annually based on the Straight- Line Method at the rates stipulated in the Annexure- A of MYT Regulations, 2019.

6.8.10 Further, the depreciation on asset created out of Consumer Contribution, Capital Grants and Capital Subsidies is considered as claimed by the Petitioner for FY 2022-23.

6.8.11 The Commission observed that the Petitioner has not claimed any decapitalisation/ deduction in the assets during FY 2022-23 and will claim at the time of Truing-Up based on actuals. However, the Commission has considered the decapitalisation/ deduction in the assets during FY 2022-23 equivalent to Trued-Up value of FY 2020-21.

6.8.12 The following tables summarizes the Depreciation as claimed by the Petitioner and as approved by the Commission for FY 2022-23.

Table 6-27: GROSS DEPRECIATION FOR ASSETS UPTO 31.03.2020 (PART-A) APPROVED BY THE COMMISSION (RS. CRORE)

Particulars	Opening GFA	Additions to GFA	Deductions to GFA	Closing GFA	Depreciation Rate (%)	Allowable Depreciation
Land & Land Rights						
Unclassified	89.46	-	0.86	88.60	-	-
Freehold Land	0.03	-	-	0.03	-	-
Buildings	904.94	-	8.67	896.27	3.34%	30.08
Other Civil Works	74.26	-	0.71	73.55	3.34%	2.47
Plants & Machinery	8712.71	-	83.49	8629.22	5.28%	457.83
Lines, Cable Network etc.	9196.50	-	88.12	9108.38	5.28%	483.25
Vehicles	1.64	-	0.02	1.62	9.50%	0.15
Furniture & Fixtures	5.82	-	0.06	5.77	6.33%	0.37
Office Equipments	7.17	-	0.07	7.10	6.33%	0.45
Assets taken over by Licensee (Pending for final Valuation)	58.46	-	0.56	57.90	5.28%	3.07
Intangible Assets	2.32	-	0.02	2.30	5.28%	0.12

Particulars	Opening GFA	Additions to GFA	Deductions to GFA	Closing GFA	Depreciation Rate (%)	Allowable Depreciation
Total Assets	**19053.31**	**-**	**182.57**	**18870.74**	**5.16%**	**977.79**

Table 6-28: GROSS DEPRECIATION FOR ASSETS FROM 01.04.2020 ONWARDS (PART-B) APPROVED BY THE COMMISSION (RS. CRORE)

Particulars	Opening GFA	Additions to GFA	Deductions to GFA	Closing GFA	Depreciation Rate (%)	Allowable Depreciation
Land & Land Rights						
Unclassified	33.53	20.75	-	54.28	-	-
Freehold Land	0.15	0.18	-	0.33	-	-
Buildings	247.04	158.60	-	405.64	3.34%	10.90
Other Civil Works	20.53	13.39	-	33.92	3.34%	0.91
Plants & Machinery	3048.91	1874.08	-	4922.99	5.28%	210.46
Lines, Cable Network etc.	3171.15	1653.75	-	4824.90	5.28%	211.10
Vehicles	0.41	0.49	-	0.90	9.50%	0.06
Furniture & Fixtures	2.24	1.28	-	3.52	6.33%	0.18
Office Equipments	2.10	1.40	-	3.50	6.33%	0.18
Assets taken over by Licensee (Pending for final Valuation)	16.36	15.41	-	31.77	5.28%	1.27
Intangible Assets	4.91	0.62	-	5.53	5.28%	0.28
Total Assets	**6547.34**	**3739.95**	**0.00**	**10287.29**	**5.18%**	**435.33**

Table 6-29: NET DEPRECIATION (PART-A + PART-B) APPROVED BY THE COMMISSION (RS. CRORE)

Particulars	FY 2022-23	
	Petition (ARR)	Approved (ARR)
Depreciation of Assets upto 31.03.2020	1393.84	977.79
Depreciation of Assets from 01.04.2020 onwards	435.33	435.33
Less: Depreciation of assets created from Consumer Contribution, Capital Grants and Capital Subsidies	142.01	142.01
Net Depreciation	**1687.17**	**1271.11**

6.9 INTEREST ON LONG TERM LOANS

Petitioner's Submission

6.9.1 The Petitioner has considered normative closing (provisional) for FY 2021-22 as normative opening loan for FY 2022-23. Further, the loan addition during the year is considered as 70% of the projected capitalisation after adjusting the consumer contribution, capital subsidies and grant.

6.9.2 The net depreciation for the year has been considered as normative loan repayment. The weighted average rate of interest of overall long term loan portfolio for FY 2020-21 has been considered for FY 2022-23.

6.9.3 The interest capitalisation has been considered at a rate of 14.15% for FY 2022-23 as claimed for FY 2020-21 as per the audited annual accounts. The computation of interest on long term loan is depicted below:

Table 6-30: INTEREST ON LONG TERM LOANS SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	Derivation	FY 2022-23 Petition (ARR)
Opening Loan as on 1st April of FY	A	12408.97
Addition during the FY	B	2019.95
Less: Repayment during the FY	C	1687.17
Closing Loan	D=A+B-C	12741.75
Wtg. Avg. Interest Rate	E	11.84%
Interest on Loan	F=average (A, D)*E	1489.55
Interest Capitalisation Rate	G	14.15%
Less: Interest Capitalised	H=F*G	210.74
Net Interest Charged	**I=F-H**	**1278.81**

Commission's Analysis

6.9.4 Regulation 23 of MYT Regulations, 2019 specifies as under:

Quote

23 Interest on Long-Term Loan

23.1 The long- term loans arrived at in the manner indicated in these Regulations on the assets put to use shall be considered as gross normative loan for calculation of interest on loan:

Provided that in case of retirement or replacement or de-capitalisation of assets, the loan capital approved as mentioned above, shall be reduced to the extent of outstanding loan component of the original cost of such assets based on documentary evidence.

23.2 The normative long- term loan outstanding as on April 1, 2020, shall be worked out by deducting the cumulative repayment as admitted by the Commission up to March 31, 2020, from the gross normative loan.

23.3 The repayment for each year shall be deemed to be equal to the Depreciation allowed for that year.

23.4 Notwithstanding any moratorium period availed, the repayment of loan shall be considered from the first year of commercial operation of the asset.

23.5 The rate of interest shall be the weighted average rate of interest computed on the basis of the actual long- term loan portfolio at the beginning of each year:

Provided that at the time of Truing- Up, the weighted average rate of interest of the actual long- term loan portfolio during the concerned year shall be considered as the rate of interest:

Provided further that if there is no actual long- term loan for a particular year but normative loan is still outstanding, the last available weighted average rate of interest for actual loan shall be considered:

Provided also that if the Licensee, does not have actual long- term loan even in the past, the weighted average rate of interest of its other Businesses regulated by the Commission shall be considered:

Provided also that if the Licensee does not have actual long- term loan, and its other Businesses regulated by the Commission also do not have actual loan even in the past, then the weighted average rate of interest of the entity as a whole shall be considered:

Provided also that if the entity as a whole does not have actual long-term loan because of which interest rate is not available, then the rate of interest for the purpose of allowing the interest on the normative long- term loan should be the weighted average SBI MCLR (1 Year) prevailing during the concerned year.

23.6 The interest on long- term loan shall be computed on the normative average long- term loan of the year by applying the weighted average rate of interest:

Provided that at the time of Truing-Up, the normative average loan of the concerned year shall be considered on the basis of the actual asset capitalisation approved by the Commission for the year.

23.7 The excess interest during construction on account of time and / or cost overrun as compared to the approved completion schedule and capital cost or on account of excess drawal of the debt funds disproportionate to the actual requirement based on Scheme completion status, shall be allowed or disallowed partly or fully on a case to case basis, after prudence check by the Commission:

Provided that where the excess interest during construction is on account of delay attributable to an agency or contractor or supplier engaged by the Licensee, any liquidated damages recovered from such agency or *contractor or supplier shall be taken into account for computation of capital cost:*

Provided further that the extent of liquidated damages to be considered shall depend on the amount of excess interest during construction that has been allowed by the Commission.

