UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION

LUCKNOW

Petition No. 1515/2020 & 1571/ 2020

APPROVAL OF AGGREGATE REVENUE REQUIREMENT (ARR) AND TARIFF FOR FY 2020-21

AND

TRUE-UP OF ARR AND REVENUE FOR FY 2017-18 & FY 2018-19

FOR

Uttar Pradesh Transmission Corporation Limited., (UPPTCL) – (Petition No. – 1515 & 1571/2020)

ORDER UNDER SECTION 62 & 64 OF

THE ELECTRICITY ACT, 2003

November 10, 2020

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Before

UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION

Petition No.: 1515/2019, 1571/2020

IN THE MATTER OF:

Determination of Annual Revenue Requirement (ARR) for the FY 2020-21, Annual Performance Review (APR) for FY 2019-20 and True-up for the FY 2018-19 – (Petition No. - 1571 of 2020) and FY 2017-18 (Petition No. - 1515 of 2019) of Uttar Pradesh Power Transmission Corporation Ltd., Lucknow (UPPTCL)

And

IN THE MATTER OF:

UTTAR PRADESH POWER TRANSMISSION CORPORATION LIMITED, LUCKNOW (UPPTCL)

ORDER

The Commission, having deliberated upon the above Petition and also the subsequent filings by the Petitioner, and the Petition thereafter being admitted on June 4, 2020 and having considered the views / comments / suggestions / objections / representations received from the stakeholders during the course of the above proceedings and also in the Public Hearings held, 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 signed, dated and issued on November 10, 2020.

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 the Government of Uttar Pradesh (GoUP) in one of the first steps of reforms and restructuring process of the power sector in the State. Thereafter, 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, the 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 1, 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 UP 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. SLDC is operating as a part of the Uttar Pradesh Power Transmission Corporation Ltd., in its capacity as the State Transmission Utility. SLDC is the apex body to ensure integrated operation of the power system in the State.

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 1, 2015 to March 31, 2020, unless otherwise extended by the Commission. Embarking upon the MYT framework, the Commission has divided the period of five years (i.e. April 1, 2015 to March 31, 2020) into two periods namely –

a. Transition period (April 1, 2015 to March 31, 2017)

b. Control period (April 1, 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 1, 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 BUSINESS PLAN, ARR & TARIFF PERIOD FOR MYT CONTROL PERIOD FROM FY 2017-18 TO FY 2019-20

2.1.1 The Commission, vide its Order dated November 30, 2017, approved the ARR and Transmission Tariff for MYT Control Period (FY 2017-18, FY 2018-19 and FY 2019-20) for UPPTCL. In the said Order, the Commission also approved the true up for FY 2014-15.

2.2 SUO-MOTO PROCEEDINGS ON ANNUAL PERFORMANCE REVIEW (APR) FOR FY 2016-17 AND FY 2017-18 AND AGGREGATE REVENUE REQUIREMENT (ARR) FOR FY 2018-19 AND PETITION FOR TRUE UP OF ARR FOR FY 2015-16 FILED BY THE LICENSEE

2.2.1 The Commission, vide its Order dated January 08, 2019, approved the ARR and Transmission Tariff for FY 2018-19 for UPPTCL and the Annual Performance Review (APR) for FY 2016-17 and FY 2017-18. In the said Order, the Commission also approved the true up for FY 2015-16.

2.3 DETERMINATION OF ANNUAL PERFORMANCE REVIEW (APR) FOR FY 2017-18 AND FY 2018-19 AND AGGREGATE REVENUE REQUIREMENT (ARR) FOR FY 2019-20 AND PETITION FOR TRUE UP OF ARR FOR FY 2016-17 FILED BY THE LICENSEE

2.3.1 The Commission, vide its Order dated August 27, 2019, approved the ARR and Transmission Tariff for FY 2019-20 for UPPTCL and the Annual Performance Review (APR) for FY 2017-18 and FY 2018-19. In the said Order, the Commission also approved the true up for FY 2016-17.

2.4 DETERMINATION OF ANNUAL PERFORMANCE REVIEW (APR) FOR FY 2019-20 AND AGGREGATE REVENUE REQUIREMENT (ARR) FOR FY 2020-21 AND PETITION FOR TRUE UP OF ARR FOR FY 2017-18 & FY 2018-19 FILED BY THE LICENSEE

2.4.1 As per the provisions of the MYT Transmission Regulations, 2014 and MYT Distribution and Transmission Regulations, 2019, the Transmission Licensees' were required to file their ARR / Tariff Petitions before the Commission latest by November 30th each year so that the Tariff can be determined and be made applicable for the subsequent financial year.

2.4.2 The True Up Petition for FY 2017-18 was filed by UPPTCL (hereinafter referred to as the 'Licensee' or the 'Petitioner') under Section 64 of the Electricity Act, 2003 on October 14, 2019 (Petition No. 1515/ 2019).

2.4.3 The True Up Petition for FY 2018-19, Annual Performance Review for FY 2019-20 and Aggregate Revenue Requirement for FY 2020-21 was filed by UPPTCL (hereinafter referred to as the 'Licensee' or the 'Petitioner') under Section 64 of the Electricity Act, 2003 on March 12, 2020 (Petition No. 1571/ 2020).

2.5 PRELIMINARY SCRUTINY OF THE PETITIONS

2.5.1 A preliminary analysis was conducted of the Petitions, wherein various deficiencies were observed in Petitions and the deficiencies were communicated vide letters dated February 27, 2020 & May 13, 2020.

2.5.1.1 Queries in the first Deficiency for FY 2017-18 on February 27, 2020:

(a) UPPTCL may submit the CAG and Statutory Auditor Report scanned soft and hard copy for FY 2017-18.

(b) Provide the breakup of customer wise Energy Handled (MU) by UPPTCL for FY 2017-18 i.e. for 114169.169155 MU (as per Note 18 of the Audited Balance Sheet) and reconcile the same with Annexure -7. Also, provide the details of No. of Transmission System Users and respective allotted Transmission capacity to the existing users as on FY 2017-18 w.r.t. Annexure-7.

(c) Provide the Reconciliation of FAR (Fixed Asset Register) for FY 2017-18 submitted as Annexure-8 in the petition with the audited accounts provided. The same should be submitted with all linkages in excel to map the details in Fixed Asset Register to verify the Asset added during the year (in quantity & amount). Also submit whether the Fixed Asset Register are physically verified or not.

(d) Provide the detailed justification for claiming of Rs. 5.72 Crore (towards actual transmission Licensee fee paid in FY 2017-18) over and above the normative A&G expense. Also, provide the details of the same in respect to approved True-Up of FY 2016-17.

(e) Provide the details of scheme/projects for capital expenditure greater than INR 10 Crore incurred in FY 2017-18, as per the Regulation 19A (b) of UPERC Multi Year Transmission Tariff Regulations, 2014.

(f) Provide the details of the Consumer Contribution, Capital subsidy & Grants in the Capex & Capitalization during FY 2017-18, if any.

2.5.1.2 Queries in the first Deficiency for FY 2018-19, FY 2019-20 & FY 2020-21 and additional queries for FY 2017-18, on May 13, 2020:

(a) Provide the details and breakup of the Interest Capitalisation of Rs. 281.67 Crore as submitted in Format F42.

(b) Provide detailed note on "Revenue recognised from Consumer Contribution" indicated under "Cashflow from operating activities" of the balance sheet. Ascertain its impact on the ARR and reconcile the same with the audited balance sheet.

(c) As per Regulation 19A (b), the Licensee shall seek prior approval of the Commission for capital expenditure greater than INR 10 Crore. Therefore, provide the scheme wise details of Capital expenditure and capitalization for FY 2018-19.

(d) Regarding Note 3, provide separately the "Interest during construction" along with its reference(s) in the audited balance sheet.

(e) Provide detailed note on "interest accrued but not on borrowings" on Note 12 of audited balance sheet.

(f) Provide the scheme-wise, Capex and Capitalisation details with approved and actual values of the respective years for last five years till 31st March of FY 2018-19.

(g) Provide the details of Transmission System Users, respective allotted Transmission Capacity, Energy Wheeled, Transmission Losses and Revenue received from the long term and medium-term users projected for FY 2020-21. Also provide the projections (if any) with breakup of Energy wheeled to Short-Term customers and revenue received from them.

2.5.2 UPPTCL submitted their response to the deficiencies in respect to True-Up of FY 2017-18 on 25th May 2020. The Technical Validation Session covering all the Petitions was conducted on May 26 & 27, 2020 which was attended by the senior officials of UPPTCL and during the Technical Validation Session, UPPTCL explained various issues raised in the deficiencies.

2.5.3 Further, second deficiency required as per the Hon'ble Commission mail dated May 27, 2020 and as per the discussion during the Technical Validation Session held on May 27, 2020. Some of the major queries are as follows:

(a) Submit the revised data considering the impact of COVID-19 as per deficiency dated 15th May 2020.

(b) Provide the detailed technical and financial justification for each scheme/project the Capital Expenditure.

(c) Treatment of deposits received by a Transco for capital work to be done (with illustrations):

- in the audited accounts (i.e. in the balance sheet, cash flow etc.)
- in the regulatory accounts (i.e. under which all heads it its effect reflected in the ARR or Revenue).

(d) Treatment of deposits received by a Transco from a Discom for capital work to be done (with illustrations):

- in the audited accounts (i.e. in the balance sheet, cash flow etc.)
- in the regulatory accounts (i.e. under which all heads it its effect reflected in the ARR or Revenue).

2.5.4 In addition to the above additional (third) deficiency were required by the Commission regarding the issues pointed by CAG regarding CWIP was sent to the Petitioner dated June 09, 2020. Some of the major queries are as follows:

(a) The Inter Corporation balances in balance sheet for Rs. 149.38 Crores for FY 2017-18 and Rs. 172.09 Crores FY 2018-19 is provided. In this regard, kindly provide accounting methodology of asset between companies and its treatment in GFA.

(b) The Commission in its queries in deficiency has required UPPTCL to submit the Comptroller Audit Report and Statutory Audit Report. In the response UPPTCL provided an Independent Auditor's Report which points out that UPPTCL in the balance sheet has overstated Rs. 420.08 Crores for FY 2018-19.

(c) Initially, CAG points out certain land transferred to other department, for which rent/ sale in not addressed therefore, the value of land shown in fixed assets is overstated for FY2017-18.

2.5.5 UPPTCL submitted their response to the deficiencies in respect to the issues pointed by CAG regarding CWIP.

2.5.6 The Commission upon analysis of the reply submitted by the Petitioner dated May 30, 2020 for the deficiency mail dated May 27, 2020 observed that the Petitioner’s submission lacks various information. So, the Commission in the fourth deficiency mentioned that it is a reminder for the pending reply and sent to the Petitioner dated June 18, 2020. Some of the major queries are as follows:

(a) Actual Capitalization as per the Balance Sheet provided is Rs. 4624.12 Crore. The Commission observes that as per UPPTCL submission total capitalisation value is Rs. 4615.05 Crore which is of Rs. 9.07 Crore lower than the Balance Sheet. UPPTCL to provide the reasons for difference and reconciliation with the Balance Sheet Also, provide the scheme-wise details of Capex, Capitalisation, Start and End date of the project and Interest during Construction for FY 2017-18 & FY 2018-19.

(b) UPPTCL to submit the detailed Project wise break-up of Employee Expense Capitalisation & Interest capitalisation during the FY 2017-18 & FY 2018-19.

(c) The Petitioner has not submitted the depreciation computation as per the First proviso of Regulation 21(b) of UPERC MYT Regulations, 2019 w.r.t to depreciation and life of assets. The same is required for depreciation approval for FY 2020-21. Excel Model containing the depreciation computation for FY 2020-21 as per MYT Regulation 2019 to be submitted.

2.5.7 However, it sought some further time to submit its response on few issues linked to Depreciation, Capital Expenditure, etc.

2.5.8 Further, since the determination of ARR / Tariffs has already been significantly delayed due to the various factors including outbreak of COVID-19 pandemic, the Commission admitted the Petitions for further processing. The Commission directed the Licensee to submit the pending responses immediately and also directs them that they shall furnish further information / clarifications, if any, as deemed necessary by the Commission during the processing of the Petitions 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.

2.6 ADMITTANCE OF THE PETITIONS

2.6.1 The Commission, vide its Admittance Order dated June 4, 2020 (Annexed as: Annexure-1), directed the Petitioner to publish a Public Notice consisting of the summary and highlights of the proposed Aggregate Revenue Requirement and Tariff for FY 2020-21, Annual Performance Review for FY 2019-20 and True-Up for FY 2017-18 and FY 2018-19 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 shall also upload on its website the Public Notice, Petitions filed before the Commission along with all regulatory filings, information, particulars and related documents.

2.6.2 The Public Notice should also contain the details of the Transmission Loss and Transmission Tariff for FY 2017-18, FY 2018-19, FY 2019-20 & FY 2020-21 in their submissions and indicate that the stakeholders to regularly check the websites of UPPTCL for any further submissions made in respect to these proceedings.

2.6.3 It is pertinent to mention that the Commission, in wake of prevailing pandemic of COVID-

19 (the Corona Virus) which has led to restricted movement across the country and due to the subsequent requirement of social distancing for prevention of spread of the disease, intended to hold the Public Hearing in the mid of June through video conferencing. The Licensee was directed to 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.

2.7 PUBLICITY OF THE PETITIONS

2.7.1 The Public Notice detailing the salient features of the Petitions were published by the Petitioner in daily newspapers as detailed below, inviting objections from the public at large and all stakeholders:

- Amar Ujala (Hindi)	:	June 07, 2020
- The Times of India (English)	:	June 07, 2020
- Hindustan Times (Hindi)	:	June 08, 2020
- Hindustan Times (English)	:	June 08, 2020

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 consumers 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 In the 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 July 02, 2020 after informing all the stakeholders and public at large through advertisements in newspaper and in Commission website. 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 2017-18 & FY 2018-19, APR for FY 2019-20 and ARR for FY 2020-21. This process also enables the Commission to adopt a transparent and participative approach in the process of its proceedings.

3.2 VIEWS / COMMENTS / SUGGESTIONS / OBJECTIONS / REPRESENTATIONS ON DETERMINATION OF APR FOR FY 2019-20, ARR FOR FY 2020-21 AND TRUE UP OF ARR FOR FY 2017-18 & FY 2018-19.

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 Petitions filed by UPPTCL on True up of ARR for FY 2017-18 & FY 2018-19, APR for FY 2019-20 and ARR for FY 2020-21 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 LOSS

A. Comment/Suggestion of the stakeholders

3.2.2 Shri Nihar Varshney, Vice President, M/s Rimjhim Ispat Limited and Shri Ayush Gupta, Consultant, M/s Aspen Corporate Management Services Pvt. Ltd., submitted that UPPTCL has claimed transmission losses of 3.56% in its True-up petition for FY 2017-18. The transmission losses claimed by UPPTCL for FY 2017-18 is higher than transmission losses of other states like Maharashtra (3.30%) and Rajasthan (3.37%) and this could be due to overloaded network; thereby requested the Commission to reduce the Transmission losses for the FY 2017-18.

3.2.3 Further, Shri Nihar Varshney submitted that UPPTCL has proposed the transmission loss of 3.50% for FY 2020-21. It is seen that YoY capital investment claimed by UPPTCL is increasing, however the transmission losses claimed are in the range of 3.50-3.56 % for many years and the same is not justified. Therefore, he requested the Commission to reduce the Transmission losses to the extent of actual level.

3.2.4 Shri Avadesh Kumar Verma, Chairman, UP Rajya Vidyut Upbhokta Parishad submitted that UPPTCL has proposed the transmission losses of 3.50% for FY 2020-21 which is higher and the same should be approved at 3.15% in line with the states like Andhra Pradesh, Maharashtra and Rajasthan.

B. Petitioner's Response

3.2.5 UPPTCL submitted that the actual transmission losses are variable & dynamic in nature and it depends on the quantum and direction of energy flow from generation point to load point. The Petitioner mentioned that the transmission losses also depends on the types of load, type of generation dispatch voltage, reactive power compensation, voltage profile, seasonal variation etc. Further, the Petitioner submitted that the quantum of generation and load are source decision and does not fall within the domain of UPPTCL.

3.2.6 UPPTCL submitted that the transmission losses depend upon the voltage level at which the power is transmitted. The transmission losses are higher where the percentage of lower voltage (132kV or below) transmission system is higher. The Petitioner has submitted a comparison of the average transmission losses and transmission assets at low voltage level (132 kV) of a few state transmission licensees.

Table 1: TRANSMISSION LOSS (%) OF OTHER STATES OF LOW VOLTAGE LINES UPTO 132 KV FOR FY 2018-19

States	Transmission Losses for FY 2018-19(%)	% of Low voltage Lines (up to 132kV)		
		Transmission Lines up to 132 kV (Ckm)	Total Transmission Lines (Ckm)	% of Transmission Lines up to 132 kV
Andhra Pradesh	2.91	11,237	27,978	40%
Maharashtra	3.11	19,250	47,304	41%
Rajasthan	3.36	17,618	39,589	45%
Uttar Pradesh	**3.56**	**21,658**	**40,714**	**53%**
Gujarat	3.95	37,704	63,641	59%

3.2.7 Transmission losses as approved by the Commission for FY 2018-19 are 3.60% and actual transmission loss for FY 2018-19 are 3.568% which are within the limit as approved by the Commission. Further, as per the MoU for the 'UDAY' Scheme, UPPTCL has to reduce the intra-State transmission losses up to 3.95% by 31.03.2020 which has already been achieved. The Petitioner further submitted that number of actions like Reactive power management, up-gradation of conductors and substations and other system strengthening has been taken up to eliminate overloading of lines & transformers which will result in further reduction of transmission losses.

3.2.8 Further, the transmission losses cannot be changed retrospectively, the same is also observed by the Hon'ble Central Electricity Regulatory Commission (CERC) in the CERC (Open Access in inter-State Transmission) Regulations, 2008 as mentioned below:

Quote

(3) The applicable transmission losses for the regional transmission system as well as for State network shall be declared in advance and shall not be revised retrospectively.

Unquote

Table 2: HISTORICAL TREND OF TRANSMISSION LOSS (%) OF UPPTCL

FY	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Transmission Losses (%)	4.10%	3.67%	3.59%	3.55%	3.56%	3.56%

3.2.9 UPPTCL submitted that the transmission losses have reduced from 4.10% to 3.55% in the past years, that is reduced by 0.54% in FY 2018-19 since FY 2013-14.

C. Commission's View

3.2.10 The Commission has considered the objections of the Stakeholders and the reply of the Petitioner on the issue of Transmission loss. The Commission's decision on the Transmission loss for FY 2017-18 to FY 2020-21 is detailed in the relevant sections of this Order.

TRANSMISSION TARIFF

A. Comment/Suggestion of the stakeholders

3.2.11 Shri Nihar Varshney, Vice President, M/s Rimjhim Ispat Limited submitted that the Transmission charges of Rs. 0.3327/kWh claimed by UPPTCL for FY 2020-21 is on the higher side as compared to that of Rs. 0.1848 /kWh allowed for FY 2019-20. He mentioned that due to outbreak of COVID-19, the industries are running at only 25% capacity and it will take some years to cover up the incurred losses and thereby requested the Commission not to increase the tariff for FY 2020-21 as the proposed tariff hike will bring the industries to standstill.

3.2.12 Shri Jogendra Behera, Vice President- Market Design & Economics, Indian Energy Exchange Limited has requested the Commission to approve tariff at suitable levels so that it does not impact the industrial & Commercial activities of the state.

3.2.13 Shri Avadesh Kumar Verma submitted that UPPTCL has claimed the transmission charges of Rs. 0.33/ kWh for FY 2020-21 against the transmission charges of Rs. 0.18/ kWh for FY 2019-20, which is a hike of 83% and requested the Commission to reject such an exorbitant hike.

3.2.14 Shri Rama Shanker Awasthi submitted that there is an abnormal increase of 72% and 76% in wheeling rates for FY 2018-19 & FY 2019-20 respectively, while there is an increase of 10% in FY 2017-18. He further mentioned that the Commission approved Rs. 0.1905/kWh in the tariff order whereas in true up claim, the Petitioner has claimed Rs. 0.3278/kWh. Therefore, he requested the Commission to properly scrutinize the Petition before allowing the wheeling rates for FY 2017-18 to FY 2019-20.

B. Petitioner's Response

3.2.15 The Petitioner submitted that the Commission vide its Order dated 27th August 2019 has allowed the transmission tariff of Rs. 0.1848/ kWh against Rs. 0.2440/ kWh claimed by UPPTCL for FY 2019-20. The Commission while approving the revised ARR for FY 2019-20 has restricted the O&M Expenses and the capital expenditure up to 70%. Further, the Commission while allowing the Gross Employee Expense has not considered 70% on the capitalisation amount, due to which the Employee Expense Capitalisation amount has increased significantly to the extent of 99% and thereby reducing net allowable ARR. Further, Petitioner in its APR Petition for FY 2019-20 has claimed the revised ARR of Rs. 3809.76 crore and a tariff of Rs. 0.3264/ kWh. Therefore, the revised transmission tariff of Rs. 0.3327/ kWh for FY 2020-21 as claimed by the Petitioner is marginally higher as compared to the revised transmission tariff as submitted for APR FY 2019-20. The Petitioner in the APR petition for FY 2019-20 has considered the capital expenditure as per the revised estimates and Employee Expenses Capitalisation @ of 50% as per the actual capitalisation rate of previous year (i.e. FY 2018-19).

3.2.16 Further, UPPTCL revisited its investment plan and the capital expenditure has been revised from Rs. 6785.29 Cr to Rs. 4810.49 Cr in view of the COVID-19 pandemic and subsequent lockdown, which is ~ 70% of that proposed earlier.

3.2.17 UPPTCL submitted that it has claimed the ARR of Rs. 3909.25 Cr for FY 2020-21 in line with the provisions of the Uttar Pradesh Electricity Regulatory Commission (Multi Year Transmission Tariff) Regulation 2019. The Transmission tariff of Rs. 0.3327/ kWh for FY 2020-21 is derived based on the ARR and projected energy of 1,17,500 MU to be handled during FY 2020-21.

3.2.18 The Petitioner submitted that the Hon'ble Commission while allowing the revised ARR & tariff for FY 2018-19 in its order dated 8th January 2019 had restricted the allowable O&M expense to 80% and the investment to 70%. However, the Petitioner has claimed the true-up ARR & tariff for FY 2018-19 on normative basis and in line with the provisions of the MYT Regulations 2014. The Petitioner has considered the actual investment during the FY 2018-19 and actual network and GFA upto 31st March 2019 while computing normative ARR for true-up of FY 2018-19.

3.2.19 Further, the actual energy delivered has also decreased by ~ 11% as compared to the energy as approved by the Hon'ble Commission in the order dated 8th January 2019.

3.2.20 Further, Petitioner mentioned that in its APR Petition for FY 2019-20 has claimed the revised ARR of Rs. 3809.76 crore and a tariff of Rs. 0.3264/kWh. Therefore, the revised transmission tariff of Rs. 0.3327/kWh for FY 2020-21 as claimed by UPPCTL is marginally higher as compared to the revised transmission tariff for FY 2019-20.

C. Commission's View

3.2.21 The Commission has considered the objections / suggestions made by the stakeholders and the reply of the Petitioner. The Commission's decisions on the various components of the ARR and the Transmission Tariff for FY 2020-21 are detailed in the subsequent sections of this Order.

TRANSMISSION CHARGES

A. Comments/Suggestion of the stakeholders

3.2.22 Shri Nihar Varshney, Vice President, M/s Rimjhim Ispat Limited submitted that the Transmission charges and Losses are determined and recovered as per postage Stamp method based on the entire network cost involving cost of 400 kV, 220 kV, 132 kV and 66 kV by the Commission. As wheeling charges of all Distribution Licensee if the States are determined separately for 11kV and above voltage level and LT consumers at 400 volts and below. The same principle is required to be followed for determination of transmission Charges of UPPTCL based on Voltage level. The Petitioner further submitted that the Commission may direct UPPTCL to furnish the necessary details for determination of transmission Charges for the Distribution of UPPTCL based on Voltage Levels.