Unquote

6.9.5 For the purpose of arriving at the opening values of FY 2022-23, the Commission has provisionally computed the values for FY 2021-22. The Commission has considered 100% investment claimed by Petitioner during FY 2021-22 i.e. Rs. 3527.05 Crores and accordingly the GFA addition of Rs. 3028.30 Crores is provisionally computed. Further, loan addition during the year of FY 2021-22 is 70% of Rs. 2341.39 Crores (i.e. Rs. 3028.30 Crore - Rs. 504.34 Crore - Rs. 182.57 Crores) i.e. net capitalisation after reducing consumer contribution de-capitalised assets. The closing loan base as on March 31, 2022 provisionally computed by the Commission for APR of FY 2021-22 is as shown in the Table below:

Table 6-31: INTEREST ON LONG TERM LOANS COMPUTED BY COMMISSION FOR FY 2021-22 PROVISONALLY (RS. CRORE)

Particulars	Derivation	Tariff Order for FY 2021-22 dated 29.06.2021	Petitioner (APR)	Computed (provisional) (APR)
Opening Normative Loan as on 01.04.2021	A	11084.78	12160.99	11563.50
Loan Additions during the Year	B	1723.54	1766.77	1638.97
Less: Repayments (Depreciation allowable for Year)	C	1108.62	1518.80	1086.83
Closing Loan Balance as on 31.03.2022	D=A+B-C	11699.70	12408.97	12115.64
Weighted Average Rate of Interest (%)	E	10.12%	11.84%	10.56%
Interest on long term loan	F=(A+D)/2*E	1152.50	1455.16	1250.29
Interest Capitalisation Rate (%)	G	15.70%	14.15%	14.24%
Less: Interest Capitalized	H=F*G	180.94	205.88	178.03
Net Interest Charged	**I=F-H**	971.56	1249.28	1072.26

6.9.6 The Commission observed that there is variation in opening loan base because the Petitioner has claimed the opening loan based on the audited value instead of approved closing value of previous year Trued-Up values, which resulting into variation in the opening loan base in Petitioner submission and Commission approved value. Thus, considering the regulatory accounts and provisions, the opening loan base of FY 2022-23 is considered same as the closing of FY 2021-22 (provisionally computed). Further, 70% of Net GFA addition (after considering deduction / de-capitalization and consumer contribution in GFA as approved for FY 2022-23 has been considered as loan addition during the year.

6.9.7 The deemed repayment is approved as equal to the approved net depreciation during the Financial Year.

6.9.8 The Commission has observed that the Petitioner has claimed interest rate of 11.84% whereas, the Commission has considered the interest rate of 10.56% based on the approved value of True-Up for FY 2020-21.

6.9.9 The following table details the Interest on Long Term Loan as submitted by the Petitioner and that approved by the Commission for FY 2022-23 as shown below.

Table 6-32: INTEREST ON LONG TERM LOAN APPROVED BY THE COMMISSION FOR FY 2022-23 (RS. CRORE)

Particulars	Derivation	FY 2022-23	
		Petition (ARR)	Approved (ARR)
Opening Normative Loan as on 01.04.2022	A	12408.97	12115.64
Loan Additions during the Year	B	2019.95	1892.15
Less: Repayments (Depreciation allowable for Year)	C	1687.17	1271.11
Closing Loan Balance as on 31.03.2023	D=A+B-C	12741.75	12736.68
Weighted Average Rate of Interest (%)	E	11.84%	10.56%
Interest on long term loan	F=(A+D)/2*E	1489.55	1312.24
Interest Capitalisation Rate (%)	G	14.15%	14.24%
Less: Interest Capitalized	H=F*G	210.74	186.86
Net Interest Charged	I=F-H	**1278.81**	**1125.38**

6.10 INTEREST ON WORKING CAPITAL

Petitioner's Submission

6.10.1 In accordance with Regulation 25 of MYT Regulations, 2019, the Petitioner has derived the value of each component of Working Capital requirement of the Transmission Licensee. Further, the Interest Rate on Working Capital requirement is considered as weighted average SBI MCLR (1 Year) as on October 01, 2019 plus 250 basis points i.e. 10.65% as per proviso of Regulation 25 of MYT Regulations, 2019.

Table 6-33: INTEREST ON WORKING CAPITAL SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	Derivation	FY 2022-23 Petition (ARR)
O&M Expenses for one Month	[illegible]	[illegible]

Particulars	Derivation	FY 2022-23 Petition (ARR)
Maintenance Spares at 40% of R&M Expenses for two Months	B=40%*R&M/6	26.34
One and Half Month equivalent of the expected revenue for transmission Charges at prevailing Tariff	C=ARR*1.5/12	394.74
Less: Amount held as security deposits, if any, from Transmission System Users	D	0.00
Total Working Capital	E=A+B+C-D	549.16
Interest Rate on Working Capital Requirement	F	10.65%
Interest on Working Capital	**G=E*F**	**58.49**

Commission's Analysis

6.10.2 Regulation 25 of MYT Regulations, 2019 specifies as under:

Quote

25 Interest on Working Capital

25.1 Transmission

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

(i) Operation and maintenance expenses for one month;

(ii) Maintenance spares at 40% of the R&M expenses for two months; 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, if any, from Transmission System Users:

Provided further that for the purpose of Truing- Up for any year, the working capital requirement shall be re-computed on the basis of the values of components of working capital approved by the Commission in the Truing- Up;

(b) Rate of interest on working capital shall be simple interest and shall be equal to the SBI MCLR (1 Year) on October 01, 2019 plus 250 basis points:

Provided that for the purpose of Truing- Up for any year, simple interest on working capital shall be allowed at a rate equal to the weighted average SBI MCLR (1 Year) prevailing during the concerned Year plus 250 basis points.

Unquote

6.10.3 The Commission observed that the Petitioner has computed Interest on Working Capital considering Gross O&M Expenses instead of Net O&M Expenses. However, the

Commission has considered 1 month's O&M Expenses approved for FY 2022-23 and Maintenance Spares at 40% of two month's R&M Expenses approved for FY 2022-23 in line with the provisions of MYT Regulations, 2019.

6.10.4 As per Regulation 25.1(b) of MYT Regulations, 2019 rate of interest on working capital shall be simple interest and shall be equal to the SBI MCLR (1 Year) on October 01, 2019 plus 250 basis points. However, the Commission is of the view that rate of interest on Working Capital requirement is to be taken as the prevailing rate as on 1st October preceding to the date of filing as provided in the Regulations 4.1 of MYT Regulations, 2019. The SBI 1 Year MCLR as on October 01, 2021 is 7.00%. Thus, the interest rate on working capital requirement for FY 2022-23 comes out to be 9.50% (SBI 1 Year MCLR plus 2.50 basis point). The same will be revisited at the time of True-Up in line with first proviso of Regulations 25.1(b) of MYT Regulations, 2019.

6.10.5 Accordingly, the Commission has computed working capital requirement and interest on working capital inline with MYT Regulations as shown below:

Table 6-34: INTEREST ON WORKING CAPITAL APPROVED BY THE COMMISSION (RS. CRORE)

Particulars	Derivation	FY 2022-23	
		Petition (ARR)	Approved (ARR)
O&M Expenses for one Month	A=O&M/12	128.08	54.95
Maintenance Spares at 40% of R&M Expenses for two Months	B=40%*R&M/6	26.34	26.34
One and Half Month equivalent of the expected revenue for transmission Charges at prevailing Tariff	C=ARR*1.5/12	394.74	387.15
Less: Amount held as security deposits, if any, from Transmission System Users	D	0.00	0.00
Total Working Capital	E=A+B+C-D	549.16	468.44
Interest Rate on Working Capital Requirement	F	10.65%	9.50%
Interest on Working Capital	**G=E*F**	**58.49**	44.50

6.11 RETURN ON EQUITY

Petitioner's Submission

6.11.1 The Petitioner has submitted that under the provisions of the MYT Regulations, 2019, the Petitioner is eligible for return @ 14.5% on equity base; for equity base calculation debt equity ratio shall be 70:30. Where equity is more than 30%, the amount of equity for the purpose of tariff shall be limited to 30%. Equity amounting to more than 30%

shall be considered as loan. In case of actual equity employed being less than 30%, actual debt and equity shall be considered for determination of tariff. The return on equity has been computed as per methodology adopted by the Commission in the previous Tariff Orders.

6.11.2 In view of the huge gap in the recovery of cost of supply at the Discoms level, the Petitioner is of the view that return on equity would only result in increase in arrears and accumulation of receivables. As such, the Petitioner has been claiming the return on equity @ 2% since FY 2009-10 onwards. Accordingly, Return on equity has been computed on the normative equity portion (30%) of capitalised assets.

6.11.3 The Petitioner has computed the eligible return on equity by considering the opening normative equity as on April 01, 2022. Subsequently, it has considered the normative equity closing based on the capital additions for the FY 2022-23 and claimed return on equity for FY 2022-23 as Rs. 203.86 Crore.

Table 6-35: RETURN ON EQUITY SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	Derivation	FY 2022-23 Petition (ARR)
Opening Equity	A	9760.11
Equity addition during FY 2022-23	B	865.69
Closing Equity	C=A+B	10625.81
Average Equity	D=(A+C)/2	10192.96
Rate of Return on Equity	E	2.00%
Return on Equity	**F=D*E**	**203.86**

Commission's Analysis

6.11.4 The Commission for the purpose of determination of tariff has considered debt-equity ratio of 70:30 for the assets capitalized in line with MYT Regulations, 2019. The equity if less than 30%, the actual equity shall be considered and if equity is more than 30%, the amount of equity shall be limited to 30%. Therefore, the balance asset capitalized shall be treated as normative loan for determination of tariff. The above approach has been taken for FY 2021-22 (provisionally) and FY 2022-23 both.

6.11.5 Regulation 22 of MYT Regulations, 2019 specifies as under:

Quote

22 Return on Equity

22.1 Return on equity shall be computed in Rs. terms on equity base at the rate of 14.5% post-tax per annum for the Transmission Licensee and at the rate of 15% post-tax per annum for Distribution Licensee respectively as determined in accordance with Regulation 20:

Provided that assets funded by Consumer Contribution / Deposit works, Capital Subsidies / Grants and corresponding Depreciation shall not form part of the Capital Cost. Actual Equity infused by the Licensee as per book value shall be considered and shall be used for computation in these Regulations.

Unquote

6.11.6 For the purpose of arriving at the opening values of FY 2022-23, the Commission has provisionally computed the provisional values of APR for FY 2021-22. The Commission has considered 100% investment claimed by Petitioner during FY 2021-22 i.e. Rs. 3527.05 Crores and accordingly the GFA addition of Rs. 3028.30 Crores is provisionally computed. Further equity addition during the year of FY 2021-22 is 30% of Rs. 2341.39 Crore (i.e. Rs. 3028.30 Crore - Rs. 504.34 Crore - Rs. 182.57 Crores) i.e. net capitalisation after reducing consumer contribution and de-capitalised assets. The closing equity base as on March 31, 2022 provisionally computed by the Commission for APR of FY 2021-22 is as shown in the Table below:

Table 6-36: RETURN ON EQUITY PROVISIONALLY COMPUTED BY COMMISSION FOR FY 2021-22

(Rs. Crore)

Particulars	FORMULA	FY 2021-22		
		Tariff Order for FY 2021-22 dated 29.06.2021	Petitioner (APR)	Computed (provisional) (APR)
Opening Equity as on 01.04.2021	A	8302.60	9002.93	8506.50
Addition during the year	B	738.66	757.19	702.42
Closing Equity as on 31.03.2022	C=A+B	9,041.26	9,760.11	9,208.92
Average Equity	D=(A+C)/2	8,671.93	9,381.52	8,857.71
Rate of Return (%)	E	2.00%	2.00%	2.00%
Return on Equity	**F=D*E**	**173.44**	**187.63**	**177.15**

6.11.7 The Commission observed that there is variation in opening equity base because the Petitioner has claimed the opening equity based on the audited value instead of approved closing value of previous year Trued-Up values, which resulting into variation in the opening equity base in Petitioner submission and Commission approved value. Thus, considering the regulatory accounts and provisions, the opening equity base of FY 2022-23 is considered same as the closing of FY 2021-22. Further, 30% of Net GFA addition after considering deduction / de-capitalization and consumer contribution in GFA as approved for FY 2022-23 has been considered as equity addition during the year.

6.11.8 Further, the Commission observed that the Petitioner has claimed the rate of Return on Equity as 2.00% instead of 14.50% as per Regulation 22.1 of MYT Regulations, 2019, citing the reason that the Distribution Licensees are already in financial stress and further claiming rate of return on equity at 14.50% will further worsen the financial condition of Distribution Licensee.

6.11.9 The Commission is of the view that as per Regulation 22.1 of MYT Regulations, 2019, the Petitioner is entitled for rate on Return on Equity at 14.50%, however, the Petitioner has forgone its rate of Return on Equity of 14.50% and has claimed only 2.00%. Therefore, the Commission taking into the account the plea/claim of the Petitioner considered the rate of Return on Equity as 2.00% instead of 14.50%. Accordingly, the Return on Equity approved by the Commission for FY 2022-23 is shown in the Table below:

Table 6-37: RETURN ON EQUITY APPROVED BY THE COMMISSION FOR FY 2022-23 (RS. CRORE)

Particulars	Derivation	FY 2022-23	
		Petitioner (ARR)	Approved (ARR)
Opening Equity as on 01.04.2022	A	9760.11	9208.92
Addition during the year	B	865.69	810.92
Closing Equity as on 31.03.2023	C=A+B	10625.81	10019.84
Average Equity	D=(A+C)/2	10192.96	9614.38
Rate of Return (%)	E	2.00%	2.00%
Return on Equity	**F=D*E**	**203.86**	**192.29**

6.12 INCOME TAX

Petitioner's Submission

6.12.1 The Petitioner has not projected any income tax for FY 2022-23.

Commission's Analysis

6.12.2 Regulation 26 of MYT Regulations, 2019 specifies as under:

Quote

26 Income Tax

26.1 Income Tax, if any, on the licensed business of the Licensee shall be treated as expense and shall be recoverable from consumers through

Tariff. However, tax on any income other than that through its Licenced business shall not be a pass through, and it shall be payable by the Licensee itself.
26.2 Notwithstanding anything contained in Regulation 26.1, total Income Tax payable by the Licensee, in any year, shall be lowest of the following:

(a) Actual payment made;
(b) ROE allowed in that year x MAT (%) or ROE allowed in that year x Corporate tax (%), whichever is applicable.

26.3 Any under recoveries or over recoveries of Tax on income shall be adjusted every year on the basis of Income Tax assessment under the Income Tax Act 1961, subject to Regulation 26.2 above, as certified by the Statutory Auditors.

Unquote

6.12.3 The Commission observed that the Petitioner has not projected any income tax for FY 2022-23. Thus, the Commission has not approved any income tax for FY 2022-23.

6.13 NON-TARIFF INCOME

Petitioner's Submission

6.13.1 The Petitioner has projected the Non-tariff income for FY 2022-23 as Rs. 145.55 Crore. The same has been projected after deducting the estimated amount of income from Consumer Contribution from the total non-tariff income for FY 2022-23 as shown below:

Table 6-38: NON-TARIFF INCOME SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	FY 2022-23 Petition (ARR)
Non-Tariff Income	145.55

Commission's Analysis

6.13.2 Regulation 35 of MYT Regulations, 2019 specifies as under:

Quote

35 Non-Tariff Income

35.1 The amount of Non-Tariff income relating to the Transmission Business as approved by the Commission shall be deducted from the ARR in determining the Annual Transmission Charges of the Transmission Licensee:

Provided that the Transmission Licensee shall submit full details of its forecast of non-Tariff income to the Commission in such form as may be stipulated by the Commission.

35.2 Non-Tariff Income shall include:
Income from rent of land or buildings;
Income from sale of scrap;
Income from investments;
Interest income on advances to suppliers/contractors;
Interest income on loans / advances to employees;
Income from rental from staff quarters;
Income from rental from contractors;
Income from hire charges from contactors and others;
Supervision charges for capital works;
Income from advertisements;
Income from sale of tender documents;
Excess found on physical verification;
Prior Period Income;
Miscellaneous receipts; and
Any other Non-Tariff Incomes:

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

Unquote

6.13.3 The Commission observes that there is sudden decrease in Non-Tariff Income in FY 2020-21 when compared to FY 2019-20. Further, the Petitioner has projected increase in FY 2021-22 and FY 2022-23 as compared to FY 2020-21. The Commission has considered the Non-Tariff Income for FY 2022-23 as claimed by the Petitioner. However, the Commission will carry out prudence check at the time of Truing-Up for such abrupt variation in Non-Tariff Income. Accordingly, the Non-Tariff Income approved by the Commission for FY 2022-23 is shown below:

Table 6-39: NON-TARIFF INCOME APPROVED BY THE COMMISSION (RS. CRORE)

Particulars	FY 2022-23	
	Petition (ARR)	Approved (ARR)
Non-Tariff Income	145.55	145.55

6.14 UPSLDC ARR

Petitioner's Submission

6.14.1 The Petitioner submitted that annual accounts for UPPTCL and UPSLDC are not segregated yet. The UPSLDC ARR submitted by the Petitioner is given in the below table.