3.2.23 The Commission should direct UPPTCL to furnish the necessary details for determination of transmission Charges for the Distribution Licensee sourcing power at 132kV, 220 kV and above voltage level and other users of UPPTCL network. The Commission is requested to conduct an energy audit so that actual voltage wise transmission losses could be ascertained.

B. Petitioner's Response

3.2.24 The Petitioner submits that the power system network in a State as well as at the national level is operated as an integrated power network, where the power flow depends upon factors like location of load and power generation, line impedance of network element, etc.

3.2.25 It is also pointed out that in a distribution system, the consumers are connected at various voltage levels considering their load requirement i.e. 3-phase 220 kV to 33 kV. Further, distribution network mainly consists of 33 kV and below voltage level network, therefore energy is first wheeled in 33 kV and then below. While in transmission system injection of energy takes place from 765/400 kV voltage level to 33 kV depending upon its connectivity and finally the drawl of this energy takes place by the drawee entity at voltage level at which its connectivity is granted. For example, a solar generator connected to grid sub-station at 33 kV voltage level and drawl of this energy might be carried out by an entity connected at 132 kV. This energy transfer takes place through a mesh network via displacement of energy, therefore appropriation of losses voltage level-wise is not practically possible. In the case of ISTS also, the Transmission Charges and losses are not differentiated on the basis of voltage level connectivity.

C. Commission's View

3.2.26 The Commission has noted the suggestions made by the stakeholder. However, it is pertinent to mention that presently for the Control Period FY 2020-21 to FY 2024-25, the provisions of MYT Regulation, 2019 shall be applicable. Therefore, the Stakeholder may approach the Commission on the issue while framing of MYT Regulations for the subsequent control period.

TRANSMISSION SYSTEM AVAILABILITY

A. Comment/Suggestion of the stakeholders

3.2.27 Shri Avadesh Kumar Verma mentioned that the transmission system availability has come down to 99.00% from 99.64% in 2014-15, where in other states the transmission system availability has increased.

B. Petitioner's Response

3.2.28 UPPTCL submitted that due to the integration of the new transformer/lines during the period from FY 2014-15 to FY 2019-20, that is ~79% increase in MVA capacity and ~55% increase in transmission line length, UPPTCL transmission system has undergone several shutdowns which has slightly affected the overall transmission availability in FY 2018-19. Further it is submitted that the 132kV constitute the major part of the transmission system for computation of availability and the fault in 33kV system of the DISCOMs also get reflected in the 132kV system of UPPTCL which affects the availability of the transmission system. UPPTCL further mentioned that the transmission availability 99.01 % was maintained in FY 2018-19 despite significant network addition in the past years.

C. Commission's View

3.2.29 The Commission has noted the comments of the Stakeholder and reply of the Petitioner on Transmission System Availability.

3.2.30 The Commission has observed that as per applicable MYT Regulations, the Petitioner has to maintain the normative transmission availability of 98%, however, the Petitioner has maintained the availability above 98%. Therefore, the Commission has considered the same in line with the provisions of applicable MYT Regulations.

TRANSMISSION DAMAGE RATE

A. Comment/Suggestion of the stakeholders

3.2.31 Shri Avadesh Kumar Verma submitted that the transmission damage rate in FY 2014-15 was 6.94% and he further enquired about the current transformer damage rate. Whereas in Maharashtra it is 1.35% and in Gujarat it is 0.76%.

B. Petitioner's Response

3.2.32 The Petitioner submitted that the transformer damage rate was 6.94% in FY 2014-15 which has come down to 3.40% in last one year due to efficient maintenance work and is expected to reduce further.

C. Commission's View

3.2.33 The Commission has taken note of transformer damage rate submitted by UPPTCL and directs UPPTCL to further reduce the same and to increase the Transmission System Availability.

O&M EXPENSE

A. Comment/Suggestion of the stakeholders

3.2.34 Shri Nihar Varshney, Vice President, M/s Rimjhim Ispat Limited submitted that UPPTCL has claimed O&M Expenses greater than approved by the Commission for true up of FY 2017-18. He also submitted that the R&M expenses, Employee Expenses and A&G Expenses claimed for FY 2019-20 shows an increase of 16.94%, 15.11% and 9.49% respectively from FY 2018-19. Therefore, he requested the Commission to disallow the same for the respective years as O&M is on the higher side. Further, he submitted that O&M expenses claimed by the Petitioner for the FY 2020-21 is on the higher side and requested the Commission to reduce the same.

3.2.35 Shri Ayush Gupta, Consultant, M/s Aspen Corporate Management Services Pvt. Ltd submitted that UPPTCL has considered the trued up values for the FY 2017-18 & 2018-19 (yet to be approved by the Commission) for arriving the base year values of O&M expense and further opined that trued up values from FY 2012-13 to FY 2016-17 may have been used for deriving the Base Year value.

3.2.36 Shri Avadesh Kumar Verma submitted that in Order dated August 27, 2019, the approved O & M expenses was Rs. 368 Crores where as in revised estimates they have proposed Rs. 1149 Crore and there is a hike of 202% which is wrong and should be rejected.

B. Petitioner's Response

3.2.37 The Petitioner submitted that the O&M expense claimed in the true-up Petition for FY 2017-18, FY 2018-19 and APR for FY 2019-20 are on normative basis and the same is in line with the MYT Regulation 2014 and methodology approved by the Commission in its Order dated 30th November 2017, 8th January 2018, and 27th August 2019. The Petitioner has considered the actual network, no. of employees and GFA up to 31st March 2018 for computation of the normative O&M expense for FY 2017-18.

3.2.38 The Petitioner has submitted that the claimed O&M Expenses for the FY 2020-21 is as per the MYT Regulation 2019 and the same is ~19% lower than the allowable O&M expenses for FY 2019-20.

3.2.39 The Petitioner submitted that the Employee & A&G Expenses are claimed as per the Regulation 34 of the MYT Transmission Regulations 2019. The Petitioner has considered the trued-up Employee & A&G Expenses for the FY 2014-15 to FY 2016-17 as allowed by the Commission and for FY 2017-18 & FY 2018-19 the Employee & A&G Expenses on the basis of true-up petitions for computing the base year (FY 2019-20) Employee & A&G Expenses, as the same is expected to be approved by the Commission under the current proceedings.

3.2.40 Further, the Petitioner submitted that the Commission while approving the revised ARR for FY 2019-20 in its Order dated 27th August 2019 had restricted the O&M Expenses and the capital expenditure up to 70%. Further, the Commission while allowing the Gross Employee Expense has not considered 70% on the capitalisation amount, due to which the Employee Expense Capitalisation amount has increased significantly to the extent of 99% and thereby reducing net allowable ARR. Further, the Petitioner submitted that the gross allowable O&M expense for FY 2019-20 as per APR Petition is only 11% higher as compared to the allowable expenses for FY 2019-20 as per the tariff order dated 27th August 2019.

C. Commission's View

3.2.41 The Commission has noted the comments of the Stakeholder and reply of the Petitioner on O&M Expense. The Commission has subsequently dealt the issue in the relevant sections of this Order.

EMPLOYEE EXPENSE

A. Comment/Suggestion of the stakeholders

3.2.42 Shri Vedant Sonkhiya, Legal Officer, Open Access Users Association, submitted that the projected employee expense for FY 2020-21 by UPPTCL has increased significantly as it is based on the normative employee expense of FY 2017-18 (Rs. 848.56 Cr) and FY 2018-19 (Rs. 1054.67) and not on the actual employee expense. He mentioned that the employee expense for FY 2020-21 computed on actual employee expense comes to the tune of Rs. 603.28 Cr against Rs. 806.49 Cr as estimated by UPPTCL and further requested the Commission to approve an appropriate and justified employee expense for FY 2020-21.

3.2.43 Shri Nihar Varshney, Vice President, M/s Rimjhim Ispat Limited mentioned that the Commission may examine the deployment of employees to UPPTCL and check the process and criterion adopted by UPPTCL for deputation and employment of staff and officers before allowing the employee cost.

3.2.44 Shri Rama Shanker Awasthi submitted that as compared to approved plan, less transmission line (ckt kms) and more no. of bays have come up in actual for FY 2017-18 to FY 2019-20.

Table 3: TRANSMISSION LINES AND NO. OF BAYS

Particulars	Transmission line-Ckt kms			No of Bays		
FY	Approved in TO	Actual	Actual-Approved	Approved in TO	Actual	Actual-Approved
FY 2017-18	44618	36214	-8404	3955	4039	84
FY 2018-19	38887	40714	1827	4032	4633	601
FY 2019-20	47270	44044	-3226	4576	4874	298

3.2.45 Considering the above deviations, he further submitted that, UPPTCL has done poor planning. Also pointed out that UPPTCL has installed more No. of bays without taking approval. Further, he submitted that the employee expense is linked to the addition of transmission line and no. of bays where UPPTCL tried to balance their claim of employee expense and thereby requested the Commission to disallow them. He also mentioned that these deviations are a non-compliance of Commission Order and strict action may be taken under Section 142 of the Electricity Act, 2003.

B. Petitioner's Response

3.2.46 UPPTCL submitted that the normative Employee expense claimed for the true-up of FY

2017-18 & 2018-19 are as per the Regulation 21 of MYT Transmission Regulation 2014 and methodology approved by the Commission in Orders dated 30th November 2017, 8th January 2018 and 27th August 2019 while allowing the Employee Expense for the 1st control period. UPPTCL has shared the gain of Rs. 236.74 Cr in FY 2018-19 in line with the Regulation 11 of the MYT Transmission Regulation 2014 on account of any additional O&M expenditure as compared to the actual O&M expenditure incurred during the year. The Petitioner also submitted that in case lower O&M expenditure is allowed on normative basis in any year as compared to the actual O&M expenditure incurred during the year, the Petitioner shall bear the loss to the tune of 50% of the difference between the actual & normative O&M expenses. Further, the Petitioner has claimed the Employee Expense as per the Regulation 34 of the MYT Transmission 2019 for FY 2020-21 and has considered the true-up Employee Expense for the FY 2014-15 to FY 2016-17 as allowed by the Commission and for FY 2017-18 & FY 2018-19, the Employee Expense as per the true-up petition under the current proceedings for computing the base year (2019-20) Employee Expense.

3.2.47 The Petitioner also submitted that the employees deployed and posted are not more than the sanctioned strength and details towards the same are already provided in the Petition. Further, the normative Employee Expense has been claimed as per the provisions of MYT Regulations 2019 on the basis of past true-up employee expense. The Petitioner also mentioned that the Employee Expenses is accounted on the basis of actual manpower deployed.

3.2.48 UPPTCL submitted that, under the current framework, the ARR for the ensuing year is claimed on the basis of projected capital expenditure, capitalisation & network addition and as per the provisions of the applicable MYT Regulations. Later, the revised ARR or the APR is filed on the basis of revised estimates and progress during the year. Finally, the True-up Petition is filed on the basis of Audited Annual Accounts, actual capital expenditure incurred, actual capitalisation and network addition during the year. The projected capital expenditure, capitalisation & network addition at the time of filing the ARR & tariff petition can vary with the actual capital expenditure, capitalisation & network addition.

3.2.49 The Petitioner submits that the no. of bays and transmission line length as submitted for FY 2018-19 & FY 2019-20 at the time of the APR/revised ARR petition were on estimated basis. Further, the Petitioner had submitted the actual no. of bays and transmission line length for FY 2017-18.

3.2.50 The Hon’ble Commission had considered the same while allowing the employee expenses in the order dated 23rd August 2019. Later, the Petitioner has considered the actual no. of bays and transmission line length for FY 2017-18 & FY 2018-19 in the true-up petitions and FY 2019-20 on estimated basis in the APR petition. The deviations in the same with respect to the order dated 23rd August 2019 is provided below:

Table 4: No. of Bays in FY 2017-18 to FY 2019-20

FY	No. of bays		
	Order dated 23.8.2019	True-up/APR Petition	Deviation
FY 2017-18	4,039*	4,039*	0
FY 2018-19	4,364#	4,633*	269
FY 2019-20	4,576#	4,874#	298

**Actual*

#As per Revised Estimates

Table 5: Transmission Line (Ckt. Kms) in FY 2017-18 to FY 2019-20

FY	Transmission Line Length in Ckt. Kms		
	Order dated 23.8.2019	True-up/APR Petition	Deviation
FY 2017-18	36,214*	36,214*	0
FY 2018-19	40,937#	40,714*	-222
FY 2019-20	47,270#	44,044#	-3,226

3.2.51 As observed from the above table there is slight deviation in the no. of bays and transmission line length for FY 2018-19. Further, the Petitioner shall submit the actual no. of bays and transmission line length at the time of truing of FY 2019-20.

C. Commission's View

3.2.52 The Commission has noted the comments of the Stakeholder and reply of the Petitioner on Employee Expense. The Commission has subsequently dealt the issue in the relevant sections of this Order.

REPAIR AND MAINTENANCE EXPENSE

A. Comment/Suggestion of the stakeholders

3.2.53 Shri Vedant Sonkhiya, Legal Officer, M/s Open Access Users Association, submitted that, UPPTCL in its revised submission for ARR for FY 2020-21 dated 30.05.2020 has worked out the R&M expense for FY 2020-21 based on the claimed R&M expense for FY 2014-15, 2015-16 & FY 2016-17 against that approved by the Commission in different True-up Orders. Further, he mentioned that the computed R&M expense for FY 2020-21 comes out to the tune of Rs. 467.65 Cr against Rs. 318.51 Crore as estimated by UPPTCL and therefore requested the Commission to approve an appropriated R&M expense for the FY 2020-21.

B. Petitioner's Response

3.2.54 UPPTCL submitted that the R&M Expenses derived for the base year (FY 2019-20) is based on the actual R&M Expenses for FY 2018-19 and escalated the same with applicable inflation rate to arrive at the R&M expenses for FY 2020-21. Further, the Petitioner mentioned that the normative R&M expenses for the FY 2018-19 are Rs. 423.70 Crore (as per MYT Regulation, 2014) and the actual expenses for the year are Rs. 429.40 crore. Therefore, allowable R&M expenses for FY 2020-21 cannot be less than the allowable expenses in the previous year.

C. Commission's View

3.2.55 The Commission has noted the comments of the Stakeholder and reply of the Petitioner on Repair & Maintenance Expense. The Commission has subsequently dealt the issue in the relevant sections of this Order.

EMPLOYEE EXPENSE CAPITALIZATION RATE

A. Comments/Suggestion of the stakeholders

3.2.56 Shri Vedant Sonkhiya, Legal Officer, M/s Open Access Users Association, submitted that UPPTCL has claimed an employee expense capitalization rate at 50% for FY 2020-21 against 99% as approved by the Commission in ARR Orders for FY 2018-19 & FY 2019-20. He mentioned that this decrease in the employee expense may ultimately lead to an increased transmission tariff for the consumers and hence requested the Commission to appropriately approve the same for the FY 2020-21.

3.2.57 Shri Jogendra Behera, Vice President, Market Design & Economics, Indian Energy Exchange submitted that the rate at which employee expense to be capitalized by UPPTCL needs prudence check of the Commission.

B. Petitioner's Response

3.2.58 The Petitioner submitted that UPPTCL has claimed the Employee Expense Capitalization for FY 2020-21 as per actual rate of interest capitalization for FY 2018-19 as available in the audited annual accounts. The Petitioner also mentioned that the same practice has been followed by the Commission while allowing the interest capitalization. Further, it was submitted that the Petitioner shall consider the actual interest capitalization at the time of truing up of FY 2020-21.

3.2.59 The Petitioner has submitted the Employee Expense capitalization rate for the past years:

Table 6: Employee Expense Capitalisation from FY 2015-16 to FY 2020-21

Year	Employee Expense Capitalization		Remarks
	Amount in Rs. Crore	% Capitalization	
FY 2015-16	242.13	41.89%	Actual, as per Audited Annual Accounts
FY 2016-17	372.09	71.91%	
FY 2017-18	308.36	60.81%	
FY 2018-19	278.84	50.36%	
FY 2019-20	611.44	50.36%	Claimed as actual rate of Employee Expense capitalization as per audited annual accounts of FY 2018-19
FY 2020-21	406.15	50.36%	

3.2.60 The Petitioner further submitted that in the Order dated 27th August 2019, the Commission allowed the revised ARR for FY 2019-20 had restricted the employee expense to 70% of the Gross Employee Expense claimed by the Petitioner. However, the Commission had not considered 70% on the capitalisation amount, due to which the employee Expenses Capitalisation is reflected as 99%.

3.2.61 Further, with respect to the employee expense capitalisation, it is submitted that the Petitioner has claimed the same as per the actual rate of Employee expense capitalisation of FY 2018-19 as available in the audited annual accounts. Further, the same practice has been followed by the Commission while allowing the employee expense capitalisation. It is further submitted the Petitioner shall consider the actual employee expense capitalisation at the time of truing-up of FY 2020-21.

C. Commission's View

3.2.62 The Commission has noted the comments of the Stakeholder and reply of the Petitioner on Employee Expense capitalization rate. The Commission has recomputed the Employee expense capitalisation by taking the average rate of Employee expense capitalisation of the last available True-ups of FY 2016-17, FY 2017-18 & FY 2018-19. The Commission has subsequently dealt the issue in the relevant sections of this Order.

INTEREST CAPITALIZATION RATE

A. Comments/Suggestion of the stakeholders

3.2.63 Shri Vedant Sonkhiya, Legal Officer, M/s Open Access Users Association, submitted that the interest capitalization rate of 9.06% claimed by UPPTCL is considerably lower than that approved by the Commission in the previous tariff & true-up orders. He further mentioned that the claimed ARR by UPPTCL has increased significantly, owing to the significantly lower interest capitalization rate of 9.06% and a high investment expenditure for FY 2020-21 and hence requested the Commission to approve the interest capitalization rate appropriately in accordance with the past trends.

3.2.64 Shri Jogendra Behera, Vice President, Market Design & Economics, Indian Energy Exchange submitted that the rate at which interest amount to be capitalized by UPPTCL needs prudence check of the Commission.

B. Petitioner's Response

3.2.65 The Petitioner submitted that UPPTCL has claimed the Interest Capitalization for FY 2020-21 as per actual rate of interest capitalization for FY 2018-19 as available in the latest audited annual accounts. The Petitioner also mentioned that the same practice has been followed by the Commission while allowing the interest capitalization. Further, it was submitted that the Petitioner shall consider the actual interest capitalization at the time of truing up of FY 2020-21. The Petitioner has submitted the interest capitalization rate for the past year.

Table 7: Interest Capitalisation from FY 2015-16 to FY 2020-21

Year	Interest Capitalization		Remarks
	Amount in Rs. Crore	% Capitalization	
FY 2015-16	427.06	48.12%	Actual Interest capitalization, as per Audited Annual Accounts
FY 2016-17	456.94	41.33%	
FY 2017-18	281.67	24.98%	
FY 2018-19	107.69	9.06%	
FY 2019-20	119.67	9.06%	Claimed as actual rate of interest capitalization as in FY 2018-19
FY 2020-21	134.80	9.06%	

3.2.66 Further, with respect to the Interest expense capitalisation, it is submitted that the Petitioner has claimed the same as per the actual rate of interest expense capitalisation of FY 2018-19 as available in the audited annual accounts. Further, the same practice has been followed by the Commission while allowing the interest expense capitalisation. It is further submitted the Petitioner shall consider the actual interest expense capitalisation at the time of truing-up of FY 2020-21.

C. Commission's View

3.2.67 The Commission has noted the comments of the Stakeholder and reply of the Petitioner on Interest capitalization rate. The Commission has carried out the prudence check of the submission made by the Petitioner. The Commission has recomputed the Interest Capitalisation by taking the average of rate of Interest Capitalisation of the last available True-up of FY 2016-17, FY 2017-18 & FY 2018-19. The Commission has subsequently dealt the issue in the relevant sections of this Order.

CAPITAL INVESTMENT

A. Comments/Suggestion of the stakeholders

3.2.68 Shri Vedant Sonkhiya, Legal Officer, M/s Open Access Users Association, submitted that the capital investment of Rs. 4810.49 Crore inclusive of consumer contribution of Rs. 369.94 Cr claimed by UPPTCL for FY 2020-21 appears to be on the higher side. He mentioned that the proposed Capex is unlikely to be incurred by UPPTCL due to COVID-19 pandemic. He also mentioned that only 70% of the total investment claimed by UPPTCL was allowed in the Tariff Order for FY 2019-20 dated 27.08.2019 and hence requested the Commission to consider the above aspects while approving the investment expenditure.

3.2.69 Shri Jogendra Behera, Vice President, Market Design & Economics, Indian Energy Exchange requested the Commission to approve the capital expenditure plan of UPPTCL for FY 2020-21 in accordance with the ongoing economic scenario and also to consider the implications of higher upfront cost.

3.2.70 Shri Ayush Gupta, Consultant, M/s Aspen Corporate Management Services Pvt. Ltd submitted that there is a decrease in availability of energy as well as energy transmitted by 2665.90 MUs and 2576.10 MUs respectively in the year FY 2018-19 from FY 2017-18 despite increased capital expenditure. Therefore, he requested the Commission to approve the capital expenditure after prudent verification.

3.2.71 Shri Rama Shanker Awasthi submitted that UPPTCL has not taken any scheme wise approval (not provided all supporting documents, alternatives considered, cost/ benefit analysis, total cost of ownership and other aspects that may have a bearing on the transmission charges) from the Commission for all the CAPEX, which is a non-compliance of the Regulations and Commissions Order and therefore, requested the Commission to scrutinize the matter of no prior approval/ intimation of scheme wise capex plan and in case of no prior approval for all such schemes, the Commission may disallow 50% of capital expenditure for all the four years FY 2017-18 to FY 2020-21. Further, mentioned that the total capex is to the tune of Rs. 15,702 Cr whereas the total electricity dealt by the Petitioner has increased by only 2.78% from 1,14,321 MUs to 1,17,500 MUs. Therefore, he requested the Commission to investigate the matter of huge capex and also to direct the Petitioner to submit the cost benefit analysis of Capex done in all these years and also the detailed report on how the capex being done has benefitted in meeting the requirement of load growth, improvement in quality of supply, reliability metering, reduction in congestion etc. Further, he submitted that if a project delay is unjustifiable, the IDC on such projects shall be disallowed and adjusted in the true-up.

3.2.72 Shri Avadesh Kumar Verma submitted that in FY 2012-13 capital expenditure was around Rs. 1463 Crores which increased to Rs. 3942 Crores in FY 2016-17 whereas there was no significant improvement in system. He submitted that the total Capacity of 132KV substation is 50410 MVA and If it is converted into KW it will come to 45300000 KW whereas in state almost 2.85 Crore electricity consumer's load is 61900000 KW. This means there is a gap of 2 Crore and in this 20% electricity thefts which will tune to 1 Crore kW. In peak hours diversity factors will be 1:1 due to this high-quality power is not severed to consumers. On one hand Electricity Companies are claiming decrease in price per circuit kilometers and on the other hand they are claiming tariff hike. UPPTCL has not mentioned about Cobra, Isolex, Adani etc. Whereas in coming years there will be a load of Rs. 2500 Crores / year. He requested that the Commission may ask for data in every 3 months like in Gujarat & Madhya Pradesh and SoP should be framed.

3.2.73 Shri Nihar Varshney, Vice President, M/s Rimjhim Ispat Limited submitted that the Commission may assess whether the large no. of new substations at different voltage levels are coming up in different parts of the state are really needed to evacuate and transmit power as there are very few Open Access consumers and industrial and commercial consumers are migrating from the State.

B. Petitioner's Response

3.2.74 UPPTCL submitted that it has revisited its investment plan and the capital expenditure has been revised from Rs. 6785.29 Cr to Rs. 4810.49 Cr in view of the COVID-19 pandemic and subsequent lockdown, which is ~ 70% of that proposed earlier.