Table 6-40: UPSLDC ARR FOR FY 2022-23 SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	FY 2022-23
	Petition (ARR)
Net O&M Expenses	
R&M Expense	6.60
Net Employee Expenses	29.04
Net A&G Expense	3.24
Total Net O&M Expenses	**38.88**
Depreciation	1.21
Interest on Loan	-
Return on Equity	-
Capital Expenditure	0.17
Other Expenditure	-
Non-tariff Income	6.87
Total Expenditure	**33.39**

Commission's Analysis

6.14.2 The Government of Uttar Pradesh (GoUP), in exercise of the powers vested under Section 31 of the Electricity Act, 2003, vide Notification No. 78/24-U.N.N.P.-11-525/08 dated January 24, 2011 notified the "Power System Unit" as the "State Load Despatch Centre" of Uttar Pradesh for the purpose of exercising the powers and discharging the functions under Part V of the Electricity Act, 2003. UPSLDC is operating as a part of the Uttar Pradesh Power Transmission Corporation Ltd., in its capacity as the State Transmission Utility. UPSLDC is the apex body to ensure integrated operation of the power system in the State.

6.14.3 The Commission has directed UPPTCL from time to time to expedite the process to separate UPSLDC from UPPTCL in order to make UPSLDC as an independent Organization. Further, the Commission also notified UPERC (Fees & Charges of State Load Despatch Centre and other related matters) Regulations, 2020 on May 14, 2020 and UPSLDC shall accordingly ensure to file its ARR Petition separately from FY 2021-22 onwards.

6.14.4 The Commission is of the view that the UPSLDC need to be corporatized in line of Northern Region Load Despatch Centre etc. to bring in autonomy, economy & efficiency in the working of UPSLDC. This would facilitate comprehensive, coordinated, transparent, integrated system and will lead to greater system efficiency. However, it seems that UPPTCL is not letting the corporatisation happen so that it can control the working of UPSLDC.

6.14.5 In addition to above, the Commission observed that the Petitioner in the ARR/ Tariff proceeding of FY 2021-22 (Petition No. 1656 of 2020) submitted that annual accounts for UPPTCL and UPSLDC are not segregated yet. The expenses of UPSLDC functions and ARR are embedded in the ARR of FY 2021-22 of UPPTCL as shown below:

Table 6-41: UPSLDC ARR FOR FY 2021-22 SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	FY 2021-22 Petition (ARR)
Net O&M Expenses	
R&M Expense	3.91
Net Employee Expenses	29.60
Net A&G Expense	4.05
Total Net O&M Expenses	**37.56**
Depreciation	1.31
Interest on Loan	-
Return on Equity	-
Capital Expenditure	4.56
Other Expenditure	-
Non-tariff Income	6.72
Total Expenditure	**36.71**

6.14.6 The Commission in its Tariff Order for FY 2021-22 dated June 29, 2021 reduced the UPSLDC ARR of Rs. 36.71 Crore while approving the Net ARR for FY 2021-22 for UPPTCL.

6.14.7 The Commission further observed that the projected ARR for FY 2022-23 (Rs. 33.39 Crore) is less than the projected ARR for FY 2021-22 (Rs. 36.71 Crore) which seems anomalous. Further, UPSLDC is yet to file the ARR Petition before the Commission.

6.14.8 Taking into consideration the above, the Commission disallows a total of Rs. 50 Crore as the ARR of UPSLDC from the total ARR of UPPTCL in lieu of Rs. 33.39 Crore as claimed by the Petitioner.

6.15 SUMMARY OF AGGREGATE REVENUE REQUIRMENT FOR FY 2022-23

Petitioner's Submission

6.15.1 The Petitioner submitted that it has calculated the ARR for FY 2022-23 as Rs. 4139.04 Crore and has requested the Commission to approve the same.

Table 6-42: SUMMARY OF ARR SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	FY 2022-23
	Petition (ARR)
O&M Expenses	1536.94
Employee Expenses	1088.53
A&G Expenses	53.38
R&M Expenses	395.03
Interest on Loan Capital	1489.55
Interest on Working Capital	58.49
Depreciation	1687.17
Gross Expenditure	**4772.14**
Less: Employee Expenses Capitalised	447.27
Less: A&G Expenses Capitalised	0.00
Less: Interest Expenses Capitalised	210.74
Net Expenditure	**4114.13**
Add: Return on Equity	203.86
Less: Non-Tariff Income	145.55
Annual Revenue Requirement	**4172.43**
Less: UPSLDC ARR	33.39
Net Annual Revenue Requirement	**4139.04**

Commission's Analysis

6.15.2 The Commission has considered the ARR based on the various components as approved by the Commission for FY 2022-23. Accordingly, the ARR for FY 2022-23 is projected by the Commission as follows:

Table 6-43: SUMMARY OF ARR APPROVED BY THE COMMISSION (RS. CRORE)

Particulars	FY 2022-23	
	Petition (ARR)	Approved (ARR)
O&M Expenses	1536.94	1106.71
Employee Expenses	1088.53	655.95
A&G Expenses	53.38	55.69
R&M Expenses	395.03	395.07
Interest on Loan Capital	1489.55	1312.24

Particulars	FY 2022-23	
	Petition (ARR)	Approved (ARR)
Interest on Working Capital	58.49	44.50
Depreciation	1687.17	1271.11
Gross Expenditure	**4772.14**	**3734.57**
Less: Employee Expenses Capitalised	447.27	447.27
Less: A&G Expenses Capitalised	0.00	0.00
Less: Interest Expenses Capitalised	210.74	186.86
Net Expenditure	**4114.13**	**3100.44**
Add: Return on Equity	203.86	192.29
Less: Non-Tariff Income	145.55	145.55
Annual Revenue Requirement	**4172.43**	**3147.17**
Less: UPSLDC ARR	33.39	50.00
Net Annual Revenue Requirement	**4139.04**	**3097.17**

6.16 TRANSMISSION TARIFF

Petitioner submission

6.16.1 The Petitioner submitted that the distribution companies are not been allotted transmission capacity as such the transmission tariff has been calculated on the basis of numbers of units wheeled by the transmission licensee for distribution licensees. This is based on the same approach adopted by the Commission in its previous Tariff Orders. Further, the Petitioner has estimated the total energy to be delivered to distribution licensees in FY 2022-23 as 130426.87 MUs. The Petitioner has considered the same as per the projection of the distribution licensees and estimated the same of LTCs for FY 2022-23. The total energy to be handled by the Petitioner during the FY 2022-23 is provided in the table below:

Table 6-44: ENERGY PROJECTIONS BY PEITTIONER FOR FY 2022-23 (MUs)

Particulars	FY 2022-23
	Petition (ARR)
DVVNL	27429.00
MVVNL	25399.49
PVVNL	36574.36
PuVVNL	27494.71
KESCO	3935.77
NPCL	3036.00
Northern Railway (U.P)	1531.21
Open Access Customers	5026.34

Particulars	FY 2022-23 Petition (ARR)
Total Energy Projections	130426.87

6.16.2 The Petitioner seeks approval of transmission charges payable by all the licensees in the State for FY 2022-23 as computed below:

Table 6-45: TRANSMISSION TARIFF PROJECTED BY PETITIONER (RS. /KWh)

Particulars	Derivation	FY 2022-23 Petition (ARR)
Net Annual Revenue Requirement (Rs. Cr.)	A	4139.04
Energy Delivered (MU)	B	130426.87
Transmission Tariff (Rs. /kWh)	**C=A*B/10**	**0.3173**

Commission's Analysis

6.16.3 Regulation 33.2 of MYT Regulations, 2019 specifies the methodology for allocation of Annual Transmission Service Charge to its Beneficiaries as stated below:

Quote

33.2 Allocation of Annual Transmission Service Charge:

The Annual Transmission Service Charge (ATSC) shall be divided between Beneficiaries of the Transmission System on monthly basis based on the allotted Transmission Capacity or contracted capacity, as the case may be.