3.2.75 UPPTCL submitted that the capital expenditure is planned to meet the peak demand of their long-term customers including distribution licensee with N-1 contingency as per the Central Electricity Authority's ("CEA") Transmission Planning Criteria and is approved by the Commission in the form of tariff, considering ARR, submitted by UPPTCL. The recovery of the same is carried out by UPPTCL in the manner as decided by the

Commission i.e. through wheeled energy in the transmission system. The peak demand handled by the Petitioner has increased by 12% & 11% in FY 2017-18 & FY 2018-19 respectively as compared to the previous year. Accordingly, capital expenditure has been carried out to meet the same which is in the tune of Rs. 3,226 Cr and Rs. 3,432 Cr for the FY 2017-18 & FY 2018-19 respectively and same is submitted for the approval of the Commission in True-Up Petitions. Further, there is decrease of 2.3% in the wheeled energy against increase in 11% in the peak demand for FY 2018-19 with respect to FY 2017-18. In this context, the Petitioner submitted that the energy available at transmission periphery and that delivered to various Distribution Licensees and Open Access customers during the year depends upon the energy requirement of the Distribution Licensees or the Open Access customers. The Petitioner has no control over the requirement of wheeled energy with respect to peak demand in the transmission system, as the same depends on the various steps initiated by DISCOMs for improving the metering, checking etc and the consumption pattern of electricity consumer i.e. either through grid or through their captive sources such as roof top solar, other renewal energy based generating plants in the premises of consumer.

3.2.76 UPPTCL submitted that the State Transmission network are planned as per the Central Electricity Authority's Transmission Planning criteria which provides for creation of transmission infrastructure to sustain even during contingencies. The Petitioner submitted that the peak demand handled has increased by 67% during the FY 2012-13 to FY 2018-19 and the generation capacity within the state has also grown by ~76%. Further, the Petitioner submitted that the planned capacity of the transmission network is required to be increased to meet the projected peak demand of 22,500 MW for state DISCOMs and other long-term customers for FY2020-21 and ultimately to 30,000 MW by FY 2024-25. Therefore, UPPTCL has made a capital expenditure of Rs. 3428.04 Cr in FY 2018-19 and an estimated capital expenditure of Rs. 4184 Cr in FY 2019-20 to meet the increase in demand and other requirements.

3.2.77 UPPTCL submitted that it had sought the approval of the capital investment plan for the 1stControl Period (i.e. FY 2017-18 to FY 2019-20) towards the proposed schemes/assets vide its MYT Business Plan Petition dated 13th February 2017 and revised submission dated 30th August 2017. Subsequently, the same was approved by the Hon'ble Commission vide order dated 30th November 2017 in line with the Regulation 5 of the MYT Regulation 2014. Further, the Petitioner has also submitted the updated capital investment plan and its progress from time to time along with the ARR, APR petitions for the 1st Control Period in the past years.

3.2.78 The Petitioner has claimed the actual capital expenditure incurred in FY 2017-18 & FY

2018-19 in the true-up petitions of the respective years. The Petitioner has also submitted the details of all the assets energised during the FY 2017-18 & FY 2018-19 along with the true-up petitions. Additionally, the Petitioner has also made detailed submission on work-wise and location code-wise capital expenditure incurred during the FY 2017-18 & FY 2018-19 along with the actual capitalisation details in its replies to data gaps.

3.2.79 With regard to the capital investment plan for FY 2020-21, it is to submit that the transmission system is generally planned for the following:

- To handle the expected peak demand of Discoms and Long Term Open Access consumers,
- For evacuation of power from generating stations within the State,
- 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.

3.2.80 UPPTCL plans the state transmission network as per the Central Electricity Authority's (CEA) Transmission Planning Criteria, 2013 which provides for creation of transmission infrastructure to sustain even during contingencies (N-1) and to cater the Peak Demand of the state.

3.2.81 In line with above, Petitioner has claimed the capital expenditure expected to be incurred towards the ongoing projects and new projects which are expected to be undertaken during the FY 2020-21. The petitioner has also submitted the detailed list of the projects to be undertaken in FY 2020-21 and submitted the detailed justification of each project.

3.2.82 The energy requirement of the Discoms has increased by 2.78% since 2017-18, however, the peak demand handled by UPPTCL has increased significantly by ~32% in the past years, as mentioned below:

Table 8: Energy delivered vs Peak Demand

FY	Energy Delivered (MU)	Peak Demand Handled (MW)
2017-18	1,14,321	18,061
2020-21	1,17,500	23,800*
Percentage Increase (%)	2.78%	31.78%

**Actual upto 17th July 2020*

3.2.83 Further, in this context it is to submit that the energy available at transmission periphery and that delivered to various Distribution Licensees and Open Access customers during the year depends upon the energy requirement of the Distribution Licensees or the Open Access customers. The transmission licensee has no control over the requirement of wheeled energy with respect to peak demand in the transmission system, as the same depends on the various steps initiated by Discoms for improving the metering, checking etc and the consumption pattern of electricity consumer i.e. either through grid or through their captive sources such as roof top solar, other renewal energy based generating plants in the premises of consumer.

3.2.84 As the peak demand handled by the Petitioner has increased by 32% since FY 2017-18, accordingly to cater the increased peak demand successfully, capital expenditure has been carried out which is in the tune of Rs. 3,226 crore and Rs. 3,432 Crores for the FY 2017-18 & FY 2018-19 respectively and same is submitted for the approval of Hon'ble State Commission in True-Up Petitions.

3.2.85 UPPTCL mentioned that the Investment Plan for FY 2020-21 has already been submitted to the Commission along with project wise justification for the sub-stations considered during the plan. Further, the Petitioner submitted that the majority of the investment planned during FY 2020-21 is towards the ongoing works.

C. Commission's View

3.2.86 The Commission has noted the comments of the Stakeholder and reply of the Petitioner on Employee Expense. The Commission has subsequently dealt the issue in the relevant sections of this Order.

WHEELING RATES

A. Comment/Suggestion of the stakeholders

3.2.87 1.2.90 Shri Rama Shanker Awasthi submitted that there is an abnormal increase of 72% and 76% in wheeling rates for FY 2018-19 & FY 2019-20, while there is an increase of 10% in FY 2017-18 and further enquired about this stark increase in the claim for FY 2018-19 & FY 2019-20. He further mentioned that the Commission approved Rs. 0.1905/kWh in the tariff order whereas in true up claim, the Petitioner has claimed Rs. 0.3278/kWh. Therefore, he requested the Commission to properly scrutinize the Petition before allowing the wheeling rates for FY 2017-18 to FY 2019-20.

B. Petitioner's Response

3.2.88 The Petitioner submitted that the Hon'ble Commission while allowing the revised ARR &

tariff for FY 2018-19 in its order dated 8th January 2019 had restricted the allowable O&M expense to 80% and the investment to 70%. However, the Petitioner has claimed the true-up ARR & Tariff for FY 2018-19 on normative basis and in line with the provisions of the MYT Regulations 2014. The Petitioner has considered the actual investment during the FY 2018-19 and actual network and GFA upto 31st March 2019 while computing normative ARR for true-up of FY 2018-19.

3.2.89 Further, the actual energy delivered has also decreased by ~ 11% as compared to the energy as approved by the Hon'ble Commission in the order dated 8th January 2019.

3.2.90 With regard to the FY 2019-20, Petitioner submitted that the Hon'ble Commission vide its order dated 27th August, 2019 had allowed the transmission tariff of Rs. 0.1848/kWh against Rs. 0.2440/kWh claimed by UPPTCL for FY 2019-20. The Hon'ble Commission while approving the revised ARR for FY 2019-20 had restricted the O&M expenses and the capital expenditure upto 70%. Further, the Hon'ble Commission while allowing the Gross Employee Expenses, had not considered 70% on the capitalisation amount, due to which the Employee Expenses Capitalisation amount has increased significantly (to the extent of 99%) thereby reducing net allowable ARR. The Petitioner in the APR petition for FY 2019-20 has considered the capital expenditure as per the revised estimates and Employee Expenses Capitalisation @ of 50% as per the actual capitalisation rate of previous year (i.e. FY 2018-19).

3.2.91 Further, Petitioner mentioned that in its APR Petition for FY 2019-20 has claimed the revised ARR of Rs. 3809.76 crore and a tariff of Rs. 0.3264/kWh. Therefore, the revised transmission tariff of Rs. 0.3327/kWh for FY 2020-21 as claimed by UPPTCL is marginally higher as compared to the revised transmission tariff for FY 2019-20.

C. Commission's View

3.2.92 The Commission has noted the comments of the Stakeholder and reply of the Petitioner on Transmission Tariff. The Commission has subsequently dealt the issue in the relevant sections of this Order.

DEPRECIATION

A. Comment/Suggestion of the stakeholders

3.2.93 Shri Rama Shanker Awasthi submitted that the age wise analysis of capital expense in progress account is not available with UPPTCL and it is important to check whether CWIP assets are being capitalised and depreciation is claimed on it. Therefore, he requested the Commission to accordingly scrutinize and disallow depreciation.

B. Petitioner's Response

3.2.94 UPPTCL submitted that the Depreciation expense for FY 2017-19 & FY 2018-19 has been claimed on normative basis in line with the MYT Regulations 2014.

3.2.95 Further, submitted that age wise analysis of capital expenses may be relevant for monitoring progress, but the assets are capitalized (transferred from CWIP to Fixed assets) only after the underlying asset is put to commercial use as per accounting policy of the company as well as Electricity (Supply) Annual Accounts Rules, 1985. Further, the depreciation is charged on assets (appearing under Note-2 & Note-4 of Balance sheet) only after the underlying asset is put to commercial use, whereas CWIP (appearing under Note-3 of Balance sheet) is not subjected to depreciation.

3.2.96 Hence, depreciation of capital assets and age wise analysis of capital expenses in progress are two independent matters. That is, even if age-wise analysis was not produced before the independent auditors, the depreciation has been charged on assets only after putting them to commercial use.

3.2.97 In view of above, there is no ground for disallowance of depreciation on assets put to commercial use due to non-production of age wise analysis of capital expenses in progress.

C. Commission's View

3.2.98 The Commission has noted the comments of the Stakeholder and reply of the Petitioner on Depreciation. The Commission has done the prudence check of UPPTCL submission while carrying out the analysis and the same has been discussed in the relevant section.

RETURN ON EQUITY

A. Comment/Suggestion of the stakeholders

3.2.99 Shri Nihar Varshney, Vice President, M/s Rimjhim Ispat Limited requested the Commission to disallow the claimed return on equity of 2% until UPPTCL becomes a profitable company.

3.2.100 Shri Ayush Gupta, Consultant, M/s Aspen Corporate Management Services Pvt. Ltd. submitted that the claimed return on Equity is unjustified as UPPTCL is running in a loss.

B. Petitioner's Response

3.2.101 The Petitioner submitted that a return of equity of @15.5% on equity base is allowed as per the provisions of the MYT Regulations, 2014. However, in the view of 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 accumulation of receivables. Therefore, UPPTCL has been claiming return on equity @2% since the FY 2009-10 onwards. Further, UPPTCL has its own sacrificed ROE to the tune of Rs. 950 Cr in FY 2017-18.

3.2.102 The Petitioner submitted that a return of @ 14.5% on equity base is allowed as per the provisions of MYT Regulations, 2019. However, in view of the huge gap in the recovery of cost of supply at the Discom level, the Petitioner is of the view that return on equity would only result in accumulation of receivables. As such, UPPTCL has been claiming return on equity @ 2% since the FY 2009-10 onwards. On account of the same UPPTCL on its own have relinquished Return on Equity to the tune of Rs. 1,260.78 crore in FY 2020-21.

C. Commission's View

3.2.103 The Commission has discussed the same in detail in the relevant sections of this Order.

PROJECT PLANNING

A. Comments/Suggestion of the stakeholders

3.2.104 Shri Nihar Varshney, Vice President, M/s Rimjhim Ispat Limited requested the Commission to direct Transco to confine their projections and plans and investments for required energy, purchases and capacity additions and give its approval accordingly to ensure reasonable tariffs to consumers and also to restrict capital investment, revenue requirement and transmission charges proposed by Transco for FY 2020-21 keeping in view the applicable Regulations and parameters.

3.2.105 Shri Nihar Varshney, Vice President, M/s Rimjhim Ispat Limited submitted that delay in project execution, lack of proper coordination among the transmission licensee in execution of transmission network, etc. results in higher project costs, delay in evacuation of cheaper power and ultimately burdens the Discoms and its retail consumers, and hence suggested UPPTCL to properly plan for the timely completion of the projects.

3.2.106 Ms. Namrata Mukherjee, SVP- Policy Advocacy & Business Development, M/s Sterlite Power submitted that coordinated planning and packaging of schemes are important for ensuring timely completion of the projects. Further, she mentioned that if projects are awarded a composite scheme comprising of complete scope at both interconnection points; both upstream/downstream elements, it leads to better assessment of project requirement, timelines and utilizations.

B. Petitioner's Response

3.2.107 The Petitioner submitted that 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

3.2.108 Thus, the capital expenditure made in the past years is essentially to meet the increase in demand along with evacuation of power from generating stations, drawing of power from ISTS, augmentation works considering the operational constraints and to sustain even during contingencies.

3.2.109 The Petitioner submitted that the projects are executed as per the system requirements in a timely manner after the financial approval at the GoUP level, i.e. 132 kV -16 to 18 months, 220kV- 24 months, 400kV &765kV 36 months. The Petitioner further submitted that there are some inherent constraints like ROW issues, delays in forest clearance, compensation issues, court cases etc do sometimes input to the plant completion schedule. However, the Petitioner makes effort to complete the projects within the schedule and the progress is monitored regularly at Zonal level, Director/MD level.

C. Commission's View

3.2.110 The Commission has noted the comments of the Stakeholder and reply of the Petitioner on this matter.

OUTSTANDING DUES

A. Comments/Suggestion of the stakeholders

3.2.111 Shri Nihar Varshney, Vice President, M/s Rimjhim Ispat Limited submitted that there is no mention about the outstanding dues from consumers in either Annual Report or in the Truing Up or in ARR petition and hence requested the Commission to deduct such amounts from ARR so that the embedded consumers are not burdened with high tariff for which UPPTCL/ SLDC/DISCOMs administration is responsible.

B. Petitioner's Response

3.2.112 UPPTCL submitted that DISCOMs accounts for more than 99% of trade receivables and all the five DISCOMs are 100% subsidiary companies of the UP-Power Corporation Limited. The Petitioner submitted that the allegation about neither the Annual Report nor True-up nor ARR mention about outstanding dues from consumers are not true as the Note-6 (Financial Assets- Trade Receivables) of the annual accounts of the company clearly reports the amount receivable from the various company along with the comparative figures for the previous year. Also, the True-up and ARR petitions are filed along with the annual accounts of the company and Commission also makes scrutiny of the figures. Further, the Petitioner submitted that the billed revenue is already deducted while finalising True-up gap, there is no point in deducting the outstanding dues from consumers as the same will tantamount to double deduction of same item and hence, outstanding dues from consumers are not relevant so far, as the determination of ARR is concerned.

C. Commission's View

3.2.113 The Commission has noted the comments of the Stakeholder and reply of the Petitioner on this matter.

LOAN SWAPPING

A. Comments/Suggestion of the stakeholders

3.2.114 Shri Nihar Varshney, Vice President, M/s Rimjhim Ispat Limited submitted that the interest rate on loan has increased YoY from FY 2017-18 to FY 2020-21 and thereby requested the Commission to explore the possibilities of swapping of loans to extend the benefit of relatively lower interest rates.

B. Petitioner's Response

3.2.115 The Petitioner has submitted that, for computation of interest on loan for FY 2020-21, the Petitioner has considered the weighted average rate of interest of the actual long-term portfolio of FY 2018-19 as 10.72%. The Petitioner has submitted the details of the weighted average rate of interest of the actual long-term loan portfolio for UPPTCL in the past years as follows:

Table 9: Weighted Average Interest rate on Long Term Loans

	FY 2016-17	FY 2017-18	FY 2018-19
Rate of interest	12.76%	11.16%	10.72%

C. Commission's View

3.2.116 The Commission has noted the comments of the Stakeholder and reply of the Petitioner on this matter. The Commission has considered the weighted average rate of interest as per the Regulation 23 (g) of UPERC (Multi Year Transmission Tariff) Regulations, 2014 for FY 2017-18 to FY 2018-19 and Regulation 23.5 of UPERC (MYT for Distribution and Transmission) Regulations, 2019 for FY 2020-21. The Commission has subsequently dealt the issue in the relevant sections of this Order in line with the applicable MYT Regulations.

AGGREGATE REVENUE REQUIREMENT

A. Comments/Suggestion of the stakeholders

3.2.117 Shri Vedant Sonkhiya, Legal Officer, Open Access Users Association has submitted a comparative representation of the Annual Revenue Requirement for FY 2020-21 as estimated by UPPTCL and that computed based on the objector's findings and is provided in the table below.

Table 10: ARR for FY 2020-21

Parameter	ARR (2020-21) Estimated by Petitioner	ARR (2020-21) Revision based on objector's findings
Annual Revenue Requirement (Rs. Crore)	3909.25	2590.92

B. Petitioner's Response

3.2.118 The Petitioner has not submitted any response in this regard.

C. Commission's View

3.2.119 The Commission has done prudence of each component of ARR as per the MYT Regulations 2019 and has approved the ARR in the relevant section of this Order.

TRANSMISSION CORRIDOR

A. Comments/Suggestion of the stakeholders

3.2.120 Shri Nihar Varshney, Vice President, M/s Rimjhim Ispat Limited submitted that UPPTCL has not provided the NOC for Open Access citing the reason that the transmission corridor is busy, however it is made available for UPPCL. Therefore, he requested the Commission to direct UPPTCL to provide Transmission Corridor.

B. Petitioner's Response

3.2.121 The Petitioner submitted that the transmission networks are constructed for Long Term customers only and the long-term customers are always given access as per LTA agreement over MTOA/STOA customers. Further, the Petitioner submitted that the MTOA/STOA customers are being allowed access on the basis of available margin, non-utilised by the long-term customers. The Petitioner further submitted that in case of short term, customers are allowed access on the basis of allotment priority as per the provisions of the UPERC Open Access Regulations.

C. Commission's View

3.2.122 The Commission has noted the comments of the Stakeholder and reply of the Petitioner on this matter. The Commission is of the view that the issue does not pertain to the tariff proceedings.

WORKING CAPITAL

A. Comments/Suggestion of the stakeholders

3.2.123 Shri Nihar Varshney, Vice President, M/s Rimjhim Ispat Limited submitted that while computing working capital requirements, payables have been ignored. Further submitted that supplier bills have been remained pending for long periods. Therefore, working capital requirements should be computed after reduction of amounts payables.

3.2.124 Shri Ayush Gupta, Consultant, M/s Aspen Corporate Management Services Pvt. Ltd submitted that as Interest on working capital needs to be recomputed as it is based of O&M expenses. He submitted that UPPTCL has considered the trued up values for the FY 2017-18 & 2018-19 (yet to be approved by the Commission) for arriving the base year values of O&M expense and further opined that trued up values from FY 2012-13 to FY 2016-17 may have been used for deriving the Base Year value.

B. Petitioner's Response

3.2.125 The Petitioner submitted that the claimed Working Capital is as per the Regulation 25.1 of the MYT Regulations 2019 and are calculated in line with relevant accounting standard.

C. Commission's View

3.2.126 The Commission has noted the comments of the Stakeholder and reply of the Petitioner on this matter. The Commission has worked out the Working Capital as per the Regulation 25.1 of the MYT Regulations 2019 and are calculated in line with relevant accounting standard. The Commission has subsequently dealt the issue in the relevant sections of this Order.

IMPACT OF COVID-19

A. Comments/Suggestion of the stakeholders

3.2.127 Shri Ayush Gupta, Consultant, M/s Aspen Corporate Management Services Pvt. Ltd. submitted that the lockdown period should be treated as an abnormal period and expenses of the same period shall not be considered while computing cost of supply. He mentioned that the fixed cost needs to be adjusted/ reduced for representation of the true Adjusted Normal Capacity.

B. Petitioner's Response

3.2.128 The Petitioner has claimed the ARR &Tariff for FY 2020-21 as per the MYT Regulations 2019. Further, considering the impact of the COVID-19 pandemic and subsequent lockdown, the Petitioner has revisited its investment plan for the FY 2020-21 and revised the capital expenditure from Rs. 6,785.29 crore to Rs. 4,810.49 crore, which is ~70% of the as earlier proposed capital expenditure. Further, ARR of transmission licensee has all the components of fixed nature, therefore the tariff structure of the transmission licensee is single part only. Similarly, UPPTCL is allowed the transmission tariff as a single part tariff for recovery of the fixed costs at a transmission availability of 98%. Presently, the State Discoms have not been allotted transmission capacity as such; therefore, approved ARR is being shared by the Long-Term Customers including Distribution Licensees on the basis of delivered energy. Accordingly, the Transmission Tariff has been calculated by the Commission on the basis of the estimated number of units to be wheeled by the Transmission Licensee for the Long-Term Customers including Distribution Licensees of state.

C. Commission's View

3.2.129 The Commission has noted the comments of the Stakeholder and reply of the Petitioner on this matter. The Commission has provided the suitable treatment on the same which has been subsequently dealt in the relevant sections of this Order in line with the applicable MYT Regulations.

TARIFF BASED COMPETITIVE BIDDING

A. Comments/Suggestion of the stakeholders

3.2.130 Ms. Namrata Mukherjee, SVP- Policy Advocacy & Business Development, M/s Sterlite Power submitted that the Commission may decide a threshold limit for Uttar Pradesh above which all new projects and augmentation schemes for transmission shall be developed under TBCB route. He mentioned that PSERC, BERC & RERC has notified a Threshold Limit of Rs. 50 Cr, Rs. 100 Cr and Rs 100 Cr respectively. He also mentioned that as per the detailed Capital Investment Plan from FY 2021 to FY 2025 submitted by UPPTCL, there are 65 projects worth Rs. 15,000 Crore which may require raising debt through long term loan resulting in an interest expense of Rs. 1100 Cr. Therefore, she requested UPPTCL and Commission to consider developing portion of the capital investment through competitive route as it frees up capital and ensure cost and tariff efficiencies.

B. Petitioner's Response

3.2.131 The Petitioner submitted that there are 2 operational transmission licensees in the state of Uttar Pradesh namely SEUPPTCL & WUPPTCL which have been awarded projects of approximate value of Rs. 10,000 Cr through TBCB. Further, 5 more projects amounting to approximately Rs. 5,500 Cr have been awarded recently through TBCB and are expected to be commissioned progressively by FY 2022.Further, during the meeting chaired by Hon'ble Chief Minister of UP on dated 12.06.2019, the matter regarding allocating of transmission project under PPP mode was deliberated and it was proposed as transmission project of 400 kV and above may got implemented under PPP mode). Accordingly, UPPTCL is following the guidelines of the GoUP and implementing the 400 kV and above projects, generally through TBCB.

C. Commission's View

3.2.132 The Commission has noted the comments of the Stakeholder and reply of the Petitioner. The Commission has addressed the issue in the Business Plan Order dated 15.10.2020 of UPPTCL for the Control Period FY 2020-21 to FY 2024-25..

HVDC TRANSMISSION SYSTEM

A. Comments/Suggestion of the stakeholders

3.2.133 Shri Nihar Varshney, Vice President, M/s Rimjhim Ispat Limited submitted that UPPTCL has not installed the DC transmission lines which is now possible with the latest technology that even for short distance and less MW particularly for wind and solar generators. Also, submitted that UPPTCL is more interested in building the sub-stations rather than effective loss reduction of transmission lines. Further, he submitted that the Petitioner has not made any provision for DC transmission line for wind and solar power with low MW and for short distance.

B. Petitioner's Response

3.2.134 The Petitioner submitted that the cost of HVDC transmission system is significantly higher as compared to the AC transmission system for shorter distance and the same are cost effective only for long distances (~ 600 kms) and dedicated power transfer. The Petitioner also submitted that the transmission lines constructed are mostly below 500 kms. Further, it was submitted that for Solar/wind power generators, the developers are requested to inject the power at pooling substation of UPPTCL, thus use of DC transmission from generation point up to pooling station is within the domain of developer.

C. Commission's View

3.2.135 The Commission has noted the comments of the Stakeholder and reply of the Petitioner on this matter.

QUALITY OF SCANNED DOCUMENTS

A. Comments/Suggestion of the stakeholders

3.2.136 Ms. Namrata Mukherjee, SVP- Policy Advocacy & Business Development, M/s Sterlite Power mentioned that the quality of the scanned submitted on the website may be improved as the pages are not legible and requested UPPTCL to provide the searchable PDF version of the tariff petition along with the excel sheets.

B. Petitioner's Response

3.2.137 The Petitioner has not submitted any kind of response in regards to the above.

C. Commission's View

3.2.138 The Commission directs the Petitioner to upload readable PDF & Excel sheets on its website in future filings..

DELAY IN FILED PETITION

A. Comments/Suggestion of the stakeholders

3.2.139 Shri Rama Shanker Awasthi submitted that UPPTCL has delayed the petition filing by 3.5 months and this delayed filing is an unnecessary burden on the consumers in the form of tariffs. Therefore, he requested the Commission to take strict actions against UPPTCL under section 142 of Electricity Act 2003. Further, he mentioned that Commission may disallow any interest/IDC amount for delay period of 3.5 months. Such disallowance should be reflected in in the respective year proceedings.

B. Petitioner's Response

3.2.140 Regarding delay in filing of True Up petition, UPPTCL submitted that the audit process of the annual accounts involves collection of data form various field units, compilation and vetting of data at head-quarter level and submission of data/information to the satisfaction of the auditor etc. Due to the substantial time involved in the audit process in the past years the true-up petitions could not be filed in time for previous years.

3.2.141 However, UPPTCL submitted that the accounts wing has expedited the process of finalization of accounts of subsequent years by adopting certain modifications in the data collection and vetting process by which UPPTCL will be able to squeeze this time gap and shall be able to submit the true-up petitions in time. Further, Uttar Pradesh Electricity Regulatory Commission (Multi Year Tariff for Distribution and Transmission) Regulations, 2019 were notified on 23rd September 2019.

3.2.142 Further mentioned that the Petitioner was required to submit various data/formats as per the requirement of the new MYT regulations, due to which the FY 2020-21 ARR petition and MYT Business Plan could not be filed in time. However, the Petitioner mentioned that it shall submit the True-up Petition for FY 2019-20, APR for 2020-21 & ARR for FY 2021-22 as per the timeline provided in the MYT Regulations 2019.

C. Commission's View

3.2.143 The Commission has noted the submission of the Petitioner that the process of filing of the Business plan and the ARR & tariff petition for FY 2020-21 was delayed on account of delay in preparation of the new tariff formats as per the MYT Regulations 2019. In this context, as per the Hon'ble APTEL judgement dated 11.11.2011, the Commission vide its Suo-Moto order dated 27.02.2020 initiated the suo-moto proceedings for Truing up of FY 2018-19, APR for FY 2019-20, Business Plan for MYT Period FY 2020-25 & ARR/Tariff for FY 2020-21 and directed the Petitioner to file the Petition. Further, the Petitioner filed the Petition on March 12, 2020 for tariff proceedings for the FY 2020-21. The Commission further directed that the Petitioner shall ensure timely filings of the petitions in future, failing which stringent action shall be taken under Section-142 of the Electricity Act.

IRREGULARITIES IN ACCOUNT

A. Comments/Suggestion of the stakeholders

3.2.144 Shri Avadesh Kumar Verma submitted that the CAG in the large project being carried out by the transmission company proves that there is no ban on wasteful expenditure in large projects, which is increasing the cost of the project on a large scale and requested the Commission to reject the proposal of the transmission company on the behalf of public interest.

3.2.145 Shri Rama Shanker Awasthi submitted that as per the independent auditor's report, UPPTCL has not been maintaining the details of inventories lying with the third parties at the zonal level. Therefore, he requested the Commission to act strictly on UPPTCL, while considering the True-up for FY 2017-18 & FY 2018-19 and ARR/Tariff for FY 2020-21.

3.2.146 Shri Rama Shanker Awasthi submitted that as per the CAG report there is an overstatement of capital work in progress, understatement of other current assets for FY 2016-17 & FY 2017-19 and this question the reliability of the data being submitted in the petitions. Therefore, he requested the Commission to look into the deficiencies being pointed out by CAG and take strict actions against the Petitioner.

B. Petitioner's Response

3.2.147 The Petitioner submitted that the balance of capital advances to suppliers of Rs. 492 Crores have been included in CWIP as the Petitioner has been making payment to its contractors mainly for works actually done and supplies made on the running account system for ongoing works actually done and supplies made on the running account system for ongoing works under turnkey project contracts. The formal agreement for the same is also drawn up under which the corporation secure lien on the works done and supplies made by the contractors concerned. Such payments are made subject to adjustment in the final bills when the work is completed or the running account is to be closed for other reasons. Thus, the classification between CWIP and long-term loans and advances will neither have any impact on Profit and loss mor GFA of the relevant financial year.

3.2.148 UPPTCL submitted that the irregularities highlighted relates to classification of Capital Advances under Capital Works in Progress (CWIP) or other current assets. Items of Balance Sheet are classified on the basis of their nature and conditions specific to the company. Even if there is a difference of opinion between management and auditors, the same is only a way of presentation in Balance Sheet and cannot be considered as any irregularity because net effect of their re-classification in Balance Sheet will be NIL as both find places on the asset side of the Balance Sheet. Even CAG has not reported it as an irregularity. Moreover, their re-classification will also not have any impact on Gross Fixed Assets (GFA). Hence, in view of the above facts the net impact of re-classification of CWIP & current assets on asset side of the balance sheet will be NIL.

C. Commission's View

3.2.149 The Commission has noted the comments of the Stakeholder and reply of the Petitioner on this matter. The Commission has subsequently dealt the issue in the relevant sections of this Order.

AGGREGATE REVENUE REQUIREMENT

A. Comments/Suggestion of the stakeholders

3.2.150 Shri Nihar Varshney, Vice President, M/s Rimjhim Ispat Limited submitted that the capital expenditure along with the related expenditures like return on equity, interest burden and depreciation claimed by UPPTCL need to be reviewed to avoid unnecessary burden on electricity consumers in the State.

B. Petitioner's Response

3.2.151 The Petitioner submitted that the claimed ARR & tariff are based on the revised investment plan for FY 2020-21, considering the impact of COVID-19. Further, it was submitted that the ARR & tariff computations or projections are as per the MYT Regulation 2019 and the projection of the energy may be considered by the Commission as per the submission of the Discoms in their Petitions.

3.2.152 The Petitioner submitted that the claimed ARR & Tariff are as per the MYT Regulations 2019. Further, the Petitioner submitted that, as per the provisions of the MYT Regulations 2019, the Petitioner is allowed a return of 14.5 % on equity basis. However, in view of the huge gap in the recovery of cost of supply at the Discom level and reducing the burden on the electricity consumers in the State, the Petitioner has claimed only 2% Return on Equity for FY 2020-21.

C. Commission's View

3.2.153 The Commission has considered the comments of the stakeholders and replies furnished by the Petitioner. The Commission has therefore subsequently dealt the issue in the relevant sections of this Order.

GENERAL/OTHERS

A. Comments/Suggestion of the stakeholders

3.2.154 Shri Ayush Gupta, Consultant, M/s Aspen Corporate Management Services Pvt. Ltd. submitted that the orders passed by the Commission deals only with the financial viability of the DISCOMs and not on the technical issues like integration of old system with new metering, stabilization, voltage wise loss level assessments and costs thereof, classification of consumers on the end basis have not been addressed etc.

3.2.155 Further, submitted that it is not possible to estimate the cost correctly while fixing the tariff as the actual voltage wise transmission losses or distribution losses are not available and this results in non-viable tariffs for business & industry.

3.2.156 Shri Ayush Gupta, Consultant, M/s Aspen Corporate Management Services Pvt. Ltd. submitted that agricultural and rural domestic sector are charged a lower tariff than the actual Cost of Supply and this cost is factored in the tariff of other consumers. He mentioned that appropriate method of costing shall be ascertained to allocate direct and apportion overheads cost required to serve consumers of different categories. He further mentioned that Marginal Cost Approach is more appropriate in decision making than Simplified/Average Cost of Supply. He also submitted that the major disadvantage associated with the simplified approach is that cost of supply value computed for all voltage levels and consumer categories and thereby he recommends Marginal Cost approach for DISCOMs in India to estimate voltage wise/category wise cost of supply in order to bring tariff rationalization and its effective control by regulator.

B. Petitioner's Response

3.2.157 The Petitioner did not submit any response in this regard.

C. Commission's View

3.2.158 The issue raised by the Stakeholders pertains to the principles specified under the MYT

Regulation, 2019. It is therefore pertinent to mention that Commission has notified MYT Regulation, 2019 which shall be applicable for determination of tariff for the Control Period FY 2020-21 to FY 2024-25. Therefore, the Stakeholder may approach the Commission on the issue while framing of MYT Regulation for the subsequent control period.

3.2.159 The list of consumers, who attended the Public Hearings, is appended at Annexure 2.

4 TRUING UP OF AGGREGATE REVENUE REQUIREMENT FOR FY 2017-18

4.1.1 The Commission, in its Tariff Order dated August 27, 2019 in Petition No. 1453 of 2019 approved the Annual Performance Review (APR) for FY 2017-18 & FY 2018-19 and Aggregate Revenue Requirement (ARR) and Tariff for FY 2019-20 and True up of ARR for FY 2016-17 for UPPTCL. In this Section, the Commission has analysed all the elements of actual revenue and expenses for FY 2017-18, and has undertaken the truing up of expenses and revenue after prudence check of the data made available by the Petitioner. The Commission has allowed the true up for FY 2017-18 considering the principles laid down in the UPERC (Multi Year Transmission Tariff) Regulations, 2014.

4.2 TRANSMISSION SYSTEM AVAILABLITY

Petitioner's submission

4.2.1 The Petitioner submitted that the transmission availability for UPPTCL's Transmission System was 99% in FY 2017-18.

Commission's Analysis

4.2.2 The Regulation 16 of UPERC (MYT for Transmission Tariff) Regulations, 2014 specifies that:

Quote

16 Target availability

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

(1) AC System : 98%

Unquote

4.2.3 The Commission has gone through the details of Transmission Availability for FY 2017-18 submitted by UPPTCL and approves the same.

4.3 CAPITAL EXPENDITURE, CAPITALIZATION & INTEREST ON LOAN

Petitioner's submission

4.3.1 The Petitioner has submitted that the Commission in the past Tariff Orders had considered a normative tariff approach with a gearing of 70:30. Considering this approach, 70% of the capital expenditure undertaken in any year was considered to be financed through loan and balance 30% was considered to be financed through equity contributions. The portion of capital expenditure financed through consumer contributions, capital subsidies and grants were separated, and the depreciation and interest thereon were not charged to the beneficiaries. Subsequently, the financing of the capital investment was worked out based on the gearing ratio of 70:30 and allowable depreciation was considered as normative loan repayment. The Commission has also considered the same approach while approving the ARR for the 1st Control period in the MYT Order dated November 30, 2017.

4.3.2 The Petitioner has submitted that considering the Capital Work in Progress balances (CWIP) and Gross Fixed Asset (GFA) balances as per annual accounts, it has derived the actual capital investments undertaken by it in FY 2017-18. The details are provided in the table below:

TABLE 11: CAPITAL INVESTMENTS IN FY 2017-18 AS SUBMITTED BY UPPTCL (RS. CRORE)

Particulars	Derivation	2017-18
Opening WIP as on 1st April	A	6,897.76
Investments	B	3,280.99
Employee Expenses Capitalisation	C	308.36
A&G Expenses Capitalisation	D	-
Interest Capitalisation on Interest on long term loans	E	281.67
Total Investments	**F= A+B+C+D+E**	**10,768.78**
Transferred to GFA (Total Capitalisation)	G	4,624.12
Closing WIP	**H= F-G**	**6,144.66**

4.3.3 The table below gives details of the amounts received towards consumer contributions, capital grants and subsidies claimed by the petitioner in FY 2017-18:

TABLE 12: CONSUMER CONTRIBUTIONS, CAPITAL GRANTS AND SUBSIDIES IN FY 2017-18 AS SUBMITTED BY UPPTCL (RS. CRORE)

Particulars	2017-18
Opening Balance of Consumer Contributions, Grants and Subsidies towards Cost of Capital Assets	657.33
Additions during the year	423.04
Less: Amortisation	59.49
Closing Balance	**1,020.89**

4.3.4 The eligible financing of the capital investment as claimed by UPPTCL is depicted in the table below:

TABLE 13: FINANCING OF THE CAPITAL INVESTMENTS IN FY 2017-18 AS SUBMITTED BY UPPTCL (RS. CRORE)

Particulars	Derivation	2017-18
Investment	A	3,280.99
Less:		
Consumer Contribution	B	423.04
Investment funded by debt and equity	C=A-B	2,857.95
Debt Funded	70%	2,000.56
Equity Funded	30%	857.38

4.3.5 The Petitioner has submitted that it made an investment of Rs. 3,280.99 Crore in FY 2017-18. The consumer contributions, capital subsidies and grants received during the corresponding period is Rs. 423.04 Crore. Thus, balance Rs. 2,857.95 Crore have been funded through debt and equity. Considering a debt equity ratio of 70:30, Rs. 2,000.56 Crore or 70% of the capital investment is envisaged to be funded through debt and balance 30% equivalent to Rs. 857.38 Crore through equity. Allowable depreciation for the year has been considered as normative loan repayment.

4.3.6 The petitioner has submitted that the actual weighted average rate of 11.16% (being the weighted average rate of interest on long term loan portfolio as per annual accounts) has been considered for computing the eligible interest expenses. The interest capitalisation has been considered at the same levels as per the Annual Accounts of FY 2017-18. The opening balance of long-term loan has been considered from the loan balance approved by the Commission in its Order dated August 27, 2019 while undertaking the truing up for FY 2016-17.

4.3.7 Considering the above, the Petitioner has submitted that the gross interest on long term loan is Rs. 845.72 Crore. The interest capitalisation has been considered at the same rate as per annual accounts. The computations for interest on long term loan are depicted below:

TABLE 14: INTEREST ON LONG TERM LOAN FOR FY 2017-18 AS SUBMITTED BY UPPTCL (RS. CRORE)

Particulars	FY 2017-18
Opening Loan	9,605.63
Loan Additions (70% of Investments)	2,000.56
Less: Repayments (Depreciation allowable for the year)	1,009.61
Closing Loan Balance	10,596.59

Particulars	FY 2017-18
Weighted Average Rate of Interest	11.16%
Interest on long term loan	**1,127.39**
Interest Capitalisation Rate	24.98%
Less: Interest Capitalised	281.67
Net Interest Charged	**845.72**

Commission's Analysis

CAPEX and INVESTMENT

4.3.8 In the Multi Year Tariff Order dated 29.11.2017, for the 1st control period FY 2017-18 to FY 2019-20 of UPPTCL, the Commission had observed that the capital investment claimed by the licensee was not in accordance with the Transmission MYT Regulations, 2014. However, the Commission approved the full capital investment proposed by the licensee for catering the demand addition under the UDAY and 24 x 7 Power For All schemes. Further, the Commission mentioned that if the Licensee failed to submit the capital investment plan while filing the APR for FY 2017-18, the Commission may disallow 30% of the proposed capital investment. The relevant extract is provided below as per chapter 7.7.10 of the MYT Order, 2017 dated 29.11.2017:

Quote

"7.7.10 For the control period, the Commission observes that the capital investment claimed by the Licensee is not in accordance with the Transmission MYT Regulations, 2014 as reproduced above and hence, the Commission vide its deficiency notes sought the remaining information from the Licensee, however UPPTCL did not submit any of the sought information. The Commission in its previous orders has been approving 70% of the claimed capital investment on account of incomplete submission of capital investment plan. However, the Commission has observed that the Licensee has proposed such intensive capital investment for catering the upcoming demand addition inked under UDAY and 24 x 7 Power For ALL schemes. Hence, in view of the above, the Commission approves full capital investment as proposed by the Petitioner, however the Commission directs the petitioner to submit the complete capital investment plan at the time of APR for FY 2017-18. It is to be noted that if the Licensee fails to submit the capital investment plan while filing the Annual Performance Review (APR) petition, the Commission may disallow the 30% of proposed capital investment in order to reprimand the petitioner."

Unquote

4.3.9 In the Tariff Order for FY 2018-19 dated 08.01.2019 the Commission observed as under:

Quote

7.5.3 It is to be noted that the Licensee has currently not submitted the capital investment plan. In its submissions dated December 21, 2018 the Licensee had submitted that the capex scheme wise details are being compiled for FY 2015-16 to FY 2017-18. Further, it is observed that the Licensee has not submitted the provisional accounts for FY 2016-17. During several deliberations at the time of processing of the current submissions of tariff, the Commission had directed the Licensee to submit the same. Therefore, in line with the above the Commission has considered the following assumptions to arrive at the allowed GFA and CWIP:

• The Commission considers 70% of the claimed capital investments for FY 2016-17, FY 2017-18 and FY 2018-19.

• Taking 25% of total investments where total investments includes opening CWIP, employee capitalisation, A&G capitalisation, interest capitalisation and investments during the year.

Unquote

4.3.10 Further, with respect to the Regulation 19A of the MYT Regulations, the Commission in Tariff Order for FY 2019-20 dated 27.08.2019 viewed as under:

Quote

7.5.2 The Commission analysed that the Petitioner is not adhering to the UPERC (Multi Year Transmission Tariff) Regulation 19 A, according to which Licensee should seek project wise prior approval of the Commission for capital expenditure greater than Rs. 10 Crore. Further, the UPPTCL has submitted that they had submitted the project wise details in the Business Plan which was approved by the Commission vide its Tariff Order dated November 30, 2017. However, in the Business Plan too the Regulation 19 A was not followed. Further, the Commission directs the Licensee to strictly comply to the Regulation 19 A, otherwise strict action will be taken by the Commission.

7.5.3 The UPPTCL has submitted a more detailed Capital Investment Plan which is yet to be vetted by the Commission. The deficiencies and queries are being *finalized & being sent to UPPTCL, meanwhile the Commission is allowing only 70% of the claimed Capital Investment. Therefore, in line with the above the Commission has considered the following assumptions to arrive at the allowed GFA and CWIP:*

• The Commission considers 70% of the claimed capital investments for FY 2017-18, FY 2018-19 and FY 2019-20.

• Taking 25% of total investments where total investments includes opening CWIP, Employee capitalisation, A&G capitalisation, Interest capitalisation and investments during the year.

Unquote

4.3.11 As discussed above, the Petitioner had not submitted the detailed Capital Investment Plan during the tariff proceedings for FY 2017-18. Further, in the current True-Up proceeding of FY 2017-18, the Petitioner has only submitted the capitalisation details, Fixed Asset Register for FY 2017-18 along with the Audited Balance Sheet. The Commission finds that the Petitioner has neither provided the Capital investment plan in terms of the Regulation 19A nor it has taken any prior approval of any scheme having capital expenditure greater than INR 10 Crore, from the Commission. On enquiry, the Petitioner submitted that the Commission has already approved the same, vide the Multi Year Tariff Order dated 29.11.2017.

4.3.12 Further, the Commission in in its data gaps/queries asked the Petitioner to provide the details of scheme/projects for capital expenditure greater than INR 10 Crore incurred in FY 2017-18, as per the Regulation 19A of UPERC Multi Year Transmission Tariff Regulations, 2014. The Petitioner submitted the details of the assets energised in FY 2017-18 in the required format as under:

Table 15: TRANSMISSION LINES (CKM) ENERGISED DURING FY 2017-18 AS SUBMITTED BY UPPTCL

S.No	Name of the Project	CKM	Cost (Rs. Crore)	COD
	765kV LINES			
1	ii. Agra UP (765)- Lalitpur 765 kV, 2xSC line Ckt-2	336	469	11-Apr-17
	400 kV LINES			
1	400 kV dc Aligarh-Sikandarabad Line	190	145	4-May-17
2	400 kV dc q Allahabad-Banda	177	530	2-Jun-17
3	i. LILO of Agra - Muradnagar 400 kV SC line at Math	64	3	2-Oct-17
4	ii. Agra UP (765) - Mathura SC Line	142	142	15-Apr-17
5	765 kV Gr. Noida to 400 kV Gr. Noida Line	44	122	26-Aug-17
6	Bareily(UP)400 kV-Pilibhit Bypass DC line.	40	17	6-Nov-17
	220 kV LINES			
1	220 kV DC Mathura (400) - Chatta Line	66	11	20-Apr-17

S.No	Name of the Project	CKM	Cost (Rs. Crore)	COD
2	132kV SC Lalganj-Saangipur Line	36	15	8-May-17
3	i. 220kV SC Hapur(220)-Hapur(765) Line	7	17	20-Jun-17
4	i. 220 kV DC Sikandrao - Aligarh (400) Line	36	13	7-Oct-17
5	LILO of 132 kV SC Panki-Jaunpur @ Rania	22	6	4-Nov-17
6	132 kV dc Bahraich220-Nanpara Line	82	16	26-Dec-17
7	220 KV SC Sarnath(400)-Azamgarh-II	53	22	31-Jan-18
8	220 kV sc Sitapur-Nighasan Line	110	41	15-Mar-18
9	220 kV LILO GorakhpurPG-Basti Line @Bansi	100	14	24-Mar-18
10	LILO of 132 kV Jamania - Gazipur line @ Bhadaura	42	10	30-Mar-18
11	132kv SC Azamgarh-II to Phoolpur	36	16	31-Mar-18
12	220kV DC Neebkarori-Bhogaon-Mainpuri(400kV PG) Line	70	27	31-Mar-18
	132 kV LINES			
1	Stringing work of 132kv Charla-Mawana-Hastinapur	14	5	1-Apr-17
2	132 kV SC Badhoi tower-2 to Bhadoi TSS U/G Line	2	6	6-Apr-17
4	132KV SC Nehtaur-Najibabad Line	26	13	12-Apr-17
5	132kV SC Jari- Shankargarh Line on DC Tower	28	16	20-Apr-17
6	132kV DC Masauli (400)- Sarai Khurd	51	11	24-Apr-17
7	132 kV SC Puwayan- Banda Line	29	8	31-May-17
8	LILO of 132kV SC Gonda(220)- Darshannagar @ Nawabganj(Gonda)	24	3	4-Jun-17
9	Gabana - Khair (220) 132 kV DC Line	28	9	7-Jun-17
10	132 kV SC Mankapur-Gonda Line @ DC Tower	31	15	16-Jun-17
11	LILO of Shamshabad- Agra south (proposed) line @ 132 kV S/S Gwalior Rd. Agra	18	4	17-Jun-17
12	LILO of 132 kV Sikandara (220) - Cantt Line @ Bichpuri	18	4	21-Jun-17
13	LILO of 132 kV SC Gonda-Bahraich Line@ Payaagpur	3	9	21-Jun-17
14	132 kV sc Lalganj-Kunda Line	40	12	10-Jul-17
15	LILO of Shamshabad- Khairagarh line @ 400 kV S/S Agra South (Proposed)	12	9	25-Jul-17
16	132 kV DC Agra (South)- Agra cantt Line	25	6	25-Jul-17
17	LILO of Khairagarh - Bodla at 400kV Agra (South) Line	12	9	28-Jul-17
18	132 kV SC SGPGI-Uthraithia Rly Line (Revised)	11	2	31-Jul-17
19	LILO of 132 kV Muaffarnagar(400)-Jansath @ Bhopa	20	5	3-Aug-17
20	132kV DC Gonda (400) -Colonelganj (132) Line	60	14	4-Aug-17
23	132 KV Nanpara BhingA	50	18	29-Aug-17
25	132 kV SC Hasari-Lalitpur Line	94	28	6-Sep-17
26	132 kV SC Mahoba-Panwari Line	46	16	6-Sep-17
27	132 KV SC Panwari Sarila	52	19	12-Sep-17
28	LILO of 132 kV Dohna(220)-Barkhera Ckt-I Line @Nawabganj,Bareilly	2	1	13-Sep-17
30	132 kV sc Nanauta-Gangoh Line	22	3	16-Sep-17
31	Amroha-Agwanpur 132KV DC Line	82	20	19-Sep-17
32	LILO of 132 kV SC Khurja(220)-Sikandarabad(220) Line @ Bhoor-II	16	5	17-Oct-17
35	LILO of Kirawali- Mathura at Agra South Line	12	3	6-Nov-17
36	132 kV DC Krabhapko-Jalalabad line	35	12	22-Dec-17
37	Nehtaur (400) - Morna 132 kV DC Line	12	11	26-Dec-17
38	i. 132 kV DC Bahjoi Sambhal-Chandausi	160	14	30-Dec-17
39	132 kV Maqsoodpur(Bajaj)-Shahajanpr(220) Line	9	24	4-Jan-18
40	Amawan (Raebareilly)-Salon DC Line	78	15	9-Jan-18
41	132kV DC Meja(132)-Kosda kala(132) Line	58	13	3-Feb-18