If a Transmission System has been created for a particular Long-term Transmission Beneficiary including dedicated transmission line(s) for a generating station, transmission charges for such Transmission System shall be payable by that Long-term Transmission Beneficiary.

For Intra-State Transmission System, the monthly transmission charges shall be pooled for sharing by Long-Term Transmission Customers in accordance with the following formula:

Transmission Charges for Intra-State System payable for a month by a Long -term Transmission Customer of that Transmission System =

∑_(i=0)^n(TCi/12) x CL/SCL

Where,

TCi = Annual Transmission Service Charges for the ith project in the State computed in accordance with these Regulations;

N = Number of Projects in the State;

CL = Allotted Transmission Capacity to the Long-term Transmission Customer;

SCL = Sum of Allotted Transmission Capacities to all the Long-term Transmission Customers of the State Transmission System

In the case of Medium-term users of the Intra-State Transmission System, charges payable shall be in proportion to the MW for which Medium-term usage has been approved by the State Transmission Utility for that month.

In case of Short-term Open Access consumers, charges payable shall be calculated in accordance with the following methodology:
ST_RATE = [ATSC / Av CAP] / 365
Where,
ST_RATE is the rate for short-term Open Access consumers in Rs. Per MW per day;
ATSC is Annual Transmission Service Charge;

Av CAP means the average capacity in MW served by the Transmission System of the Transmission Licensee in the last Financial Year and shall be the sum of the generating capacities connected to the Transmission System and contracted capacities of other transactions handled by the system of the Transmission Licensee;

Transmission charges corresponding to any plant capacity for which a Beneficiary has not been identified and contracted shall be paid by the concerned generating Company:

Provided that till the time transmission charges for Intra- State system cannot be determined for long- term, medium- term and short- term customers as stipulated above, the Commission will determine per unit charges for energy transmitted by dividing the total ARR by the total number of units transmitted and will be same for long- term, medium- term and short- term customers.

Unquote

6.16.4 The MYT Regulations, 2019 provide for capacity (MW) based transmission charges. However, there are still numerous issues in the determination of MW based Transmission Tariff, like allocation of transmission capacity to the existing long-term transmission system users, allocation of existing PPAs, etc. Presently, the State Distribution Licensees have not been allotted transmission capacity as such; hence, the Transmission Tariff has been calculated by the Commission on the basis of the number of units wheeled by the Transmission Licensee for the Distribution Licensees.

6.16.5 Further, the Petitioner has projected 130426.87 MU to be wheeled by Transmission System Users in FY 2022-23. The Commission has approved the projected energy to be handled at Discom periphery for State Discoms and NPCL based on the approved energy for State Distribution Licensees and NPCL in Tariff Order of FY 2022-23. In addition to above, energy wheeled for Railways and other Open Access Customers is considered as projected by Petitioner. Accordingly, the energy projections approved by the Commission for FY 2022-23 is shown below:

Table 6-46: ENERGY PROJECTIONS APPROVED BY THE COMMISSION FOR FY 2022-23 (MUs)

Particulars	FY 2022-23	
	Petition (ARR)	Approved (ARR)
DVVNL	27429.00	25277.96
MVVNL	25399.49	24285.30
PVVNL	36574.36	35996.42
PuVVNL	27494.71	26408.83
KESCO	3935.77	4100.32
NPCL	3036.00	3012.12
Northern Railway (U.P)	1531.21	1531.21
Open Access Customers	5026.34	5026.34
Total Energy Projections	**130426.87**	**125638.50**

6.16.6 The following table summarises the Annual Revenue Requirement and Transmission Tariff for FY 2022-23 as submitted by the Petitioner vis-à-vis the values approved by the Commission.

Table 6-47: TRANSMISSION TARIFF APPROVED BY THE COMMISSION FOR FY 2022-23 (RS. /KWh)

Particulars	Derivation	FY 2022-23	
		Petition (ARR)	Approved (ARR)
Net Annual Revenue Requirement (Rs. Cr.)	A	4139.04	3097.17
Energy Delivered (MU)	B	130426.87	125638.50
Transmission Tariff (Rs. /kWh)	**C=A*B/10**	**0.3173**	**0.2465**

6.17 OPEN ACCESS: TRANSMISSION TARIFF

Petitioner's Submission

6.17.1 The Petitioner has submitted that if any Discoms Consumer has availed Short Term Open Access then there will be decrease in the estimated energy of Discoms as the Discoms estimate their demands on the basis of connected load along with prospective growth of its existing consumers as well as new consumers. Further the Petitioner proposes the open access charges for FY 2022-23 as follows:

Table 6-48: INTRA STATE OPEN ACCESS CHARGES PROPOSED BY PETITIONER FOR FY 2022-23 (Rs. /kWh)

Particulars	Unit	FY 2022-23
Short Term Open Access Transmission Charges	Rs./kWh	0.3173
Long Term Open Access Transmission Charges	Rs./kWh	0.3173

6.17.2 Further the Petitioner submitted that the energy handled as projected in the above para for the purpose of uniform open access charges irrespective of voltage levels for the FY 2022-23. The same is consistent with the existing practices adopted by CERC, in which uniform rate for all voltage level is adopted and single rate is informed to Northern Region Load Despatch Centre for display and adoption in their website for short term open access users. Further, the same rates have been also approved by the Commission for open access charges irrespective of the voltage levels in its Tariff Order dated November 10, 2020.

6.17.3 In addition to the above charges, the open access customer would also be liable to bear the projected transmission losses to the tune of 3.27% for FY 2022-23 irrespective of the voltage levels at which the consumers are connected with the grid.

Commission's Analysis

6.17.4 The Commission has computed the Transmission Tariff for FY 2022-23 in the preceding Section for use of UPPTCL's network for transmission of electricity. Accordingly, the Commission approves the Intra State Open Access transmission charges as shown below:

TABLE 6-49: INTRA STATE OPEN ACCESS TRANSMISSION CHARGES APPROVED BY THE COMMISSION FOR FY 2022-23 (Rs. /kWh)

Particulars	Unit	FY 2022-23	
		Long-Term	Short-Term
Intra State Open Access Transmission Charges	Rs. /kWh	0.2465	0.2465

6.17.5 In addition to the above charges, the open access consumer would also be liable to bear the transmission losses in kind. In the absence of authenticated voltage level loss data, the Commission has decided that the transmission losses for FY 2022-23 would be 3.27% irrespective of the voltage levels at which the consumers are connected with the grid.

7 DIRECTIVES

7.1 COMPLIANCE OF DIRECTIVES ISSUED IN THE TARIFF ORDER DATED JUNE 29, 2021

7.1.1 The Commission had issued certain directives to the Petitioner in the Tariff Order for FY 2021-22 dated June 29, 2021. The status of compliance submitted by the Petitioner with the same is as shown in the Table given below:

Table 7-1: STATUS OF COMPLIANCE/ PETITIONER'S REPLY TO COMMISSION'S DIRECTIVES

Sl. No.	Directives	Status of Compliance/ Petitioner's Reply
1.	The Commission directs the Petitioner to submit the details of the final outcome of the issues raised by CAG regarding CWIP and its impact (with regards, to FY 2017-18 & FY 2018-19). Further, the Commission directs the Petitioner to submit CAG reports for FY 2019-20.	The Petitioner has submitted its final reply against the CAG comments for FY 2019-20. No further queries have been received for FY 2019-20. It seems that the issue is dropped. In case any queries are received for FY 2019-20, the same shall be submitted before the Commission in the ongoing proceedings at that time.
2.	As per Section 17(4) of the Electricity Act, 2003 prior approval should be taken for transfer / sell / renting of its Assets. The Licensee may strictly follow the same.	The Petitioner submitted that, in line with the directions of the Commission, the directives have been issued to the field units for compliance of the same in the future. Further, in case of any such transfer, the Petitioner shall take prior approval from the Commission.
3.	The Commission directs the Petitioner to submit the detailed capital investment plans/ schemes/ projects of 220 kV and above and other capital expenditure of value exceeding Rs. 20 Crores for prior approval as per MYT Regulations, failing which the Commission may not allow the capex in the ARR and Tariff. Such investment approval Petitions should be accompanied with detailed techno-economic analysis preferably based on load flow study, IRR computations, if any.	The Petitioner is already taking the prior approval of the schemes from the Commission in line with the MYT Regulations 2019 for the assets planned from April 01, 2020 onwards. The Petitioner also submitted the copies of Orders in respect of approval of schemes issued by the Commission for FY 2020-21 and FY 2021-22 in order to make them part of present proceeding.

Sl. No.	Directives	Status of Compliance/ Petitioner's Reply
4.	The Commission directs the Petitioner to maintain a separate individual asset wise FAR for assets capitalized after 1.4.2020. Accordingly, from FY 2020-21 onwards UPPTCL to maintain two separate Gross Blocks (one for assets upto 31.3.2020 and second for assets after 1.4.2020) and two separate FAR`s depicting addition of Assets details from 01.04.2020 onwards for the purpose of depreciation computation.	UPPTCL's management decided to prepare individual asset wise fixed asset register on ERP. However, owing to declaration of Code of conduct in view of UP State elections, the tender for production server could not be floated. The server is now available and the preparation of individual asset wise fixed asset register on ERP is in progress and will be submitted once the same is finalized. Further, in the current petition the Petitioner has claimed the depreciation for the assets upto 31.03.2020 (Part-A) and assets energised 01.04.2020 onwards separately in line with the directions of the Commission.
5.	The Commission directs the Petitioner to expedite the process to separate the SLDC from UPPTCL in order to make SLDC as an independent body. Also, SLDC shall ensure to file its ARR Petition in accordance with UPERC SLDC Regulations, 2020.	The Petitioner submitted that in view of SLDC Regulations 2020 and directions of the Commission, UPPTCL in a board meeting held in November 2020 has passed resolution to segregate UPSLDC from UPPTCL. The detailed proposal was approved by Board of Directors on January 05, 2022 and subsequently a Cabinet Note has been submitted to GoUP vide Letter No. 2281 dated February 25, 2022 for final approval. The copy of the cabinet note submitted to GoUP wherein it is proposed that: ***"UPERC द्वारा पारित आदेशों के क्रम में UPSLDC को UPPTCL से पृथक कर नयी कंपनी गठित करने का अनुमोदन प्रदान करने का कष्ट करें"*** Further, the separate Petition for the ARR of SLDC for the FY 2021-22 and FY 2022-23 is under preparation and the same shall be submitted before the Commission for approval.

Sl. No.	Directives	Status of Compliance/ Petitioner's Reply
6.	The Commission directs the Petitioner to ensure to file its ARR/ Tariff Petition on time strictly in accordance with the applicable UPERC MYT Regulations.	The Petitioner submitted that they required additional time for collection and compilation of information required for filing of the current petition, for which time extension was sought vide letter dated November 30, 2021. The Petitioner is committed to honour the timelines as per the Regulations and it shall endeavour to comply with the timelines in future.
7.	The Commission directs that in case UPPTCL has planned a Green Field project it must undertake techno-commercial feasibility exercise with respect to an existing Brown field project(s) and accordingly take further necessary actions in order to build, maintain and operate an efficient and economical intra-state transmission system.	The Petitioner submitted that the detailed justification of the green field or brown field projects is already submitted in the DPR while seeking approval of the Commission for the assets planned from April 01, 2020. The Petitioner further submitted the copy of orders to be part of Petition.
8.	The Petitioner shall upload on its website the Petition filed before the Commission along with all regulatory filings, information, particulars and related documents, which shall be signed digitally and in searchable pdf formats along with all Excel files and as per any other provision of the Regulations and Orders of the Commission. The Petitioner shall also ensure that these files are broken into such size which can be easily downloaded.	The Petitioner submitted that subsequent to the issuance of Admittance Order by the Commission dated April 21, 2022, the Petitioner has uploaded the petition and relevant documents on its website. The Link is as follows: **Link:** **https://upptcl.org/upptcl/en/article/arr-tariff-order**
9.	The Licensee is directed to replace existing conventional/ TOD metering installed at 33kV and above feeders (T-D interface) with ABT interface metering for smooth implementation of Deviation Settlement Mechanism in the State. Also, the Licensee shall make an arrangement for meter reading, MRI and uploading/ submitting	The Petitioner submitted that the DPR for procurement and installation of AMR-ABT meters as per recommendations under SAMAST was jointly prepared by SLDC/UPPTCL which included the requirements of meters on all 33 KV feeders emanating from transmission substations. The same was however reviewed in the 53rd Meeting of TESG (Techno-economic Subgroup) of PSDF and it was

Sl. No.	Directives	Status of Compliance/ Petitioner's Reply
	interface meter data to SLDC for the said interface meters.	recommended by the CEA in TESG to install inter face meters at the inter connecting transformers only. PSDF had finally approved the implementation of SAMAST project vide Sanction order no 10/1/2014-OM-(Vol-V) [234849] dated March 24, 2022 issued by Ministry of Power. The total of number of meters to be installed are 4573 in numbers. The process of installation of meters has been initiated and the same is expected to be completed by FY 2023-24.
10.	The Licensee is directed to seek innovative solutions based on energy storage systems, virtual transmission, other cutting edge technologies at the transmission level to address issues such as congestion in networks, to support voltage & frequency control, serve as the N-1 redundancy etc.	The Ministry of Power, GoI has recently released the "Guidelines for Procurement and Utilization of Battery Energy Storage Systems (BESS) as part of Generation, Transmission and Distribution assets, along with Ancillary Services". The BESS shall help in addressing issues such as congestion in networks, to support voltage & frequency control, etc. The Petitioner is in process of examining the above policy and suggested models for BESS, its implementation and the role of UPPTCL as a transmission licensee.

7.2 DIRECTIVES ISSUED IN THIS ORDER

7.2.1 As per Section 17(4) of the Electricity Act, 2003 prior approval should be taken for transfer / sell / renting of its Assets. The Licensee may strictly follow the same.

7.2.2 The Commission directs the Petitioner to submit the detailed capital investment plans / schemes/ projects of 220 kV and above and other capital expenditure of value exceeding Rs. 20 Crores for prior approval as per MYT Regulations, failing which the Commission may not allow the capex in the ARR and Tariff. Such investment approval Petitions should be accompanied with detailed techno-economic analysis preferably based on load flow study, IRR computations, if any.

7.2.3 The Commission directs the Petitioner to maintain a separate individual asset wise Fixed Asset Register for assets capitalized after April 01, 2020. Accordingly, from FY 2020-21 onwards UPPTCL to maintain two separate Gross Blocks (one for assets upto March 31, 2020 and second for assets after April 01, 2020) and two separate Fixed Asset Register`s depicting addition of Assets details from April 01, 2020 onwards for the purpose of depreciation computation.

7.2.4 The Commission directs the Petitioner to expedite the process to separate the SLDC from UPPTCL in order to make SLDC as an independent body. Also, SLDC shall ensure to file its ARR Petition in accordance with UPERC SLDC Regulations, 2020.

7.2.5 The Commission directs the Petitioner to ensure to file its ARR/ Tariff Petition on time strictly in accordance with the MYT Regulations, 2019.

7.2.6 The Petitioner shall upload on its website the Petition filed before the Commission along with all regulatory filings, information, particulars and related documents, which shall be signed digitally and in searchable pdf formats along with all Excel files and as per any other provision of the Regulations and Orders of the Commission. The Petitioner shall also ensure that these files are broken into such size which can be easily downloaded and will not keep them in compressed form as the stakeholders find it difficult to extract the files.

7.2.7 The Licensee is directed to seek innovative solutions based on energy storage systems, virtual transmission, other cutting edge technologies at the transmission level to address issues such as congestion in networks, to support voltage & frequency control, serve as the N-1 redundancy etc.

7.2.8 The Commission observed that the Transmission Licensee has not filled a few formats like P3, P10 etc. and in the few formats the data is incomplete. Also, it has been observed that the Excel files are not linked and formula driven which delay the proceedings. Therefore, the Petitioner is directed to ensure that all the Tariff and additional Formats are completely filled and are with formulas and links.