S.No	Name of the Project	CKM	Cost (Rs. Crore)	COD
43	132kV DC Jigna(132)-Dadar Vijaypur(132) Line	17	4	7-Mar-18
45	132 kV SC Deoria (220)-Purnachhapar (Bhatni) Line	25	13	17-Mar-18
46	ii. Chandausi (220) - Babrala 132 kV DC Line	40	9	17-Mar-18
48	132 kVSC Banda-Attara Line	42	16	19-Mar-18
49	132 kV SC Sultanpur-Jadishpur line @ Musafirkhana(Amethi)	11	6	22-Mar-18
50	LILO of 132 kV SC Naglikikithor- Mundali Line @ Partapur(Jagriti Vihar)	20	7	25-Mar-18
51	132 kV sc 2ph Ramsanehighat-Budhwal Line	44	14	29-Mar-18
52	132kV DC Azamgarh(220)-Lalganj Line	40	10	31-Mar-18

Table 16: SUBSTATIONS (S/s) ENERGISED DURING FY 2017-18 AS SUBMITTED BY UPPTCL

S.No	Name of the Project	MVA	Cost (Rs. Crore)	COD
	400kV SUBSTATION			
1	400 kV s/s Banda	630	92.7	12-May-17
2	400/132 kV Agra(South) GIS	600	165.2	10-Jul-17
3	400/220 kV Mathura (Manth)	630	99.36	26-May-17
	220kV SUBSTATIONS			
1	220 kV S/S Chhata (Mathura)	320	33.05	22-Apr-17
2	220/132/33kV Amroha (Muradnagar-II) (2x160+2x40)	320	30.8	15-Jul-17
3	220/132/33kV Hapur (Hybrid) (2x160+2x60)	400	54	1-Aug-17
4	220 kV s/s Pilibhit	200	40	5-Dec-17
5	220/132/33kV Azamgarh-II (2x160+2x40)	400	29	4-Feb-18
6	220 kV s/s Bansi (TKSAS)	200	72.89	22-Mar-18
7	220/132kV Neebkarori (Farrukhabad)	200	21.19	31-Mar-18
8	220Kv CG City S/s	180	62.02	31-Mar-18
	132 kV SUBSTATIONS			
1	132 kV s/s Mawana Road (Hastinapur-Meerut) (2x40)	80	17	13-Apr-17
2	132/33kV s/s Dankaur,Gautam Budha Nagar	80	19.72	28-Apr-17
3	132 kV s/s Gabana(Aligarh)	80	17	7-Jun-17
4	132/33 kV s/s Nawabganj (Gonda) (2x40)	80	21.16	9-Jun-17
5	132 kV s/s Gwalior Road GIS (Agra)	80	25.88	17-Jun-17
6	132 kV s/s Bichpuri (Agra)	80	16.5	19-Jun-17
7	132 kV s/s Jari (Allahabad) (2x40)	80	17	23-Jun-17
8	132kV S/S Bindwal Jairajpur (Rampur) (2x40)	80	21.6	23-Jun-17
9	132 kV s/s Bhopa (Muzaffarnagar)	80	17	11-Aug-17
10	132/33 kV s/s Nawabganj (Bareily) (2x40)	80	17	13-Sep-17
11	132 kV S/S Bandaa (Shahjahanpur)	40	9.46	17-Oct-17
12	132kV S/S Payaagpur (Bahraich) (2x40)	80	21.66	7-Nov-17
13	132/33 kV s/s Bhoor-II,Bulandshar(2X40)	80	21.57	21-Dec-17
14	132kV S/S Lalpur (Rampur) (2x40)	80	21.66	31-Dec-17
15	132 kV s/s Bannat (Shamli)	80	21.66	2-Feb-18
16	132kV S/S Jalalabad (Shahjahanpur) (2x40)	80	21.16	17-Feb-18
17	132/33kV s/s Barhan,Agra	80	17	16-Mar-18
18	132 kV s/s Morna (Bijnor) (2x40)	80	10.66	18-Mar-18
19	132 kV s/s Musafirkhana(Amethi)	80	21.66	22-Mar-18
20	132 kV S/S Poorna Chaapar (Deoria)	40	14.5	26-Mar-18

4.3.13 Further, the Regulation 19A of UPERC MYT Transmission Regulations, 2014 states that:

Quote

19 A. Capital Expenditure

a. Capital expenditure shall be considered on scheme wise basis.

b. For capital expenditure greater than INR 10 Crore, the Transmission Licensee shall seek prior approval of the Commission.

c. The Transmission Licensee shall submit detailed supporting documents while seeking approval from the Commission.

Provided that supporting documents shall include but not limited to purpose of investment, capital structure, capitalization schedule, financing plan and cost-benefit analysis:

d. The approval of the capital expenditure by the Commission for the ensuing year shall be in accordance with load growth, system extension, rural electrification, transmission loss reduction or quality improvement as proposed in the Transmission Licensee's supporting documents.

e. The Commission may also undertake a detailed review of the actual works compared with the works approved in the previous Tariff Order while approving the capital expenditure for the ensuing year.

f. In case the capital expenditure is required for emergency work, the licensee shall submit an application, containing all relevant information along with reasons justifying the emergent nature of the proposed work, seeking post facto approval by the Commission.

g. The Transmission Licensee shall take up the work prior to receiving the approval from the Commission provided that the emergent nature of the scheme has been certified by its Board. If capital expenditure is less than INR 10 Crore, the Transmission Licensee shall undertake the execution of the plan with simultaneous notification to the Board of Directors.

h. If capital expenditure is less than INR 10 Crore, the Transmission Licensee shall undertake the execution of the plan with simultaneous notification to the Commission with all of the relevant supporting documents.

i. Consumer's contribution towards cost of capital asset shall be treated as capital receipt and credited in current liabilities until transferred to a separate account on commissioning of the assets.

Unquote

4.3.14 From the above, it is observed, that the Commission, from time to time, in its Tariff Orders has directed 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 from 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 2017-18 due to repeated non-compliance of the Commission`s directions.**

4.3.15 Further, the Commission for the purpose of prudence check and verification of UPPTCL Balance Sheet, asked the Petitioner to submit the CAG Audit report and the Petitioner submitted the same. As per CAG Audit Report, it was observed that the CAG had pointed out that there is overstatement and understatement in certain components which are deliberated as under:

Quote

A. Comments of Financial Position:

Balance Sheet

Assets

Non-Current Assets

1. Capital Work in Progress (Note-4): 6144.66 crore

(a) The above includes advances given to suppliers/contractors (other than material)

amounting to 492.91 crore without obtaining the utilisation certificate/bill from the contractors/suppliers on account of expenditure incurred there against. This resulted in overstatement of Capital Work-in-Progress by 492.91 crore and also understatement of Long Term Loans and Advances' by the same amount.

Despite similar comment of C&AG of India on the accounts of the company for the year 2016-17, no corrective action has been taken by the company.

(b) As per Ind AS 23 on Borrowing Costs, "an entity shall capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a

qualifying asset as part of the cost of that asset. An entity shall recognise other borrowing costs as an expense in the period in which it incurs them."

The Capital Work-in-Progress includes Rs. 4.88 crore on account of penal interest paid during 2016-17 by the company due to delay in payment of principal and interest to the lending agencies. Since the penal interest was paid by the company due to inability to manage its fund flow efficiently, therefore, the same is not a directly attributable expenditure for capitalisation as borrowing cost as per above stated provisions of IndAS 23. Thus, due to capitalisation of penal interest, Capital Work-in-Progress is overstated and accumulated loss is understated by Rs. 4.88 crore.

Despite similar comment of C&AG of India on the accounts of the company for the year 2016-17, no corrective action has been taken by the company.

(c) The above includes material valuing Rs. 29.58 crore issued to two contractors (Rs. 26.39 crore to Maharashtra Power Transmission Structure Pvt. Limited and Rs. 3.19 crore issued to M/s Hythro Power Corporation) for the construction of transmission lines which have not been received back from these contractors even after termination of their agreements (May 2014 to July 2015) due to poor progress of the work. Instead of showing this amount under Capital Work-in-Progress, the same should have been shown as recoverable from the contractor under the head other Current Assets. This has resulted in overstatement of Capital Work-in-Progress and understatement of Other Current Assets by Rs. 29.58 crore.

Unquote

4.3.16 CAG in the Audit report has made the observations that UPPTCL in its balance sheet has overstated Rs. 527.37 Crores on account of CWIP and understated in long term loans and advances for FY 2017-18. The Commission enquired the same from the Petitioner and UPPTCL submitted that the balance of capital advances to suppliers (other than material) of Rs. 492 Crores have been included in CWIP as UPPTCL has been making payment to its contractors mainly for works actually done and supplies made on the running account system for ongoing works under the turnkey project contracts. The formal agreement for the same is also drawn up under which the corporation secure lien on the works done and supplies made by the contractors concerned. Such payments are made subject to adjustment in the final bills when the work is completed or the running account is to be closed for other reasons. The Petitioner further submitted that the classification of such advances under the group of CWIP is correct and in any case, classification between CWIP and long term loans and advances will neither have any impact on Profit & Loss nor GFA of the relevant financial year.

4.3.17 Further, wrt to CAG`s observation on capitalisation of penal interest of Rs. 4.88 crore, UPPTCL submitted that the said penal interest was paid during FY 2016-17. Regarding eligibility for capitalization of penal interest it is already been clarified to C&AG that the definition of borrowing costs as per Ind AS 23 is an inclusive definition which states that, 'Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds.' Since the nexus between penal interest and borrowings could not be denied, there remains no doubt that penal interest is in connection with the borrowing of funds. Hence, penal interest is included in the definition of Borrowing Costs. Further, para 10 of Ind AS 23 explains borrowing costs eligible for capitalisation as, 'the borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are those borrowing costs that would have been avoided if the expenditure on the qualifying asset had not been made.' Undoubtedly, the amounts were borrowed for construction of the underlying assets and the borrowing cost (i.e., penal interest) has been incurred in connection with the borrowing of funds. These borrowing costs would have been avoided if the expenditure on the qualifying assets had not been made. Hence, these borrowing costs (i.e., penal interest) pass litmus test of eligibility for capitalization as well. As such, the Accounting Standard also does not require exclusion of such costs from borrowing cost. Accordingly, UPPTCL submitted that there was no understatement of loss during FY 2016-17.

4.3.18 Further, with respect to CAG`s observation on overstatement of CWIP and understatement of other Current Assets for material of Rs. 29.58 Crore, UPPTCL submitted that the said material valuing Rs. 29.58 Crore was issued to contractors against agreements for construction of transmission lines which were terminated later. This amount was shown under capital work-in-progress during FY 2017-18, but was shown as recoverable from the contractor under the head other Current Assets in 2018-19. In any case, classification between CWIP and other current assets will neither have any impact on Profit & Loss nor GFA of the relevant financial year. For more clarifications, the Commission asked the Petitioner to provide the details whether the same reply has been provided to CAG also and have they accepted the same. Also provide copies of correspondence with CAG in this matter. In response, the Petitioner submitted that:

Quote

"Compliance has been done in Annual Accounts of 2018-19."

Compliance has been done by UPPTCL in 2018-19 and CAG has not raised the same issue during 2018-19 supplementary audit. Hence, the issue may be considered as finalized.

Unquote

4.3.19 Considering the CAG's comments and the response of the Petitioner, the penal interest of Rs. 4.88 Crores is not to be allowed. Further, material valuing Rs. 29.58 Crores was issued to contractors against agreements for construction of transmission lines which were terminated later and hence is being disallowed. Accordingly, Rs. 34.46 Crores is disallowed from opening CWIP of FY 2017-18.

4.3.20 However, as regards CAG`s comments on Rs. 492.91 Crores overstatement of CWIP in Capital Advances in the Opening CWIP of FY 2017-18 and understatement in Loans and advances, it is to be noted that in regulatory accounts, conventionally the advances to contractors for capital works is considered in CWIP. Further, any disallowance in the CWIP will not have any impact on the ARR in Truing up of FY 2017-18, but would impact the ARR from next year onwards, wherein it is assumed (approach in past orders also) that a percentage of total Investment (including CWIP) is capitalized during the year. Accordingly, Rs. 492.91 Crores, have been provisionally considered as part of CWIP. However, further the Commission directs the Petitioner to submit the details of the final outcome of the issues raised by CAG regarding CWIP and its impact in the future tariff proceedings.

4.3.21 Further, CAG also pointed out some discrepancies wrt to Land as under:

Quote

The Company has transferred as well as handed over the Physical possession of 2.2250 hectare land to Dept. of Tourism, Etawah. The Company has neither received the settled sale consideration of Rs. 20.02 Crores from the Dept. of Tourism Etawah, nor executed any sale deed for transfer/sale, resultantly the value of the land shown as fixed assets of the Company is overstated by the cost of the land.

The Company has transferred its land measuring 5.9 acre land located at taj Mahal wast gate road to Tourism department for construction of Mughal museum. However, the Company neither made any adjustment under the head 'Property, Plant & Equipment' nor disclosed this fact in Note to account.

The Company has transferred its land measuring 993 square meter located at 132 kV G/S Sub-Station Neembu Park, Lucknow to Madyanchal Vidyut Vitran Nigam

Limited (MVVNl). However, the company has not made any adjustment under the head 'Property, Plant & Equipment nor disclosed this fact in Note to account.

Unquote

4.3.22 The Commission during prudence check, enquired from the Petitioner about the observation pointed out by CAG that certain land was transferred to other department, for which rent/sale is not addressed therefore, the value of land shown in fixed assets may be overstated for FY 2017-18. In response, the Petitioner submitted that the land was given free of cost, hence, no adjustment was made in the accounts. Secondly, land being non-depreciable assets will have no impact on profit/loss for the year. Further, the Petitioner mentioned that the CAG has not considered the issue in their final comment. The Commission has examined the issue and the Petitioner is directed to not to undertake any such transfer without the prior approval of the Commission in terms of the provisions of Electricity Act, 2003. UPPTCL should note that any transaction which deals with transfer / sell / renting of its Assets (land, lines, transformers etc), without prior approval of the Commission is void as per section 17(4) of the Electricity Act 2003.

4.3.23 In respect of the above discussions, the Commission, after due prudence, has disallowed Rs. 34.46 Crores from opening CWIP of FY 2017-18 and has disallowed 25% Capital Investments during the year. Accordingly, the Commission has derived the capital investments, closing CWIP and capitalization for FY 2017-18 in the Table below:

TABLE 17: APPROVED CAPITAL INVESTMENTS FOR FY 2017-18 (RS. CRORE)

Particulars	Derivation	Tariff Order	True-Up Petition	Approved upon True-Up
Opening WIP as on 1st April	A	9,703.83	6,897.76	6,863.30
Investments during the year	B	6,113.00	3,280.99	2,460.74
Employee Expenses Capitalisation	C	230.03	308.36	308.36
A&G Expenses Capitalisation	D	6.85	-	-
Interest Capitalisation on Interest on long term loans	E	863.32	281.67	273.94
Total Investments	**F= A+B+C+D+E**	**16,917.04**	**10,768.78**	**9,906.35**
Transferred to GFA (Total Capitalisation)	G	4449.23	4,624.12	4,253.79
Closing WIP	**H= F-G**	**12,467.80**	**6,144.66**	**5652.56**

** As per the CAG's comments in the Audit Report of FY 2017-18, CWIP for FY 2017-18 was overstated by Rs. 527.37 Crores. Out of Rs. 527.37 Crores, Rs. 34.46 Crores (4.88 + 29.58) is disallowed and Rs. 492.91 Crores is allowed in the opening CWIP as on 1st April 2017.*

4.3.24 The Commission has considered a normative approach with Debt: Equity ratio of 70 :30, 70% of the capital expenditure undertaken in the year has been considered to be financed through loan and balance 30% has been considered to be financed through equity contribution. The portion of capital expenditure financed through Consumer Contributions, capital subsidies and grants has been separated and reduced, as the same would not be charged to the consumers. The Commission has approved the amounts received as Consumer Contributions, capital subsidies and grants based on the Audited Accounts of the Petitioner, as summarised in the Table below:

TABLE 18: APPROVED CONSUMER CONTRIBUTIONS, CAPITAL GRANTS AND SUBSIDIES IN FY 2017-18 (RS. CRORE)

Particulars	Tariff Order dt. 30.11.2017	True-Up Petition	Approved Upon Truing Up
Opening Balance of Consumer Contributions, Grants and Subsidies towards Cost of Capital Assets	666.33	657.33	657.33
Additions during the year	100.00	423.04*	423.04
Less: Amortisation	38.58	59.49	56.76**
Closing Balance	727.75	1,020.88	1,023.61

** Rs. 423.04 Crores consists of Rs. 5.64 Crores under Power Sector Development Fund (PSDF) Grants and Rs. 417.40 Crores under consumer contributions. As per Petitioner submission, no Govt. subsidy has been received in FY 2017-18.*

*** For FY 2017-18, the depreciation on consumer contributions claimed by UPPTCL as per Audited Accounts is based on SLM method. Accordingly, the same has been recomputed based on WDV method & applicable rates as per UPERC MYT Regulations, 2014.*

4.3.25 The approved financing of the Capital Investment is as shown in the Table given below:

TABLE 19: APPROVED FINANCING OF THE CAPITAL INVESTMENTS IN FY 2017-18 (RS. CRORE)

Particulars	Derivation	Tariff Order dt. 30.11.2017	True-Up Petition	Approved Upon Truing Up
Investment	A	6,113.00	3,280.99	2,460.74
Less:				
Consumer Contribution	B	100.00	423.04*	423.04
Investment funded by debt and	C=A-B	6,013.00	2,857.95	2,037.70
Debt Funded	70% of C	4,209.10	2,000.56	1,426.39
Equity Funded	30% of C	1,803.90	857.38	611.31

INTEREST ON LONG TERM LOAN

4.3.26 From the above tables, it can be observed that UPPTCL has made an investment of Rs. 3280.99 Crore in FY 2017-18. The consumer Contributions, capital subsidies and grants received during the corresponding period is Rs. 423.04 Crore. Thus, balance investment of Rs. 2857.95 Crore has been funded through debt and equity. Considering a debt equity ratio of 70:30, Rs. 2000.56 Crore or 70% of the capital investment is approved to be funded through debt and balance 30% equivalent to Rs. 857.38 Crore through equity. Allowable depreciation for the year has been considered as normative loan repayment.

4.3.27 The Commission on prudence found that the actual weighted average interest rate is 11.16% wrt the actual loans from REC and PFC and the same has been considered for computing the interest. The closing loan balance approved in the True up for FY 2016-17 in the Order dated August 27, 2019 has been considered as opening balance of long-term loan for FY 2017-18.

4.3.28 Considering the above, the gross interest on long-term loan is approved. Further, the interest capitalisation has been considered at the same rate as per the Audited Accounts. The interest on long-term loan approved for FY 2017-18 is as shown in the Table given below:

TABLE 20: ALLOWABLE INTEREST ON LONG TERM LOAN FOR FY 2017-18 AS APPROVED BY THE COMMISSION (RS. CRORE)

Particulars	Tariff Order dt. 30.11.2017	True-Up Petition	Approved Upon Truing Up
Opening Loan	9977.52	9,605.63	9605.62
Loan Additions (70% of Investments)	4209.10	2,000.56	1426.39
Less: Repayments (Depreciation allowable for the year)	909.71	1,009.61	989.51
Closing Loan Balance	13276.91	10,596.59	10042.51
Weighted Average Rate of Interest	12.50%	11.16%	11.16%
Interest on long term loan	**1453.40**	**1,127.39**	**1096.47**
Interest Capitalisation Rate	59.40%	24.98%	24.98%
Less: Interest Capitalized	863.32	281.67	273.94
Net Interest Charged	**590.08**	**845.72**	**822.53**

4.4 FINANCE CHARGES

Petitioner's submission

4.4.1 The Petitioner further submitted that it has incurred finance charges to the tune of Rs. 0.85 Crore as per annual accounts towards expenditures like bank charges, finance charges, etc and the same may be allowed in the true up for FY 2017-18.

Commission's Analysis

4.4.2 The Commission approves the finance charges as per the Audited Accounts to the extent of Rs. 0.85 Crore for FY 2017-18.

4.5 INTEREST ON WORKING CAPITAL

Petitioner's Submission

4.5.1 The Petitioner submitted that the UPERC (MYT for Transmission Tariff) Regulations, 2014 provides that for normative interest on working Capital based on the methodology outlined in the Regulations. The interest on working capital has been computed based on the methodology specified in the Regulation 24 as provided below:

Quote

24 "The Transmission Licensee shall be allowed interest on estimated level of working capital for the financial year, computed as follows:

O&M expenses for one month.

Two months equivalent of expected revenue.

Maintenance spares @ 40% of R&M expenses for two month.

Less:

Security deposits from consumers, if any-

Provided that the interest on working capital shall be on normative basis and rate of interest shall be equal to the State Bank Advance Rate (SBAR) as of the date on which petition for determination of tariff is accepted by the Commission:"

Unquote

4.5.2 The Petitioner has considered the interest rate of 13.75% for the purpose of computing Interest on Working Capital for FY 2017-18, which is the SBAR (SBIPLR) as on September 04, 2017 (i.e. the date of issuance of Admittance Order of ARR/Tariff Petitions for FY 2017-18). The Petitioner has, in accordance with the above-mentioned Regulations, considered the interest on working capital. In the Tariff Order for FY 2017-18, the Commission had allowed Rs. 77.64 Crore towards interest on working capital. The Transmission Tariff Regulations provide for the normative interest on working capital based on the methodology outlined in the MYT Transmission Regulations. Accordingly, the Petitioner has claimed Rs. 81.11 Crore towards interest on working capital for FY 2017-18 as computed in the table below:

TABLE 21: ALLOWABLE INTEREST ON WORKING CAPITAL FOR FY 2017-18 AS SUBMITTED BY UPPTCL (RS. CRORE)

Particulars	Claimed for 2017-18
One Month of O&M Expenses	76.94
Maintenance spares @ 40% of R&M expenses for two months	23.00
Receivable equivalent to 60 days average billing of consumers	489.94
Less: Security deposits from consumers	-
Total Working Capital Requirement	**589.88**
Interest rate (%)	13.75%
Interest on working capital	**81.11**

Commission's Analysis:

4.5.3 As per the first proviso of Regulation 24 of UPERC Multi Year Transmission Tariff Regulation, 2014, it is provided that the interest on working capital shall be on normative basis and rate of interest shall be equal to State Bank Advance Rate (SBAR) as of the date (04.09.2017) on which Petition for determination of the tariff is admitted (i.e. Admittance Order dated September 04, 2017) by the Commission. Accordingly, the Commission has considered the interest rate on working capital requirement at 13.75%. The link for the same is: https://www.sbi.co.in/portal/web/interest-rates/benchmark-prime-lending-rate-historical-data

4.5.4 The Commission, in accordance with the Transmission MYT Regulations, 2014, has considered the interest on working capital as shown in the Table given below:

TABLE 22: APPROVED INTEREST ON WORKING CAPITAL FOR FY 2017-18 (RS. CRORE)

Particulars	Tariff Order	Claimed	Approved upon Truing Up
One Month of O&M Expenses	85.58	76.94	48.22
Maintenance spares @ 40% of R&M expenses for two months	20.67	23.00	22.79
Receivable equivalent to 60 days average billing of consumers	446.35	489.94	417.29
Less: Security deposits from consumers	-	-	-
Total Working Capital Requirement	**552.60**	**589.88**	**488.30**
Interest rate (%)	14.05%	13.75%	13.75%
Interest on working capital	**77.64**	**81.11**	**67.14**

4.5.5 The following table summarises the total interest and finance charges approved by the Commission for true-up of FY 2017-18 as against those claimed by the Petitioner in the Tariff Order for UPPTCL for FY 2017-18:

TABLE 23: APPROVED INTEREST AND FINANCE CHARGES FOR FY 2017-18 (RS. CRORE)

Particulars	Tariff Order	Actual as per annual accounts	True-up Petition	Approved Upon Truing- Up
A: Interest on Long Term Loans				
Gross Interest on Long Term Loan	1,453.40	1,227.24	1,127.39	1096.47
Less: Interest Capitalisation	863.32	281.67	281.67	273.94
Net Interest on Long Term Loans	**590.08**	**945.57**	**845.72**	**822.53**
B: Finance and Other Charges	**1.35**	**0.85**	**0.85**	**0.85**
C: Interest on Working Capital	**77.64**	**0.00**	**81.11**	**67.14**
Total (A+B+C)	**669.07**	**946.42**	**927.68**	**890.52**

4.6 DEPRECIATION

Petitioner's Submission

4.6.1 The Petitioner submitted that the Regulation 22 of the UPERC (MYT for Transmission Tariff) Regulation, 2014 provide for the basis of charging depreciation. The relevant excerpt is reproduced below:

Quote

22 treatment of Depreciation:

Depreciation shall be calculated for each year of the control period on the written down value of the fixed assets of the corresponding year.