7.2.9 Recently, Central Electricity Regulatory Commission has notified CERC (Connectivity and General Network Access to the inter-State Transmission System) Regulations, 2022. The Regulations specifies among others the duties and responsibilities of STU to effectively implement and meet the objective of the General Network Access (GNA) on behalf of intra-State entities including distribution licensees. UPPTCL while acting as STU of Uttar Pradesh need to comply and adhere with the Regulations. Therefore, it shall simultaneously prepare itself to ensure smooth transition/ implementation of the Regulations in order to give effect when it comes into force.

7.2.10 Central Electricity Regulatory Commission had issued the draft CERC (Indian Electricity Grid Code) Regulations, 2022. As per Section 86(1)(h) of the Electricity Act 2003, the State Grid Code should be consistent with the Grid Code specified by CERC. Accordingly, the Commission is also in process to amend/formulate the State Grid Code. Therefore, UPPTCL shall simultaneously prepare itself to ensure smooth transition/ implementation of Central Grid Code in order to give effect when it comes into force.

7.2.11 STU is mandated to plan an efficient, reliable and economical intra-State transmission system through a transparent process of extensive, informed and inclusive consultation with distribution licensees and other stakeholders and get it developed as per the provisions of the Act and Policies formulated thereunder. Therefore, as per the provisions of UPEGC, STU shall submit to the Commission an updated long term Transmission System Plan for time span of 5 years on rolling basis every year by 28th February identifying specific transmission projects which are required to be taken up along with their implementation time lines.

7.2.12 The Licensee is directed to ensure implementation of reliable communication and data acquisition system of 132 kV and above voltage level sub-stations and submit the quarterly compliance before the Commission.

7.2.13 The Licensee is directed to ensure calibration, periodical testing and maintenance of the ABT interface metering system including replacement of existing conventional/TOD metering installed at 33kV and above feeders (T-D interface) for smooth implementation of DSM framework in the State.

7.2.14 For preparing consolidated DSM accounts at UPPCL level for all the State-owned distribution licensees, the Commission in Suo Moto Proceeding No. 59, 60 & 61 of 2022 had directed UPSLDC and UPPTCL in the capacity of STU that, in case, ABT meters are not installed at T-D interface points of 33 kV feeders located in its premises, metered data of available ABT meters installed at LV (33 kV) side of 132/33 kV and 220/33 kV transformers shall be used for DSM purpose, till installation of ABT complaint meters at respective 33 kV feeders. UPPTCL/transmission licensee in whose premises interface meters at T-D points are installed, shall regularly provide metered data to UPSLDC for preparation of weekly DSM accounts

7.2.15 Central Electricity Authority had issued the draft CEA (Manual on Transmission Planning Criteria), 2022 covering the planning philosophy, information required from various entities, permissible limits, reliability criteria, broad scope of system studies, modelling and analysis etc. and gives guidelines for transmission planning. Therefore, UPPTCL shall simultaneously prepare itself to ensure smooth transition/ implementation of the same in order to give effect when it comes into force.

7.2.16 The Commission implemented the Intra-State ABT Mechanism in the State of U.P. in line with the ABT (DSM) Mechanism introduced by Central Electricity Regulatory Commission at the national level. Also, the Commission vide its various regulations/orders from time to time has directed that principles and methodologies in respect of scheduling, dispatch, energy accounting and UI (DSM) related matters for intra-State entities to be governed as per provisions specified under CERC DSM Regulations and UPEGC/IEGC except for solar and wind generator which is governed by UPERC (Forecasting, Scheduling, Deviation Settlement and Related Matters of Solar and Wind Generation Sources) Regulation 2018.

Recently, Central Electricity Regulatory Commission has notified CERC (Deviation Settlement Mechanism and related matters) Regulations, 2022. Therefore, UPSLDC shall simultaneously prepare itself to ensure smooth transition/ implementation of the Regulations in order to give effect when it comes into force.

8 APPLICABILITY OF THE ORDER

The Petitioner in accordance with Regulation 5.10 of the Uttar Pradesh Electricity Regulatory Commission (Multi Year Tariff for Distribution & Transmission) Regulations, 2019, shall publish the Tariff approved by the Commission in at least two (2) English and two (2) Hindi daily newspapers having wide circulation in the area of supply and shall upload the approved Tariff on its internet website. The Petitioners are also required to submit the copies of the newspapers and screen shots of the website within 7 days of publication.

The Tariff so published shall be in force after seven days from the date of such publication and shall, unless amended or revised, continue to be in force for such period as may be stipulated therein. The Commission may issue clarification / corrigendum / addendum to this Order as it deems fit from time to time with the reasons to be recorded in writing.

(Vinod Kumar Srivastava) **Member (Law)**	**(Kaushal Kishore Sharma)** **Member**	**(Raj Pratap Singh)** **Chairman**

Place: Lucknow
Date: July 20, 2022

9 ANNEXURE 1: ADMITTANCE ORDER

BEFORE
THE UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION,
LUCKNOW

Petition No. 1839 / 2022

(Date of Order: - 21 -04-2022)

IN THE MATTER OF:

Petition for Truing-Up for FY 2020-21, Annual Performance Review (APR) for FY 2021-22 and Approval of Aggregate Revenue Requirement (ARR) for the FY 2022-23 (Petition No. - 1839 of 2022) of Uttar Pradesh Power Transmission Corporation Ltd., Lucknow (UPPTCL)

ORDER

As per provisions of Section 64 of the Electricity Act, 2003, it is incumbent upon the Licensee to make an application to the State Electricity Regulatory Commission for determination of Tariff in such manner as may be specified by the Commission as per the applicable Regulations.

The Uttar Pradesh Electricity Regulatory Commission (Multi Year Tariff for Distribution and Transmission) Regulations, 2019 (hereinafter referred as 'MYT Regulations, 2019'). These Regulations are applicable for determination of tariff in all cases covered under these Regulations from April 1, 2020, to March 31, 2025, unless otherwise extended by the Commission.

As per the provisions stipulated in Regulation 4 of MYT Regulations, 2019, the Petition for determination of True Up, Annual Performance Review (APR) and Aggregate Revenue Requirement (ARR)/Tariff, complete in all respect have to be filed by the Transmission Licensee for each year of the Control Period (FY 2020-21 to FY 2020-25) before the Commission on or before November 30 of each year.

The Commission vide its letter dated November 02, 2021, directed Uttar Pradesh Power Transmission Corporation Limited to provide additional format to be incorporated along with next Tariff Petition.

The Petitioner vide its letter dated November 30, 2021, requested the Commission for additional time for the filing of True-Up/APR/ARR Petition on the ground of the following:

(I) Requirement of the time to comply the directives of the Commission given vide its letter dated November 02, 2021;

(II) Finalization of the capex scheme for FY 2022-23 is yet to be done as financial and technical approval of GEC-II scheme depends on the approval by CCEA (Cabinet Committee on Economic Affairs) which is under process.

Further, the Commission granted permission vide its letter dated December 13, 2021.

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The Transmission Licensee namely Uttar Pradesh Power Transmission Corporation Limited (hereinafter referred to as 'Petitioner'), filed the Petition for True-Up for the FY 2020-21, Annual Performance Review for FY 2021-22 and determination of Annual Revenue Requirement and Tariff for FY 2022-23 on March 08, 2022.

A preliminary analysis was conducted, wherein the Commission asked the Petitioner to submit details of capital expenditure, capitalisation, CAG Report for FY 2020-21, calculation of depreciation along with various other deficiencies observed, which were communicated vide its letter dated April 11, 2022.

The Technical Validation Session (TVS) covering the Petition was conducted on April 18, 2022, at the office of the Commission, which was attended by the senior officials of the Commission and the Petitioner and during the TVS, the Petitioner explained various issues raised in the deficiencies. Further, the Commission directed Transmission Licensee to submit CAG Report of FY 2020-21, actual Annual Transmission System Availability factor for FY 2020-21 duly certificated by SLDC, detailed list of Open Access Consumers, justification for claiming Licensee fee and finance fee separately over and above normative A&G expenses, documentary evidence of capital expenditure and capitalisation claimed for FY 2020-21, FY 2021-22 & FY 2022-23 duly approved by the Commission, two separate FAR's depicting addition of Assets details from 01.04.2020 onwards for the purpose of depreciation computation for Regulatory Accounts, detail of Budget allocation and release of the same by GoUP and compliance status report on directives issued by Commission in its previous Orders and other queries raised during the TVS. Subsequently, minutes of meeting (M.O.M) comprising of pending data / information were issued.

Further, since the determination of ARR / Tariffs has already been delayed, the Commission admits the Petition for further processing. The Commission directs the Petitioner to submit the pending responses immediately and also directs the Petitioner to furnish further information / clarifications, if any, as deemed necessary by the Commission during the processing of the Petition and provide the same to the satisfaction of the Commission within the time frame as stipulated by the Commission, failing which the Commission may proceed to dispose of the matter as it deems fit based on the information available with it.

Regulation 5.8 of MYT Regulations, 2019 specifies as under:

Quote

5.8 The Petitioner shall within three working days of issue of the Admittance Order, publish a Public Notice in at least two English and two Hindi daily newspapers having wide circulation in its licence area, outlining the ARR, proposed Tariff, True-Up and such other matters as may be directed by the Commission, and inviting suggestions and objections from the stakeholders and public at large:

Provided that the Petitioner shall also upload on its website the Petition filed before the Commission along with all regulatory filings, information, particulars and documents in the manner stipulated by the Commission. The Petitioner should ensure

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that there is no requirement of providing personal information for downloading the same;

Unquote

Accordingly, the Petitioner shall publish a Public Notice within three working days of issue of the Admittance Order in at least two English and two Hindi daily newspapers having wide circulation in its licence area, outlining the True Up, APR and ARR & proposed Tariff and other such matters, if any, as directed by the Commission, and invite suggestions and objections within 15 days from the date of publication of the Public Notice(s) from the stakeholders and public at large.

The Public Notice should indicate that the stakeholders should regularly check the websites of the Petitioner for further submissions made in respect to these proceedings.

The Petitioner shall also upload on its website the Petition filed before the Commission along with all regulatory filings, information, particulars and related documents, which shall be signed digitally and in searchable pdf formats along with all Excel files. The Petitioner shall also ensure that for downloading the same, there is no requirement of providing personal information. The Petitioner shall not provide or put up any such information, particulars, or documents, which are confidential in nature, without the prior approval of the Commission.

The Petitioner shall infoom the Commission, about the details of publication of the Public Notice in the newspapers and uploading on the website along with the links. The Petitioner is also required to submit the copies of the newspapers and screen shots of the website within 7 days of publication of the Public Notice.

It is pertinent to mention that the Commission, in wake of prevailing waves of COVID-19 pandemic outbreak and due to the subsequent requirement of social distancing for prevention of spread of the disease, proposes to hold the Public Hearing in June through video conferencing.

The details of the same will be provided subsequently on the Commission's website www.uperc.org. The Petitioner shall take all necessary steps to ensure the necessary arrangements for smooth functioning of the same in accordance with the guidelines / instructions issued in this regard by the Commission from time to time.

The Commission reserves the right to seek any further information / clarifications as deemed necessary during the processing of this Petition.

(Vinod Kumar Srivastava)	(Kaushal Kishore Sharma)	(Raj Pratap Singh)
Member (Law)	Member	Chairman

Place: Lucknow

Date: 21st April, 2022

10 ANNEXURE 2: PUBLIC NOTICE ISSUED BY THE COMMISSION FOR PUBLIC HEARING

U.P. Electricity Regulatory Commission
Vidyut Niyamak Bhawan, Vibhuti Khand, Gomti Nagar,
Lucknow - 226010

Ph : 0522-2720426, Fax : 0522-2720423, E-mail: secretary@uperc.org, www.uperc.org

Ref: UPERC/D(Tariff)/2022-23/264 Dated: May 30, 2022

Public Notice

The Distribution licensees, viz. Dakshinanchal Vidyut Vitran Nigam Ltd. (DVVNL), Madhyanchal Vidyut Vitran Nigam Ltd. (MVVNL), Pashchimanchal Vidyut Vitran Nigam Ltd. (PVVNL), Purvanchal Vidyut Vitran Nigam Ltd. (PuVVNL), Kanpur Electricity Supply Company Ltd. (KESCO), Noida Power Company Ltd (NPCL) and the Transmission Licensee viz. Uttar Pradesh Power Transmission Company Limited, Lucknow (UPPTCL) have filed Petitions for determination of Aggregate Revenue Requirement (ARR) / Tariff for FY 2022-23, Annual Performance Review for FY 2021-22 and True-Up for FY 2020-21 before the Uttar Pradesh Electricity Regulatory Commission (UPERC / Commission).

The Commission vide Orders dated 21st April 2022 has admitted the Petitions and has decided to hold "Public Hearings" to invite suggestions and objections from the stakeholders and public at large. In wake of prevailing pandemic of COVID-19 pandemic outbreak and due to the subsequent requirement of social distancing for prevention of spread of disease, the "**Public Hearing**" will be conducted through Video Conferencing (VC) as per below details:

Licensee	Date	Time	Venue
DVVNL, PVVNL & KESCo	June 21, 2022 (Tuesday)	11.00 hrs onwards	Through Video Conferencing (VC)
MVVNL & PuVVNL	June 22, 2022 (Wednesday)	11.00 hrs onwards	
NPCL	June 24, 2022 (Friday)	11.00 hrs onwards	
UPPTCL	June 24, 2022 (Friday)	15.00 hrs onwards	

All stakeholders who wish to participate in the Public Hearing shall send an e-mail on office@uperc.org latest by June 20, 2022 providing their name, organization, designation, consumer account no., mobile number, address, name of licensees whose public hearing they want to attend, to register themselves and shall follow the "Instructions For Public Hearings in UPERC through Video Conferencing" available on UPERC website (www.uperc.org). The participants will be heard by the Commission in a sequence.

All the Stakeholders who are participating in the Public Hearing through VC shall also submit their written suggestions and objections in hard copies (one original + 5 sets of copies) along with verified affidavit (as prescribed) to the Secretary, UPERC within three (3) days of the Public Hearing. The submission should also be sent in PDF and Word/Excel format on the email id: office@uperc.org. It should be ensured that the Licensee name for whom the submission pertains to, is written in the subject line, otherwise it may not be taken into consideration.

The licensee has already published the summary of the Petitions in news-papers, inviting suggestions and objections. The Stakeholders should regularly check the websites of Commission i.e. www.uperc.org & concerned Licensee for updates / information.

Secretary

11 ANNEXURE 3: LIST OF PERSONS WHO ATTENDED PUBLIC HEARING

11.1.1 The list of persons who attended public hearing in the matter of Tariff Petition No. 1839 of 2022 of UPPTCL for Determination of APR for FY 2021-22, ARR for FY 2022-23 and True Up of ARR for FY 2020-21 are listed below:

LIST OF PERSONS WHO HAVE ATTENDED THE VIRTUAL PUBLIC HEARING OF UPPTCL ON JUNE 24, 2022

S. No.	Name	Organisation
1	Shri. P. Guruprasad	MD, UPPTCL
2	Shri. Anil Jain	Senior Advisor (Planning & Commercial) UPPTCL
3	Shri. Amarendra Khushwa	Director, UPSLDC
4	Shri. Piyush Garg	Director(Operation) , UPPTCL
5	Shri. R. K. Srivastava	Director (Finance), UPPTCL
6	Shri. A. K. Gupta	Executive Director (Finance), UPPTCL
7	Shri. Manoj Singh	Superintending Engineer (TBU), UPPTCL
8	Shri. A. K. Shukla	Executive Engineer (RAU), UPPTCL
9	Shri. S. K. Chaurasia	Executive Engineer (TBU), UPPTCL
10	Shri. Vinod Prajapati	Assistant Engineer (IT) UPPCL
11	Shri. Amiy Chaturvedi	Consultant
12	Shri. Avadhesh Kumar Verma	U.P. Rajya Vidyut Uphokta Parishad
13	Shri. A.K Arora	NPCL
14	Shri. Amit Bhargava	Director (Tariff), UPERC
15	Shri. Abhishek Moza	Joint Director (Transmission), UPERC
16	Shri. Hemant Tiwari	UPERC
17	Shri. Anil Kumar	Consultant