Depreciation shall not be allowed on assets funded by consumer contributions or subsidies / grants.

………………………………

The residual value of assets shall be considered as 10% and depreciation shall be allowed to a maximum of 90% of the original cost of the asset.

Depreciation shall be charged from the first year of operation of the asset.

……………………

Unquote

4.6.2 The Petitioner submitted that the UPERC (MYT for Transmission Tariff) Regulations, 2014 provides for calculating depreciation based on the written down value (WDV) of the fixed assets of the corresponding year based on rate of deprecation as provided in the Annexure C of the MYT Transmission Regulations, 2014 for respective asset category. The Commission in its Order dated November 30, 2017 had approved the allowable depreciation for each asset category for the control period and the Petitioner has considered the same approach while claiming the depreciation for truing up of FY 2017-18. Further, the Petitioner has considered the normative closing gross fixed asset base for FY 2016-17 as the opening GFA balance of FY 2017-18 for computing the allowable depreciation.

4.6.3 However, the Petitioner while computing Cumulative Depreciation, had considered Rs.93.91 Crores depreciation amount, which was disallowed by the Commission during the True-Up of FY 2013-14 due to non-maintenance of FAR. The Commission enquired about the same in the deficiency to the petition and in response the Petitioner revised the Cumulative Depreciation value and its detailed computation is provided below:

TABLE 24: ALLOWABLE DEPRECIATION FOR FY 2017-18 AS SUBMITTED BY UPPTCL (RS. CRORE)

Depreciable Assets	Opening GFA as on 1.4.2017 (Depreciable Assets)	Cumulative Depreciation upto 31.3.2017	Addition (Depreciable Assets)	Deduction (Depreciable Assets)	Closing GFA as on 31.3.2018 (Depreciable Assets)	Rate of Depreciation (%)	Gross Allowable Depreciation	Consumer Contribution*	Net Allowable Depreciation
Buildings	809.48	181.56	126.29	0.00	935.77	3.02%	20.87	59.49	1009.61
Other Civil Works	82.09	18.41	3.50	0.00	85.59	3.02%	1.98		
Plant & Machinery	9915.27	2223.88	1885.67	218.21	11582.73	7.81%	665.81		
Lines, Cables, Network etc.	7363.42	1651.53	2598.88	21.92	9940.37	5.27%	368.92		
Vehicles	3.38	0.76	0.00	0.01	3.38	12.77%	0.33		
Furniture & Fixtures	6.12	1.37	0.60	0.01	6.71	12.77%	0.64		
Office Equipment	7.14	1.60	1.19	0.00	8.33	12.77%	0.78		
Other assets	93.24	20.91	1.81	0.00	95.05	12.77%	9.35		
Intangible Assets	1.96	0.44	2.31	0.00	4.27	15.00%	0.40		
Total	**18282.09**	**4100.45**	**4620.25**	**240.14**	**22662.20**	**6.53%**	**1069.09**		

*Less: Equivalent amount of depreciation on assets acquired out of the consumer contribution

4.6.4 The Petitioner further submitted that in compliance to the provisions of lnd AS-I8 accounting standards, from FY 2016-17 onwards the Consumer Contribution reserve has been recognized as revenue i.e. equal annual income over the useful life of the underlying asset/term of the arrangement with consumers. However, the Commission, in its Tariff Order dated January 8, 2019 and its subsequent Order dated August 27, 2019, while approving the revised ARR for FY 2018-19 & FY 2019-20 has allowed the net depreciation after deducting the equivalent amount of depreciation on assets acquired out of the consumer contribution. The petitioner submitted that it has considered the same approach while claiming the net deprecation amount for the MYT period. The Income from Consumer Contribution recognized as revenue (or equivalent depreciation amount) in FY 2017-18 has been considered as per the annual accounts.

4.6.5 The Petitioner submitted that it seeks approval of Rs. 1009.61 Crore towards the depreciation expenses for final Truing- Up of FY 2017-18. The Petitioner further submitted that the Fixed Asset Register (FAR) upto FY 2017-18 has been finalised and a copy of the same is being submitted by the Petitioner.

Commission's Analysis

4.6.6 The Commission has computed the depreciation in line with Regulations 22 of the Transmission MYT Regulations, 2014. From FY 2017-18 onwards, the Methodology for

Computation of Depreciation has changed from SLM to WDV Method, as per Regulation 22 of the UPERC MYT Regulations, 2014. In order to arrive at the Written Down (WDV) Opening the Accumulated Depreciation since the inception of the Licensee is required to be computed.

Quote

22 Treatment of Depreciation

a) Depreciation shall be calculated for each year of the control period on the written down value of the fixed assets of the corresponding year.

b) Depreciation shall not be allowed on assets funded by consumer contributions or subsidies / grants.

c) Depreciation shall be calculated annually on the basis of rates as detailed in Annexure – C or as may be notified by the Commission vide a separate order.

d) The residual value of assets shall be considered as 10% and depreciation shall be allowed to a maximum of 90% of the original cost of the asset.

Provided that Land shall not be treated as a depreciable asset and its cost shall be excluded while computing 90% of the original cost of the asset.

e) Depreciation shall be charged from the first year of operation of the asset.

Provided that in case the operation of the asset is for a part of the year, depreciation shall be charged on proportionate basis.

f) Provision of replacement of assets shall be made in the capital investment plan.

Unquote

4.6.7 The Commission has observed that the Petitioner has computed the Cumulative depreciation after considered Rs. 93.91 Crores, which was disallowed by the Commission during the True-Up of FY 2013-14 Order dated August 01, 2016 for not maintenance of Fixed Asset Register. The extract of the same is provided below from the MYT Order dated November 30, 2017:

Quote

4.6. UPPTCL has sought review of depreciation approved for FY 2013-14 and its consequential impact on true up for FY 2013-14 relying on the following aspects:

a. That the Commission had withheld 20% of depreciation during true up for FY 2013-14 and the same is allowable now on submission of FAR till FY 2014-15.

b. That the submission of FAR till FY 2014-15 is in compliance to the direction of the Commission in its Order dated August 1, 2016 and hence it is entitled to 20% of depreciation that was not allowed by the Commission in true up for FY 2013-14.

c. That the submission of FAR till FY 2014-15 is new and important matter of evidence admissible for review.

4.7. The Commission vide its Order dated May 31, 2013 on approving the ARR and Transmission Tariff for FY 2013-14 ruled as under:

*"**8.6.6** The Commission has been, time and again, directing the Licensee to prepare and furnish fixed asset registers. Maintenance of fixed asset registers ensures that the costs incurred on each asset, date of commissioning, location of asset, and other technical details are properly and adequately recorded.*

***8.6.7** As a first step towards reprimanding the Licensee over the issue of non-preparation of fixed asset registers, the Commission has withheld 20% of the allowable depreciation for FY 2013-14. The same would be released for recovery through tariff, upon submission of fixed asset registers up to the current year i.e., FY 2012-13."*

4.8. Further, vide the same Order, the Commission issued the following direction to UPPTCL for immediate action:

"The Commission reiterates its direction to the UPPTCL to ensure proper maintenance of detailed fixed assets registers as specified in the Transmission Tariff Regulations.

As the fixed asset registers are pending since FY 2007-08, the Commission directs the UPPTCL to submit a status report and provide the proposed timelines / milestones for clearing the backlog. The Commission understands that clearing the backlog would take substantive time. In order to ensure that fixed asset registers are timely and regularly prepared going forward, the Commission directs the UPPTCL to prepare the fixed asset registers duly accounting for the yearly capitalisations from FY 2012-13 onwards. The capitalisation for the period before that may be shown on gross level basis. This dispensation is merely to ensure that the proper asset registers capturing all necessary details of the asset, including the costs incurred, date of commissioning, location of asset, and all other technical details are maintained for the ensuing years. However, the Licensee would also be *required to clear the backlog in a time bound manner. Upon finalisation of the Transfer Scheme and clearing of backlog, the Licensee may update the fixed asset registers appropriately by passing necessary adjustments."*

4.9. The Commission has been repeatedly directing UPPTCL to comply with the above direction. But, UPPTCL has not complied with the same. UPPTCL had not made efforts to comply with this direction even when the proceedings for true up for FY 2013-14 were in progress.

4.10. The Commission, vide its Order dated August 1, 2016, while truing up the depreciation for FY 2013-14 ruled as under:

*"**5.3.6** The Commission observed that even after repeated direction of the Commission UPPTCL has not submitted the detailed fixed asset register. Therefore, the Commission has disallowed 20% of the allowable depreciation for FY 2013-14 as directed in Tariff Order for FY 2013-14 dated May 31, 2013."*

4.11. From the above, it is clear that UPPTCL has misinterpreted that the Commission has withheld 20% of depreciation in truing up for FY 2013-14 while it was explicitly stated that 20% of depreciation was disallowed on account of non-compliance of an earlier direction issued in the Tariff Order for FY 2013-14. Hence, the first argument of UPPTCL is devoid of merits.

4.12. UPPTCL relied on its second argument that the submission of FAR till FY 2014-15 is in compliance to the direction of the Commission in its Order dated August 1, 2016 and hence it is entitled to 20% of depreciation that was not allowed by the Commission in true up for FY 2013-14.

4.13. As recorded in the Order dated August 1, 2016 in Petition No. 1058/2015, UPPTCL's submissions regarding the submission of FAR and subsequent Commission's direction is as under

"The Petitioner submitted that division wise Fixed Assets Register is being maintained at its 163 divisions with the required details where the assets are available at division level. The duly audited balances of the all zones are consolidated at headquarter for preparation of the final corporate balance sheet which includes block-wise fixed asset details along with the depreciation. (as indicated in theNote-7 of the Audited Accounts of FY 2013-14)."

"Considering the submissions of the Petitioner, the Commission directs the Petitioner to submit the copy of consolidated Fixed Asset Register updated till FY 2014-15."

4.14. From the above, it is observed that the submission of FAR by UPPTCL is in compliance to the Commission's direction. However, that does not entitle UPPTCL for the allowance of 20% disallowed amount of depreciation as per order dated August 1, 2016 during true up of FY 2013-14. Hence, the second argument of UPPTCL is devoid of merits.

4.15. UPPTCL relied on its third argument that the submission of FAR till FY 2014-15 is new and important matter of evidence admissible for review. In accordance with Section 114 and Order XLVII of Civil Procedure Code (CPC), any person considering himself aggrieved by an order against which no appeal has been preferred, may apply for review for the order to the court, which passed such order on any of the following grounds:

(i) Discovery by the applicant of new and important matter of evidence which, after the exercise of due diligence, was not within his knowledge or could not be produced by him at the time when the decree was passed or order made, or

(ii) On account of some mistake or error apparent on the face of the record,

or

(iii) For any other sufficient reason.

4.16. This argument of UPPTCL is also devoid of merits as the disallowance of 20% depreciation in true up for FY 2013-14 was on account of non-compliance to the Commission's earlier direction in the Tariff Order for FY 2013-14 which was issued on 23 May, 2013. The Commission's direction in the Tariff Order for FY 2013-14 which was to be complied with immediate effect cannot be relaxed, particularly when the Petitioner had more than 2.5 years after the issuance of the Tariff Order for compliance. Further, submission of Fixed Asset Register after issuance of the Order cannot be treated as discovery of new and important matter of evidence which, after the exercise of due diligence, was not within his knowledge or could not be produced by him at the time when order was passed.

4.17. In light of the above, the review sought by UPPTCL regarding the depreciation disallowed by the Commission in true up for FY 2013-14 and its consequential impact on true up for FY 2013-14 is devoid of merits and is not maintainable.

Unquote

4.6.8 The Commission, during the prudence check had directed the Licensee to provide the detailed computation and justification of the Cumulative Depreciation considered. In response to the Commission's query, the Petitioner rectified and submitted the detailed computation of the Cumulative Depreciation of Rs. 4100.45 Crores. On prudence check, the Commission noted that the approach adopted in the Tariff Order of FY 2017-18 dated 30.11.2017, was that the net Cumulative Depreciation as on 31.3.2017 was deducted from the Gross Block as on 1.4.2017, to compute the WDV value.

4.6.9 However, it is found that Gross Block as on 1.4.2017 also includes the assets capitalized from consumer contributions, whereas the net cumulative depreciation approved by the Commission in the previous Tariff Orders does not include the cumulative depreciation of assets from consumer contribution. Hence, to arrive at the correct WDV values, gross cumulative depreciation (inclusive of depreciation of consumer contributions) should be deducted from the Gross Block as on 1.4.2017. The Commission, while truing-up of FY 2017-18 has changed its previous approach and adopted the approach as explained above, which is to be followed for further years also for the control period under MYT Regulations 2014.

4.6.10 For computing the written down value (WDV), the Commission has considered Gross Cumulative Depreciation (i.e. with consumer contribution) of Rs. 4271.34 Crores and deducted the same with GFA base of Rs. 18282.10 Crores (which includes consumer contribution). Hence, the written down value computed is Rs. 14010.76 Crores. Further, the Depreciation has been computed on the average GFA as per the WDV rates given in the Regulations. Accordingly, the Commission has computed the Gross Depreciation of Rs. 1046.27 Crores for FY 2017-18.

4.6.11 Further, the Commission noted that Depreciation amount of Rs. 59.49 Crores for Consumer Contribution (amortization) as per Audited Accounts is based on SLM method. Accordingly, the Commission recomputed the same on WDV method at rates as per UPERC MYT Regulations, 2014 to Rs. 56.76 Crores.

4.6.12 Accordingly, the Net Depreciation (Gross Deprecation – Dep. of Consumer Contribution), approved for FY 2017-18 is Rs. 989.51 Crores. The details are as under:

TABLE 25: GROSS ALLOWABLE DEPRECIATION FOR FY 2017-18 (RS. CRORE)

S. No	Depreciable Assets	Opening GFA	Cumulative Depreciation	Written Down Opening	Additions to GFA	Deductions	Closing GFA	Average GFA	Rate of Depreciation (%)	Gross Allowable Depreciation (for the year)
1	Buildings	809.48	189.12	620.36	116.18	0.00	736.54	678.45	3.02%	20.49
2	Other Civil Works	82.09	19.18	62.91	3.22	0.00	66.13	64.52	3.02%	1.95
3	Plant & Machinery	9915.27	2316.56	7598.72	1734.65	218.21	9115.16	8356.94	7.81%	652.68
4	Lines, Cables, Networks etc.	7363.42	1720.35	5643.06	2390.74	21.92	8011.89	6827.48	5.27%	359.81
5	Vehicles	3.38	0.79	2.59	0.00	0.01	2.59	2.59	12.77%	0.33
6	Furnitures & Fixture	6.12	1.43	4.69	0.55	0.01	5.24	4.96	12.77%	0.63
7	Office Equipments	7.14	1.67	5.47	1.10	0.00	6.56	6.02	12.77%	0.77
8	Other Assets	93.24	21.78	71.46	1.67	0.00	73.12	72.29	12.77%	9.23
9	Intangible Assets	1.96	0.46	1.50	2.12	0.00	3.62	2.56	15.00%	0.38
10	**Total**	**18282.10**	**4271.34**	**14010.76**	**4250.23**	**240.14**	**18020.84**	**16015.80**	**6.53%**	**1046.27**

4.6.13 The Commission in view of above discussion, approves the Net Depreciation for FY 2017-18 is as under:

TABLE 26: NET APPROVED DEPRECIATION FOR FY 2017-18 (RS. CRORE)

Particulars	Tariff Order	Claimed	Allowable
Gross allowable Depreciation	944.97	1069.09	1046.27
Less: Equivalent amount of depreciation on assets acquired out of the Consumer Contribution	35.26	59.49	56.76
Net allowable Depreciation	**909.71**	**1009.61**	**989.51**

4.7 O&M EXPENSES

4.7.1 Operation and Maintenance Expenses (O&M) comprises of Employee Expenses, Repair and Maintenance (R&M) expenses and Administrative and General (A&G) expenses. Each element of O&M expenses has been examined in detail in the succeeding paragraphs. The Regulation 21 of the MYT Transmission Regulations, 2014 issued by the Commission stipulates:

Quote

"21. Operation & Maintenance Expense

- *a) Operation & Maintenance expenses comprise of Employee Costs, Administrative & General Expenses, and Repair & Maintenance expenses. The regulation 21 of the MYT Transmission Regulations issued by the Hon'ble Commission stipulates:*
- *b) The Commission shall stipulate a separate trajectory of norms for each of the components of O&M expenses viz., employee cost, repairs and maintenance (R&M) expense and Administrative and General Expense (A&G expense). Provided that such norms may be specified for a specific Transmission Licensee or a class of Transmission Licensees.*
- *c) Norms shall be defined in terms of combination of number of personnel per ckt/km (for different categories of transmission lines for e.g. HVDC, 765 KV, 400 KV, > 66 KV & 400 KV, etc. lines) and number of personnel per bay (for different categories of bay for e.g. 765 KV, 400 KV, > 66 KV & 400 KV, etc bays) along with annual expenses per personnel for Employee expenses; combination of A&G expense per personnel and A&G expense per ckt/km and bay for A&G expenses and R&M expense as percentage of gross fixed assets for estimation of R&M expenses.*
- *d) One-time expenses such as expense due to change in accounting policy, arrears paid due to pay commissions etc., shall be excluded from the norms in the trajectory.*
- *e) The expenses beyond the control of the Transmission Licensee such as dearness allowance, terminal benefits etc. in Employee cost etc., shall be excluded from the norms in the trajectory.*
- *f) The One-time expenses and the expenses beyond the control of the Transmission Licensee shall be allowed by the Commission over and above normative Operation & Maintenance Expenses after prudence check.*
- *g) The norms in the trajectory shall be specified over the control period with due consideration to productivity improvements.*

The norms shall be determined at constant prices of base year and escalation on account of - inflation shall be over and above the baseline.

h) *The Transmission Licensee specific trajectory of norms shall be identified by the Commission on the basis of simple average of previous five years audited figures, duly normalized for any abnormal variation....."*

Unquote

Petitioner's Submission

Employee Expenses for FY 2017-18:

4.7.2 The Petitioner submitted that it has computed the Employee expenses for FY 2017-18 as per the Regulation 21.1 of the MYT Transmission Regulations as below:

Quote

Employee cost shall be computed as per the approved norm 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., governed by the following formula:

*EMPn= (EMPb * CPI inflation) +Provision*

-Where:

EMPn: Employee expense for the year n.

EMPb: Employee expense as per the norm CPI inflation: is the average increase in the Consumer Price Index (CPI) for immediately preceding three financial years.

Provision: Provision for expenses beyond control of the Transmission Licensee and expected one-time expenses as specified above.

Unquote

4.7.3 The Petitioner has submitted that it has considered the approach adopted by the Commission while allowing the employee expenses in the MYT ARR for the 1st Control Period (FY 2017-18 to FY 2019-20) in its Order dated November 30, 2017. Further, it has submitted that the Commission approved the employee expense norms for transmission lines and norms for bays for the MYT period in its Order dated November 30, 2017 for computation of normative employee expenses. The Petitioner has considered the same methodology and norms, approved by the Commission in the Tariff Order for FY 2017-

18, for the Truing-up of Employee expenses for FY 2017-18. Normative Employee expenses approved by the Commission and claimed for FY 2017-18 has been shown in the Table below:

TABLE 27:EMPLOYEE EXPENSES FOR FY 2017-18 AS SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	FY 2017-18		
	Approved in Tariff (MYT) Order	**Audited Accounts**	**True-up Petition**
Norms per ckt kms (Rs. Crore)	0.0048		0.0048
Line Length (ckt kms)	44618.41		36213.94
Employee Expenses (ckt kms) (Rs. Crore)	215.77		175.13
Norms per Bay (Rs. Crore)	0.1667		0.1667
Number of Bays (nos)	3955		4039
Employee Expenses (Bays) (Rs. Crore)	659.43		673.44
Add: Arrears (Rs. Crore)	44.74		0.00
Total Employee Expenses (Rs. Crore)	**919.94**	**507.06**	**848.56**
Employee Expenses Capitalised (Rs. Crore)	230.03	308.36	308.36
Net Employee Expenses (Rs. Crore)	**689.91**	**198.69**	**540.20**

4.7.4 The Petitioner further submitted that the actual gross employee expenses were Rs. 507.06 Crore as against Rs. 919.94 Crore as approved by the Commission in the Tariff Order for FY 2017-18. The employee expenses capitalised as per annual accounts are to the tune of Rs. 308.36 Crore as against Rs. 230.03 Crore as approved in the Tariff Order. Thus, the net employee expenses as per annual accounts are Rs. 198.69 Crore as against Rs. 689.91 Crore approved in the Tariff Order. However, the Petitioner has claimed the normative employee's expenses of Rs. 848.56 Crore for truing up of FY 2017-18, computed by considered the actual number of bays and line length of the transmission lines upto March 2018. The net employee expenses claimed for FY 2017-18 are Rs. 540.20 Crore.

4.7.5 Further, the normative employee's expenses for FY 2017-18 are within the limit as allowed in the Tariff Order. The Petitioner submitted that the normative employee expenses are allowed to it in terms of the extant UPERC (MYT for Transmission Tariff) Regulations, 2014.

Administrative and General Expenses

4.7.6 The Petitioner has submitted that it has computed the Administrative and General

Expenses for the FY 2017-18 as per the Regulation 21.3 of the UPERC (MYT for Transmission Tariff) Regulations, 2014 as below:

Quote

A&G expense shall be computed as per the norm escalated by 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, and shall be governed by following formula:

*A&Gn= (A&Gb * WPI inflation) + Provision*

Where:

A&Gn: A&G expense for the year n A&Gb: A&G expense as per the norm WPI inflation: is the average increase in the Wholesale Price Index (WPI) for immediately preceding three financial years Provision: Cost for initiatives or other one-time expenses as proposed by the Licensee and validated by Transmission the Commission.

Unquote

4.7.7 Further, the Petitioner has submitted that it has claimed the normative A&G expenses Rs. 38.14 Crore as per the approach adopted by the Commission while approving the MYT ARRs for the 1st Control Period (FY 2017-18 to FY 2019-20) in its MYT Tariff Order dated November 30, 2017 (henceforth referred as 'MYT Order 2017'). The Commissions approved A&G expense norms for transmission lines and the norms for bays in the said MYT Order 2017 for computation of normative A&G expenses.

4.7.8 In addition, the Petitioner has claimed an additional expenditure of Rs. 5.72 Crore over and above the normative A&G expenses towards the actual transmission licensee fee paid for the FY 2017-18. The Commission in its deficiency has raised the query to clarify the same. The Petitioner in its response submitted that the Transmission License fee component was not covered under the base year for deriving the norms for the A&G expenses by the Commission for the 1st Control Period. Further mentioned that the Commission had also allowed the licensee fee up to FY 2016-17 while Truing Up for FY 2016-17 in its Tariff Order dated August 27, 2019. The details of the Licensee fee up to FY 2016-17 and pertaining to FY 2017-18 are provided below:

Table 28: LICENSEE FEE AS SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	Energy Handled (MU)	Applicable Licensee Fee (Rs. Crore)
FY 2011-12	70,371.05	2.35
FY 2012-13	73667.40	3.68
FY 2013-14	77586.12	3.88
FY 2014-15	82413.86	4.12
FY 2015-16	89869.91	4.49
FY 2016-17	101763.08	5.09
Total upto FY 2016-17 (claimed while truing-up for FY 2016-17)		23.61
FY 2017-18 (Claimed in FY 2017-18 true-up)	114321.13	5.72

4.7.9 The A&G Expenses have been claimed for True Up of FY 2017-18 based on the norms approved by the Commission in the said MYT Order dated 30.11.2017. The detailed computation of the A&G Expenses in provided below:

TABLE 29: A&G EXPENSES FOR FY 2017-18 AS SUBMITTED BY PETITIONER (RS. CRORE)

Particulars	Approved in MYT Order	Audited Accounts	True-up Petition
Norms per ckt kms (Rs. Crore)	0.0002		0.0002
Line Length (ckt kms)	44,618.41		36213.94
A&G Expenses for Transmission Lines (Rs. Crore)	9.30		7.55
Norms per Bay (Rs. Crore)	0.0048		0.0048
Number of Bays (nos)	3,955.00		4039.00
A&G Expenses for Bays (Rs. Crore)	18.91		19.31
Norms per Employee (Rs. Crore)	0.0009		0.0009
Number of Employees (nos)	6,411.00		6372.00
A&G Expenses for Employees (Rs. Crore)	5.60		5.57
Total A&G Expenses (Rs. Crore)	**33.81**	**52.69**	**32.43**
A&G Expenses Capitalised (Rs. Crore)	6.85	0.00	0.00
Additional A&G Expenses towards the License Fee for FY 2017-18 (Rs. Crore)	-	-	5.72
Net A&G Expenses (Rs. Crore)	**26.96**	**52.69**	**38.14**

4.7.10 The Petitioner submitted that as per audited accounts, the actual gross A&G expenses were Rs. 52.69 Crore. No A&G expenses capitalisation has been claimed for FY 2017-18 as per annual accounts. The erstwhile policy for capitalisation of the administrative and general expenses has been discontinued with effect from FY 2015-16 based on the observations of the AG Audit. Whereas, the A&G capitalization approved in the tariff Order are to the tune of Rs. 6.85 Crore. Thus, the net A&G expenses as per annual accounts are Rs. 52.69 Crore as against Rs. 26.96 Crore approved in the Tariff Order dated 30.11.2017.

R&M Expenses

4.7.11 The Petitioner submitted that it has computed the Repair & Maintenance expenses for FY 2017-18 as per the Regulation 21.2 of the UPERC (MYT for Transmission Tariff) Regulations, 2014 as below:

4.7.12 "Repairs and Maintenance expense shall be calculated as percentage (as per the norm defined) of Average Gross Fixed Assets for the year governed by following formula:

Quote

*R&Mn = Kb * GFAn*

Where:

R&Mn: Repairs & Maintenance expense for nth year

GFAn: Average Gross Fixed Assets for nth year

Kb: Percentage point as per the norm.

Unquote

4.7.13 As per the UPERC (MYT for Transmission Tariff) Regulations, 2014 the R&M expenses for any year of the MYT period are a percentage or fraction of the average GFA base of that year. This percentage or the factor 'K_b' may be determined by the Commission. The 'K_b' factor approved by the Commission for the FY 2017-18, FY 2018-19 & FY 2019-20 is 1.68%, 1.75% & 1.83% respectively. The R&M Expenses have been claimed for the FY 2017-18 based on the 'K_b' factor approved by the Commission in the said MYT order i.e. 1.68%. The detailed computation of the R&M expenses in provided below:

TABLE 30: R&M EXPENSES FOR FY 2017-18 SUBMITTED BY UPPTCL (RS. CRORE)

Particulars	Approved in MYT Order	Audited Accounts	True-up Petition
Average GFA (Rs. Crore)	18,475.35		20549.74
K_b - Factor (%)	1.68%	**407.76**	1.68%
R&M Expense (Rs. Crore)	**310.12**		**344.94**

4.7.14 The actual repair and maintenance expenses for FY 2017-18 were Rs. 407.76 Crore as against Rs. 310.12 Crore approved by the Commission in the Tariff Order dated 30.11.2017.

Sharing of Efficiency Gain of Loss

4.7.15 The Petitioner has submitted that in line with the Regulation 11 of the MYT Regulations 2014, it is sharing the net gain in the Normative operation and maintenance (O&M) expenditure as compared to the actual O&M expenditure incurred during the FY 2017-18. The net gain is in respect of the O&M expenditure is Rs. 132.07 crore.

Commission`s Analysis

4.7.16 As per the provisions of the aforesaid Regulations, the Commission in MYT Order dated November 30, 2017 had approved the norms for Employee Expenses, A&G Expenses and R&M Expenses. The relevant extract of the Order is as follows:

Employee Expenses:

Quote

7.6.11 Considering the methodology provided in Transmission MYT Regulations, 2014 the detailed calculation of Employee Expense is as follows:

7.6.12 The norms for preceding five years for which audited accounts is available i.e. FY 2010-11 to FY 2014-15 is calculated by using following formulae:

Sl No	*Formulae*
•	*Assumption: 25% of Gross Employee expenses is attributed to Transmission lines and remaining 75% for bays as per methodology followed in CERC 2014 Tariff Regulations.*
(A)	*Norms per ckt km = (25% of Gross Employee Expense for year / ckt kms)*
(B)	*Norms per bay= (75% of Gross Employee expense for a year / Number of Bays)*
(C)	*Average of (A) from FY 2010-11 to FY 2014-15. (5 years)*
(D)	*Average of (B) from FY 2010-11 to FY 2014-15. (5 years)*

7.6.13 It is observed that the value of (C) & (D) is considered as the values for base year FY 2014-15. Hence, (C) & (D) are escalated using CPI escalation to arrive at the values for FY 2017-18.

Particulars	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	Average of FY 2011-2015
Employee Expenses (25%) (Audited) (A1) (Rs Crore)	88.62	87.87	86.24	98.82	99.22	
Line Length (Ckt kms) (A2)	24,405	25,301	25,920	26,876	28,678	
Employee Expenses (75%) (Audited) (A3) (Rs Crore)	265.85	263.60	258.72	296.46	297.66	
Number of Bays (A4) (nos.)	2098.00	2169.00	2271.00	2434.00	2445.00	
Norms per ckt kms (A)= (A1/A2)*1000 (Rs Crore)	0.0036	0.0035	0.0033	0.0037	0.0035	**0.0035 (C)**
Norms per Bays (B)= (A3/A4) (Rs Crore)	0.1267	0.1215	0.1139	0.1218	0.1217	**0.1211 (D)**

7.6.14 CPI escalation for a year is calculated considering CPI inflation for FY 2012-13 to FY 2014-15 i.e. preceding three years from the base year as per Regulations.

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
CPI Indices*	194.83	215.17	236.00	250.83	265.00	275.92	-	-	-
Percentage increase over previous year-CPI Inflation		**10.44%** (= (215.17-194.83)/194.83	**9.68%** (= (236-215.17)/ 215.17	**6.29%** (=(250.83-236/236))	**5.65%** (=(265-250.83/250.83)	**4.12%** (=(275.92-265)/265)	**8.80%** (Avg of previous 3 years from base year) ((= 10.44%+9.68%+6.29%)/3)		

*Source: http://labourbureau.nic.in/indtab.html

7.6.15 Thereafter year wise (i.e. FY 2017-18, FY 2018-19 and FY 2019-20) Employee Expense (per ckt km) and Employee Expense (per bay) is calculated considering norms per ckt km and norms per bay (calculated above) using following formulae:

Employee Expense (Consumers) = (Norms per ckt km * ckt kms)

Employee Expense (Bay) = (Norms per bay * Number of bays)

	Base Value	2015-16	2016-17	2017-18	2018-19	2019-20
CPI Inflation		5.65%	4.12%	8.80%	8.80%	8.80%
Pay Commission impact			15%			
Norms per ckt kms (Rs Crore)	**0.0035**	0.0039	0.0044	0.0048	0.0053	0.0057
Line Length (ckt kms)		30151.41	35522.41	44618.41	49200.41	52937.41

	Base Value	2015-16	2016-17	2017-18	2018-19	2019-20
Employee Expense for Lines (F)(Rs Crore)		116.12	157.88	215.77	258.86	303.04
Norms per bay (Rs Crore)	**0.1211**	0.1328	0.1532	0.1667	0.1814	0.1974
No of bays		3428.00	3733.00	3955.00	4417.00	4663.00
Employee Expense for Bays (G) (Rs Crore)		455.18	572.06	659.43	801.27	920.35

*Impact of 7th pay revision has been considered while calculation of norms from 2015-16 onwards

7.6.16 Further, UPPTCL has considered the impact of the 7th pay revision while computing the norms for the employee expenses by 15% and has accordingly claimed the onetime arrears of FY 2015-16 and FY 2016-17 payable due to the 7th pay revision of Rs. 44.74 Crore each in FY 2017-18 and FY 2018-19 respectively. Accordingly, the arrears of 7th Pay Commission the same is allowed under Regulation 21.1 of the Transmission MYT Regulations, 2014 as "provision" i.e. provision for expenses beyond the control of the Transmission Licensee as one-time expenses.

7.6.17 The computation of total Employee Expense is calculated by taking the average of Employee Expense (ckt kms) and Employee Expense (Bay), as shown under:

Particulars	Control Period		
	FY 2017-18	FY 2018-19	FY 2019-20
Norms per ckt kms (Rs Crore)	0.0048	0.0053	0.0057
Line Length (ckt kms)	44618.41	49200.41	52937.41
Employee Expenses (ckt kms) (F) (Rs Crore)	**215.77**	**258.86**	**303.04**
Norms per Bay (Rs Crore)	0.1667	0.1814	0.1974
Number of Bays (nos)	3955.00	4417.00	4663.00
Employee Expenses (Bays) (G) (Rs Crore)	**659.43**	**801.27**	**920.35**
Add: Arrears (H)	44.74	44.74	
Total Employee Expenses (F+G+H) (Rs Crore)	**919.94**	**1104.88**	**1223.39**

Unquote

A&G Expenses:

Quote

7.6.26 Considering the methodology provided in Transmission MYT Regulations, 2014 the detailed calculation of A&G Expense is as follows:

7.6.27 The norms for five years (i.e. for last five years for which audited accounts are available i.e. from FY 2010-11 to FY 2014-15) are calculated by using formulae as follows:

Sl No	Formulae
•	Assumption: 25% of Gross A&G expenses are attributed to Transmission lines, 25% of Gross A&G for employee expenses and remaining 50% for bays as per methodology followed in CERC 2014 Tariff Regulations.
(A)	Norms per ckt km= (Gross A&G expense for a year /Length of ckt kms) * 1000
(B)	Norms per Bay= (Gross A&G expense for a year / Number of Bays)
(B1)	Norms per Employee= (Gross A&G expense for a year / Number of Employees)
(C)	Average of (A) from FY 2011-12 to FY 2015-16 (5 years)
(D)	Average of (B) from FY 2011-12 to FY 2015-16 (5 years)
(E)	Average of (B1) from FY 2011-12 to FY 2015-16 (5 years)*

**Note- The A&G Expenses have been computed considering number of bays and circuit km and employee expenses as submitted by the petitioner vide affidavit dated 2.5.2017.*

7.6.28 The values (C), (D) & (E) are considered escalated using WPI escalation for FY 2014-15 to FY 2015-16 to arrive at value for FY 2017-18. As per Regulation the A&G Expenses should be calculated considering Norms per ckt/km, norms per bay and norms per employee.

Particulars	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	Average of FY 2011-2016
A&G Expenses (25%) (Audited) (A1) (Rs Crore)	3.66	3.69	4.01	7.26	8.52	
Line Length (ckt kms) (A2)	24405	25301	25920	26876	28678	
A&G Expenses (75%) (Audited) (A3) (Rs Crore)	7.31	7.39	8.02	14.52	17.05	
Number of Bays (A4) (nos.)	2098.00	2169.00	2271.00	2434.00	2445.00	

Particulars	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	Average of FY 2011-2016
A&G Expenses (25%) (Audited) (A5) (Rs Crore)	3.66	3.69	4.01	7.26	8.52	
Number of Employees (A6)	5654	5973	5833	6856	6778	
Norms per ckt kms (A)= (A1/A2)*1000 (RsCrore)	0.0001	0.0001	0.0002	0.0003	0.0003	**0.0002**
Norms per Bay (B)= (A3/A4) (Rs Crore)	0.0035	0.0034	0.0035	0.0060	0.0070	**0.0047**
Norms per Employee (C)= (A5/A6) (Rs Crore)	0.0006	0.0006	0.0007	0.0011	0.0013	**0.0008**

7.6.29 The WPI escalation for a year is calculated considering WPI inflation for FY 2012-13 to FY 2014-15 i.e. preceding three years from the base year.

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
WPI Indices*	100	107	113	114	110	112			
Percentage increase over previous year-WPI Inflation		6.90%	5.53%	0.94%	-3.65%	1.73%	**4.46%** (Avg of previous 3 years from the base year) (= 6.90+5.53%+0.94%)/3)		

*Source- http://eaindustry.nic.in/#

The new WPI series has been issued by the government and the new series of Wholesale Price Index (WPI) with base 2011-12 is effective from April 2017.The same has been considered for escalation purposes during the MYT control period.

7.6.30 The year wise (i.e. FY 2017-18, FY 2018-19 and FY 2019-20) total A&G Expenses are calculated considering A&G Expense (ckt kms), A&G Expense (Bay) and A&G Expense (Employee) as shown below:

- A&G Expense (ckt kms) = (Norms per ckt kms * ckt kms)
- A&G Expense (Bay) = (Norms per Bay * Number of Bays)
- A&G Expense (Employee- (Norms per Employee* Number of Employees)

Particulars	Base Year	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
WPI Inflation		-3.65%	1.73%	**4.46%**	**4.46%**	**4.46%**
Norms per Ckt kms (Rs Crore)	0.0002	0.0002	0.0002	0.0002	0.0002	0.0002

Particulars	Base Year	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Line Length (ckt kms)		*30151.00*	*35522.41*	*44618.41*	*49200.41*	*52937.41*
A&G Expense (F) (Rs Crore)		***5.91***	***7.09***	***9.30***	***10.71***	***12.04***
	0					
Norms per Bay (Rs Crore)	*0.0047*	*0.0045*	*0.0046*	*0.0048*	*0.0050*	*0.0052*
No of Bays (nos.)		*3428.00*	*3733.00*	*3955.00*	*4417.00*	*4663.00*
A&G Expense (G) (Rs Crore)		***15.43***	***17.09***	***18.91***	***22.06***	***24.33***
Norms per Employee (Rs Crore)	*0.0009*	*0.0008*	*0.0008*	*0.0009*	*0.0009*	*0.0010*
No of Employees (nos.)		*6887.00*	*6068.00*	*6411.00*	*6718.00*	*7231.00*
A&G Expense (H) (Rs Crore)		***5.66***	***5.08***	***5.60***	***6.13***	***6.90***

7.6.31 The total A&G expense for UPPTCL is calculated by taking the average of A&G Expense (ckt kms), A&G Expense (bay) and A&G Expense (Employee) as follows:

Computed	MYT Control Period		
	FY 2017-18	FY 2018-19	FY 2019-20
Norms per ckt kms (Rs Crore)	*0.0002*	*0.0002*	*0.0002*
Line Length (ckt kms)	*44618.41*	*49200.41*	*52937.41*
Administration & General Expenses (ckt km) (F) (Rs Crore)	***9.30***	***10.71***	***12.04***
Norms per Bay (Rs Crore)	*0.0048*	*0.0050*	*0.0052*
Number of Bays (nos)	*3955.00*	*4417.00*	*4663.00*
Administration & General Expenses (Bay) (G) (Rs Crore)	***18.91***	***22.06***	***24.33***
Norms per Employee (Rs Crore)	*0.0009*	*0.0009*	*0.0010*
Number of Employees (nos)	*6411.00*	*6718.00*	*7231.00*
Administration & General Expenses (Employee) (H) (Rs Crore)	***5.60***	***6.13***	***6.90***
Total Administration & General Expenses (F+G+H) *(Rs Crore)*	***33.81***	***38.90***	***43.26***

Unquote

R&M Expenses:

Quote

7.6.19 Considering the methodology provided in Transmission MYT Regulations, 2014 the detailed calculation of R&M Expense is as follows:

7.6.20 The value of Kb is calculated considering audited figures for the preceding five years (i.e. FY 2010-11 to FY 2014-15) as follows:

Kb = % of (Actual R&M Expense / Average GFA)

-Particulars	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
Average GFA (A) (Rs Crore)	7299.38	7849.07	8414.74	9252.58	10419.35
R&M Expenses (B) (Rs Crore)	98.06	118.8	143.14	162.7	195.96
K_b (D= B/A)	1.34%	1.51%	1.70%	1.76%	1.88%

7.6.21 Thereafter, the average of Kb is calculated for the preceding five years is calculated. This is considered as value of Kb factor FY 2014-15 (base year). The value is escalated by using increase in WPI for the corresponding years.

Particulars	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
K_b (D= B/A)	1.34%	1.51%	1.70%	1.76%	1.88%
Average of 5 years					**1.64%**

7.6.22 The WPI escalation for a year is calculated by considering the average increase in WPI for FY 2012-13 to FY 2014-15 i.e. preceding three years from the base year.

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
WPI Indices*	100	107	113	114	110	112			
Percentage increase over previous year-WPI Inflation		6.90%	5.53%	0.94%	-3.65%	1.73%	**4.46%** (Avg of previous 3 years from the base year) (=(6.90%+5.53%+0.94%)/3)		

**Source- http://eaindustry.nic.in/#*

The new WPI series has been issued by the government and the new series of Wholesale Price Index (WPI) with base 2011-12 is effective from April 2017.The same has been considered for escalation purposes during the MYT control period.

7.6.23 The total R&M Expense is calculated by using following formulae:

*Total R&M Expense = Kb * Average GFA*

Particulars	**FY 2015-16**	**FY 2016-17**	**FY 2017-18**	**FY 2018-19**	**FY 2019-20**
Average GFA (Rs Crore)	*11,862.38*	*14,498.84*	*18,475.35*	*23,389.44*	*29,211.51*
WPI Inflation	*-3.65%*	*1.73%*	*4.46%*	*4.46%*	*4.46%*
K_b	*1.58% (= 1.64%*(1-3.65%))*	*1.61% (= 1.58% *(1+ 1.73%))*	***1.68%** (=1.61%*(1+ 4.46%))*	***1.75%** (=1.68%*(1+ 4.46%)*	***1.83%** (=1.75%*(1+ 4.46%)*

7.6.24 The calculation of R&M Expense for UPPTCL is as follows:

S. No.	***Particulars***	***Control Period***		
		FY 2017-18	***FY 2018-19***	***FY 2019-20***
1	*Average GFA (Rs Crore)*	*18475.35*	*23389.44*	*29211.51*
2	*K_b*	*1.68%*	*1.75%*	*1.83%*
3	***R&M Expense (Rs Crore)***	***310.12***	***410.10***	***535.02***

Unquote

4.7.17 The Commission has dealt each component of O&M expenses i.e. Employee expenses, R&M expenses and A&G expenses individually & appropriately in subsequent paras.

4.7.18 On the basis of the norms for FY 2017-18 approved in the MYT Order dated November 30, 2017, the normative values of Employee expenses, R&M expenses and A&G expenses are shown below:

TABLE 31: NORMATIVE EMPLOYEE EXPENSES FOR FY 2017-18 (RS. CRORE)

Particulars	**Approved in MYT Order**	**Audited Accounts**	**True-up Petition**	**Normative as per Commission**
Norms per ckt kms (Rs. Crore)	0.0048	507.06	0.0048	0.0048
Line Length (ckt kms)	44618.41		36213.94	36213.94
Employee Expenses (ckt kms) (Rs. Crore)	215.77		175.13	175.12
Norms per Bay (Rs. Crore)	0.1667		0.1667	0.1667

Particulars	Approved in MYT Order	Audited Accounts	True-up Petition	Normative as per Commission
Number of Bays (nos)	3955		4,039.00	4,039.00
Employee Expenses (Bays) (Rs. Crore)	659.43		673.44	673.43
Add: Arrears (Rs. Crore)	44.74		0.00	0.00
Total Employee Expenses (Rs. Crore)	**919.94**		**848.56**	**848.56**
Employee Expenses Capitalised (Rs. Crore)	230.03	308.36	308.36	308.36
Net Employee Expenses (Rs. Crore)	**689.91**	**198.69**	**540.20**	**540.20**

TABLE 32: NORMATIVE A&G EXPENSES FOR FY 2017-18 (RS. CRORE)

Particulars	Approved in MYT Order	Audited Accounts	True-up Petition	Normative as per Commission
Norms per ckt kms (Rs. Crore)	0.0002		0.0002	0.0002
Line Length (ckt kms)	44,618.41		36213.94	36213.94
A&G Expenses for Transmission Lines (Rs. Crore)	9.30		7.55	7.55
Norms per Bay (Rs. Crore)	0.0048		0.0048	0.0048
Number of Bays (nos)	3,955.00		4,039.00	4,039.00
A&G Expenses for Bays (Rs. Crore)	18.91		19.31	19.31
Norms per Employee (Rs. Crore)	0.0009		0.0009	0.0009
Number of Employees (nos)	6,411.00		6372.00	6372.00
A&G Expenses for Employees (Rs. Crore)	5.6		5.57	5.57
Total A&G Expenses (Rs. Crore)	**33.81**	**52.69**	**32.43**	**32.43**
A&G Expenses Capitalised (Rs. Crore)	6.85	0.00	0	0
Additional A&G Expenses towards the License Fee for FY 2017-18 (Rs. Crore)			5.72	5.72
Net A&G Expenses	**26.96**	**52.69**	**38.14**	**38.14**

TABLE 33: GFA COMPUTATION FOR FY 2017-18 (RS. CRORE)

Particulars	FORMULA	Normative as per Commission
Opening GFA	A	18357.76
Addition to GFA	B	4253.79
Deductions to GFA	C	240.14

Particulars	FORMULA	Normative as per Commission
Closing GFA	D=A+B-C	22371.41
Average GFA	**E=(A+D)/2**	**20364.58**

TABLE 34: NORMATIVE R&M EXPENSES FOR FY 2017-18 (RS. CRORE)

Particulars	Approved in MYT Order	Audited Accounts	True-up Petition	Normative as per Commission
Average GFA (Rs. Crore)	18,475.35		20,549.74	20,364.48*
Kb - Factor (%)	1.68%		1.68%	1.68%
R&M Expense (Rs. Crore)	**310.12**	**407.76**	**344.94**	**341.83**

**The 25% disallowance in Capex for FY 2017-18 will directly affect the capitalisation or addition of assets to GFA. Accordingly, there is a difference of Rs. 185.26 Crores.*

Summary of O&M Expenses

4.7.19 It is observed that the Petitioner has submitted that it has reduced the actual O&M expenses wrt the normative O&M expenses and hence it has claimed the amount on account of sharing of the gains due to efficiency in the operation and maintenance (O&M) expenditure as compared to the actual O&M expenditure incurred during FY 2017-18. The net gain claimed due to efficiency is Rs. 264.14 crore, 50% of gain is shared with the consumers i.e. Rs. 132.07 Crores as per the Regulation 11 of UPERC MYT Regulations, 2014.

4.7.20 The Commission, vide order dated 03.09.2019 in the matter of True-up Order of FY 2017-18 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:

Quote

"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."

Unquote

4.7.21 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.

4.7.22 Further, the Commission observes that there is a large variation in the normative and actual O&M Expenses of UPPTCL. It should be noted 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 for FY 2017-18 were allowed considering the projections of line length (ckt kms), no. of bays, energy handled for FY 2017-18 by the petitioner. It is observed that in its current true-up filings, the Petitioner has shown considerable reduction in the components actually incurred as per audited accounts, which has resulted in vast variation in the parameters. The Commission observed that the normative A&G Expenses of Rs. 38.14 Crore is lower as compared to the actual A&G Expenses of Rs. 52.69 Crore by UPPTCL. The R&M Expenses is computed based on Average GFA and kb factor, it is observed that the actual R&M is Rs. 407.76 Crore against the normative of Rs. 344.94 Crore, which is a variation of approx. Rs. 50 Crore. The normative employee expenses claimed by the Petitioner is Rs. 848.56 Crore against the actual of Rs. 507.06 Crores as per audited Accounts.

4.7.23 The Commission is of the view that the sharing of gains is allowed only for the purpose of incentivization 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 DISCOMs Tariff Order dated 03.09.2019 (True up of FY 2017-18).

4.7.24 The Commission, keeping in view, the benefit of the consumers, has considered the lower of normative or actual expense for each element of O&M, i.e. Employee Expense, R&M & A&G separately, while allowing the O&M expenses. Accordingly, the Commission has approved the O&M expenses in the Tables below:

TABLE 35: Approved O&M EXPENSES FOR FY 2017-18 (RS. CRORE)

Particulars	Approved in MYT Order	Annual Accounts	Normative	True-up Petition	Approved upon Truing Up
Gross Employee Expenses	919.94	507.06	848.56	848.56	507.06
Employee expenses capitalized	230.03	308.36	308.36	308.36	308.36
A. Net Employee Expenses	**689.91**	**198.69**	**540.20**	**540.19**	**198.69**
Gross A&G Expenses	33.81	52.69	38.14	38.14	38.14
A&G expenses capitalized	6.85	0.00	0.00	0.00	0.00
B. Net A&G Expenses	**26.96**	**52.69**	**38.14**	**38.14**	**38.14**
C. R&M Expenses	**310.12**	**407.76**	**344.94**	**344.83**	**341.83**
Total O&M Expenses (A+B+C)	**1,026.99**	**659.14**	**923.28**	**920.17**	**578.67**
Net (Gain)/Loss	-	-	-	264.14	-
Less: Net (Gain)/Loss sharing	-	-	-	132.07	
Net O&M Expenses	**1,026.99**	**659.14**	**923.28**	**788.10**	**578.67**

4.8 PRIOR PERIOD EXPENSES

Petitioner's Submissions

4.8.1 The Petitioner has not claimed any amount under the Petition for True up of FY 2017-18. However, the Petitioner in the Annual Accounts has shown of Rs. 2.95 Crores as Prior Period Items, Debits, write-offs & other Expenses, other comprehensive income.

Commission's Ruling

4.8.2 Prior period expenses and incomes are the outcomes of omissions / errors in recording the transactions in the accounting statements. The items booked under the prior period expenses are essentially ARR items like O&M expenses, interest and finance charges, etc. Each item of ARR has a distinct methodology of treatment in the ARR and True Up determination. The Commission has not considered any prior period expenses / income in True Up for FY 2017-18 as the same has not been claimed by the Petitioner.

4.9 RETURN ON EQUITY

Petitioner's Submission

4.9.1 Under the provisions of the MYT Transmission Regulations, the Petitioner is allowed a return of @ 15.5% on equity base; for equity base calculation debt equity ratio shall be 70:30. Where equity involved 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.

4.9.2 In view of the huge gap in the recovery of cost of supply at the Discom level, the Petitioner was of the view that return on equity would only result in accumulation of receivables. As such, the Licensee has been claiming return on equity @ 2% since the financial years 2009-10 onwards. Return on equity has been computed on the normative equity portion (30%) on capitalized assets.

Commission's Analysis

4.9.3 As per Regulation 26 of the UPERC MYT Regulations, 2014, Return on Equity is computed as under:

Quote

"Treatment of Return on equity

a) Return on equity shall be computed on 30% of the capital base or actual equity, whichever is lower:

Provided that assets funded by consumer contribution, capital subsidies / grants and corresponding depreciation shall not form part of the capital base. Actual equity *infused in the Transmission Licensee as per book value shall be considered as perpetual and shall be used for computation in these regulations.*

…"

Unquote

4.9.4 For computation of Return on Equity, in past years there has been an inadvertent error, wherein the assets created out of consumer contribution, capital subsidies / grants were not deducted from the assets capitalized during the year (i.e. GFA addition). However, the same has been considered in the current computations for FY 2017-18.

4.9.5 The closing equity base of FY 2016-17 is an accepted figure; therefore, the closing of FY 2016-17 has been considered as the opening for FY 2017-18. Further, in order to arrive at the closing equity for FY 2017-18, 30% of the equity addition during the FY 2017-18 has been added & 30% of the Consumer Contribution received during the year has been deducted. Accordingly, Return on Equity is computed on average of the above-mentioned opening and closing equity.

4.9.6 The Return on Equity approved by the Commission for FY 2017-18 is as shown in the table below:

TABLE 36: ALLOWABLE RETURN ON EQUITY FOR FY 2017-18 AS APPROVED BY THE COMMISSION (RS. CRORE)

S.No	Particulars	FORMULA	FY 2017-18		
			Tariff Order dt. 30.11.2017	Petitioner's Submission	Approved upon Truing Up
Assets to be deducted regarding Equity					
1	Assets Capitalised (during the year)	A	4449.23	4624.12	4253.79
2	Assets created out of consumer contribution (during the year)	B	100.00	423.04	423.04
3	Net Assets Capitalised (during the year)	C=A-B	4349.23	4201.08	3830.75
4	30% on Net Assets Capitalised (during the year)	D=30%*C	-	-	1149.23
Consumer Contribution:					
5	Consumer Contribution:	E	-	-	657.33
6	Opening balance of Consumer Contributions, Grants and Subsidies towards cost of Capital Assets	F=30%*E	-	-	197.20

S.No	Particulars	FORMULA	FY 2017-18		
			Tariff Order dt. 30.11.2017	Petitioner's Submission	Approved upon Truing Up
Equity Computation					
7	Equity at the beginning of the year	G	5584.77	6343.39	6343.29
8	Net Equity at the beginning of the year	H=G-F	5584.77	6343.39	6146.09
9	Addition to Equity (during the year)	I=D	-	-	1149.23
11	Closing Equity	J=H+I	6919.54	7730.63	7295.32
12	Average Equity	K=(H+J)/2	6252.16	7037.01	6720.71
13	Rate of Return (%)	L	2.00%	2.00%	2.00%
14	**Return on Equity (during the year)**	**M=K*L**	**125.04**	**140.74**	**134.41**

4.10 NON-TARIFF INCOME

Petitioner's Submission

4.10.1 The Petitioner submitted that against the projected non-tariff income of Rs. 52.73 Crore in the Tariff Order, the actual non-tariff income as per the annual accounts of FY 2017-18 is Rs. 121.15 Crore. Further, as per the FY 2017-18 annual accounts the income from Consumer Contribution is to the tune of Rs. 59.49 Crore is also recognized under the other income which has been already deducted from the gross allowable depreciation in the section above. Thus, the net non-tariff considered for FY 2017-18 is Rs. 61.66 Crore.

Commission's Analysis

4.10.2 The Regulation 28 of the Uttar Pradesh Electricity Regulatory Commission (Multi Year Transmission Tariff) Regulations, 2014 provides as under:

Quote

28 Non-Tariff Income

a) All incomes being incidental to electricity business and derived by the Licensee from sources, including but not limited to profit derived from disposal of assets, rents, delayed payment surcharge, meter rent (if any), income from investments other than contingency reserves, miscellaneous receipts from the *consumers and income to Licensed business from the Other Business of the Transmission Licensee shall constitute Non-Tariff Income of the Licensee.*

b) Interest earned on security deposits, in excess of the rate specified by the Commission shall be considered as Non-Tariff income of the Licensees.

c) The amount received by the Licensee on account of Non-Tariff Income shall be deducted from the aggregate revenue requirement in calculating the net revenue requirement of such Licensee.

Provided further that any expenditure incurred for generating/ earning Non- Tariff Income may be reduced from such income.

Unquote

4.10.3 The Non-Tariff Income comprises of items such as interest on loans and advances to employees, income from fixed rate investment deposits and interest on loans and advance to staff etc.

4.10.4 As per the Regulations all income being incidental to electricity business is to be considered under Non-Tariff Income, therefore, the Commission has also considered the Point of Connectivity Charges for the Transmission Lines determined by CERC (as per the CERC in Petition No.286/TT/2013 vide Order dated 15.02.2016 and CERC in Petition No.168/TT/2016 vide Order dated 19.12.2017) as a part of Non-Tariff Income for UPPTCL. Accordingly, the Commission as per the audited accounts, has considered the revenue from Inter-state Transmission Lines of Rs. 27.72 Crores under Non-Tariff Income and has approved Non-Tariff Income of Rs. 89.38 Crores for FY 2017-18.

TABLE 37: NON-TARIFF INCOME FOR FY 2017-18 AS APPROVED BY THE COMMISSION (RS. CRORE)

S.No	Particulars	FY 2017-18			
		Tariff Order dt. 30.11.2017	Audited	Petitioner's Submission	Approved upon Truing Up
1	**Interest Incomes on:**				
a	Fixed Deposits		17.55		
b	Loan to staff		0.00	28.46	28.46
c	Others		10.91		
	Sub-Total		**28.46**	**28.46**	**28.46**
		52.73			
2	**Maintenance & Shutdown Charges**		**7.71**	**7.71**	**7.71**
3	**Other Non-Operating Income**				

S.No	Particulars	FY 2017-18			
		Tariff Order dt. 30.11.2017	Audited	Petitioner's Submission	Approved upon Truing Up
a	Income from Contractors/Suppliers		10.72	10.72	10.72
b	Incomes from Consumer Contribution Reserve		59.49	59.49	56.76
c	Rental from Staff		0.14	0.14	0.14
d	Miscellaneous Reciepts		1.08	1.08	1.08
e	Interest Subsidy		13.56	13.56	13.56
	Sub-Total		**84.99**	**84.99**	**82.26**
4	**Others**				
5	**PoC Charges of CERC lines**				**27.72**
6	**Total**		**121.15**	**121.15**	**146.14**
	Less:				
	Consumer Contribution during the year		59.49	59.49	56.76
7	**Non-Tariff Income**	**52.73**	**61.66**	**61.66**	**89.38**

4.11 REVENUE FROM TRANSMISSION OF POWER

Petitioner's Submission

4.11.1 The Petitioner has submitted that the gross transmission charges in FY 2017-18, are to the tune of Rs. 2,019.53 crore. Further, as part of separate function of SLDC, it is maintaining separate accounts for SLDC. It has recovered SLDC charges to the tune of Rs. 3.81 crore in FY 2017-18. The open access charges are to the tune of Rs. 46.07 crore as considered in annual accounts for FY 2017-18 which includes the short-term open access charges recovered in FY 2017-18 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 interstate transmission system as disbursed by PGCIL during FY 2017-18. Thus, the total revenue receipts of the Petitioner for FY 2017-18 are to the tune of Rs. 2,069.41 crore. The net revenue pertaining to FY 2017-18 is provided in the table below:

TABLE 38: REVENUE FROM OPERATIONS PERTAINING TO FY 2017-18 AS SUBMITTED BY UPPTCL (RS. CRORE)

Particulars	Amount
Transmission Charges for FY 2017-18	2,019.53
Open Access Charges for FY 2017-18	46.07
SLDC Charges for FY 2017-18	3.81
Total Revenue considered for revenue side truing up in FY 2017-18	**2,069.41**

TABLE 39: DETAILED BREAKUP OF REVENUE FROM OPERATIONS PERTAINING TO FY 2017-18 AS SUBMITTED BY UPPTCL (RS. CRORE)

S.NO.	Particulars	FY 2017-18	
		Energy delivered (MU)	Amount (Rs. Crore)
Distribution Licensee			
1	DVVNL	25,009.71	448.48
2	MVVNL	21,857.02	388.28
3	PVVNL	34,438.67	610.28
4	PuVVNL	27,016.33	482.50
5	KESCO	3,677.92	64.56
6	NPCL	1,811.01	19.39
7	**Sub-Total**	**1,13,810.66**	**2,013.49**
Open Access Consumer			
8	**LTC (other than distribution licensee)**	**358.51**	**6.04**
9	**STOA**	**151.96**	**18.35**
10	**SubTotal**	**510.47**	**24.39**
SLDC Charges			
11	**SLDC Charges**	**-**	**3.81**
12	**PoC Charges**	**-**	**27.72**
13	**Total**	**1,14,321.13**	**2,069.41**

Commission's Analysis

4.11.2 The Commission has considered the revenue from Interstate Transmission Lines as part of Non-Tariff Income, and has not considered as part of the Revenue from Transmission of Power for FY 2017-18.

TABLE 40: DETAILED BREAKUP OF REVENUE FROM OPERATIONS PERTAINING TO FY 2017-18 AS APPROVED BY THE COMMISSION (RS. CRORE)

S.NO.	Particulars	FY 2017-18	
		Energy delivered (MU)	Amount (Rs. Crore)
Distribution Licensee			
1	DVVNL	25,009.71	448.48
2	MVVNL	21,857.02	388.28
3	PVVNL	34,438.67	610.28
4	PuVVNL	27,016.33	482.50
5	KESCO	3,677.92	64.56
6	NPCL	1,811.01	19.39
7	**Sub-Total**	**1,13,810.66**	**2,013.49**
Open Access Consumer			
8	**LTC (other than distribution licensee)**	**358.51**	**6.04**
9	**STOA**	**151.96**	**18.35**
10	**Sub-Total**	**510.47**	**24.39**
SLDC Charges			
11	**SLDC Charges**	**-**	**3.81**
12	**Total**	**1,14,321.13**	**2,041.69**

4.12 AGGREGATE REVENUE REQUIREMENT

4.12.1 The Aggregate Revenue Requirement for FY 2017-18 after truing up is summarised in the Table below:

TABLE 41: APPROVED ARR FOR FY 2017-18 AFTER FINAL TRUING UP (RS. CRORE)

Particulars	Tariff Order	Actual as per annual accounts	True-up Petition	Approved Upon Truing Up
Employee cost	919.94	507.06	848.56	507.06
A&G expenses	33.81	52.69	38.14	38.14
R&M expenses	310.12	407.76	344.94	341.83
Interest on Loan Capital	1453.40	1228.09	1127.39	1096.47
Interest on Working Capital	77.64	0.00	81.11	67.14
Finance Charges	1.35	0.85	0.85	0.85
Depreciation	909.71	955.15	1009.61	989.51
Gross Expenditure	**3705.97**	**3151.60**	**3450.60**	**3041.00**
Less: Employee cost capitalized	230.03	308.36	308.36	308.36
Less: A&G Capitalisation	6.85	0.00	0.00	0.00

Particulars	Tariff Order	Actual as per annual accounts	True-up Petition	Approved Upon Truing Up
Less: Interest Capitalisation	863.32	281.67	281.67	273.94
Net Expenditure	**2605.77**	**2561.57**	**2860.57**	**2458.70**
Provision for Bad & Doubtful debts	0.00	-	-	-
Prior Period Items, Debts, write-offs & other expenses, other comprehensive income	0.00	2.95	-	-
Net Expenditure with provisions	**2605.77**	**2564.52**	**2860.57**	**2458.70**
Add: Return on Equity	125.04	-	140.74	134.41
Less: Non-Tariff Income	52.73	61.66	61.66	89.38
Annual Revenue Requirement (ARR)	**2678.08**	**2502.86**	**2939.64**	**2503.73**
Revenue from Operations pertaining to FY 2017-18	2678.08*	2069.41	2069.41	2041.69
Net Gain Sharing w.r.t O&M Expenses	-	-	132.07	-
Balance ARR Recoverable		**433.45**	**738.16**	**462.04**

**Considering No Revenue Gap or Surplus*

4.12.2 The Commission allows UPPTCL to recover the net gap allowed of Rs. 462.06 Crores on True Up for FY 2017-18 in 4 monthly instalments from the date of this Order in the proportion of amount billed to the Distribution Licensees and other entities in FY 2017-18.

4.13 TRANSMISSION TARIFF

4.13.1 The Transmission MYT Regulations, 2014 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.

4.13.2 Presently, the State Discoms 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.

4.13.3 Further, the Petitioner has submitted that 1,14,321.13 MUs were delivered to Distribution Licensees and other Long-Term Open Access Consumers during FY 2017-18.

4.14 DERIVATION OF TRANSMISSION TARIFF FOR FY 2017-18

4.14.1 The trued up ARR for FY 2017-18 and Transmission Tariff is computed as shown in the Table below:

TABLE 42: TRUED UP TRANSMISSION TARIFF FOR FY 2017-18 (RS. CRORE)

Particulars	Legend	MYT Tariff Order	Actuals as per Audited Accounts	True-up Petition	Approved upon Truing Up
ARR for FY 2017-18	A	2678.08	2502.86	2939.64	2503.75
Energy Handled (MU)	B	114945.92	114321.13	114321.13	114321.13
Transmission Tariff (Rs. /kWh)	C=A*10/B	**0.2330**	**0.2189**	**0.2571**	**0.2190**

4.14.2 Thus, the trued-up Transmission ARR approved for FY 2017-18 is Rs. 2503.73 Crore as against Rs. 2939.64 Crore claimed by the Petitioner. After considering the transmission charges and associated revenue already recovered for FY 2017-18 amounting to Rs. 2041.69 Crore, the revenue gap approve for FY 2017-18 is to the tune of Rs. 462.04 Crore.

4.14.3 From the audited balance sheet and the data submitted by the Petitioner, it was observed that the revenue of Rs. 2041.69 Crores was recovered during FY 2017-18 by the Petitioner as under:

TABLE 43: REVENUE GAP RECOVERY COMPUTATION FOR FY 2017-18

Period	Unit Transmitted (MU)	Rate	Revenue (Rs. Crores)
Revenue for period (01.04.2017 to 31.12.2017)	88730.25	0.1623*	1440.09
Revenue for period (01.01.2018 to 31.03.2018)	25438.92	0.2330**	592.73
Total (Discoms + LTOA)	**114169.17**		**2032.82**
STOA	151.96		5.06
Annual Charges			1.07
SLDC Charges			2.74
Total Revenue for FY 2017-18	**114321.13**	**0.1786#**	**2041.69**

*Transmission Tariff of FY 2016-17 applicable from 1.4.2017 to 31.12.2017

** Transmission Tariff for FY 2017-18 applicable from 1.1.2018 to 31.3.2018

#weighted average Transmission Tariff for FY 2017-18

4.14.4 However, as per above table, the Petitioner has recovered the revenue during FY 2017-18 at a weighted average Transmission Tariff of Rs. 0.1786/kWh. Hence, the gap allowed for FY 2017-18 of Rs. 462.04 Crores shall be recovered at (0.2190 - 0.1786= 0.0404) Rs. 0.0404 / kWh (i.e. 0.0404 X 114321.13/10= 462.04 Crs), in 4 monthly instalments from the date of this Order in the proportion of amount billed to the Distribution Licensees and other entities in FY 2017-18.

5 TRUING UP OF AGGREGATE REVENUE REQUIREMENT FOR FY 2018-19

The Commission, in its Tariff Order dated January 08, 2019 in Petition No. 1364 of 2018 approved the Annual Performance Review (APR) for FY 2016-17 & FY 2017-18 and Aggregate Revenue Requirement (ARR) and Tariff for FY 2018-19 and True up of ARR for FY 2015-16 for UPPTCL. In this Section, the Commission has analysed all the elements of actual revenue and expenses for FY 2018-19, and has undertaken the truing up of expenses and revenue after prudence check of the data made available by the Petitioner. The Commission has allowed the true up for FY 2018-19 considering the principles laid down in the UPERC (Multi Year Transmission Tariff) Regulations, 2014.

5.1 TRANSMISSION SYSTEM AVAILABLITY

Petitioner's submission

5.1.1 The Petitioner submitted that the transmission availability for UPPTCL's Transmission System was 99 % in FY 2018-19.

Commission's Analysis

5.1.2 The Regulation 16 of UPERC (MYT for Transmission Tariff) Regulations, 2014 specifies that:

Quote

16 Target availability

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

(1) AC System : 98%

Unquote

5.1.3 The Commission has gone through the details of Transmission Availability for FY 2018-19 submitted by UPPTCL and approves the same.

5.2 CAPITAL EXPENDITURE, CAPITALIZATION & INTEREST ON LOAN

Petitioner's submission

5.2.1 The Petitioner has submitted that the Commission in the past Tariff Orders had considered a normative tariff approach with a gearing of 70:30. Considering this approach, 70% of the capital expenditure undertaken in any year was considered to be financed through loan and balance 30% was considered to be financed through equity contributions. The portion of capital expenditure financed through consumer contributions, capital subsidies and grants were separated and the depreciation and interest thereon were not charged to the beneficiaries. Subsequently, the financing of the capital investment was worked out based on the gearing ratio of 70:30 and allowable depreciation was considered as normative loan repayment. The Commission has also considered the same approach while approving the ARR for the 1st Control period in the MYT Order dated 30th November, 2017 and subsequent Tariff Order dated 8th January, 2019 for FY 2018-19.

5.2.2 The Petitioner has submitted that considering the Capital Work in Progress balances (CWIP) and Gross Fixed Asset (GFA) balances as per annual accounts, Petitioner it has derived the actual capital investments undertaken by it in FY 2018-19. The details are provided in the table below:

TABLE 44: CAPITAL INVESTMENTS IN FY 2018-19 AS SUBMITTED BY UPPTCL (RS. CRORE)

Particulars	Derivation	FY 2018-19
Opening WIP as on 1st April	A	6,144.66
Investments	B	3,428.04
Employee Expenses Capitalisation	C	278.84
A&G Expenses Capitalisation	D	0.00
Interest Capitalisation on Interest on long term loans	E	107.69
Total Investments	**F= A+B+C+D+E**	**9,959.24**
Transferred to GFA (Total Capitalisation)	G	3,154.19
Closing WIP	**H= F-G**	**6,805.05**

5.2.3 The table below gives details of the amounts received towards consumer contributions, capital grants and subsidies claimed by the petitioner in FY 2018-19:

TABLE 45: CONSUMER CONTRIBUTIONS, CAPITAL GRANTS AND SUBSIDIES IN FY 2018-19 AS SUBMITTED BY UPPTCL (RS. CRORE)

Particulars	2018-19
Opening Balance of Consumer Contributions, Grants and Subsidies towards Cost of Capital	1,020.89
Additions during the year	381.47
Less: Amortisation	83.03
Closing Balance	**1,319.32**

5.2.4 The, the eligible financing of the capital investment as claimed by UPPTCL is depicted in the table below:

TABLE 46: FINANCING OF THE CAPITAL INVESTMENTS IN FY 2018-19 (RS. CRORE)

Particulars	Derivation	2018-19
Investment	A	3,428.04
Less:		
Consumer Contribution	B	381.47
Investment funded by debt and equity	C=A-B	3046.57
Debt Funded	70%	2,132.60
Equity Funded	30%	913.97

5.2.5 The Petitioner has submitted that it has made an investment of Rs. 3428.04 Crore in FY 2018-19. The consumer contributions, capital subsidies and grants received during the corresponding period is Rs. 381.47 Crore. Thus, balance Rs. 3046.57 Crore have been funded through debt and equity. Considering a debt equity ratio of 70:30, Rs. 2132.60 Crore or 70% of the capital investment is envisaged to be funded through debt and balance 30% equivalent to Rs. 913.97 Crore through equity. Allowable depreciation for the year has been considered as normative loan repayment.

5.2.6 The petitioner has submitted that the actual weighted average rate of 10.72% (being the weighted average rate of interest on long term loan portfolio as per annual accounts) has been considered for computing the eligible interest expenses. The interest capitalization has been considered at the same levels as per the Annual Accounts of FY 2018-19. The opening balance of long- term loan has been considered from the loan balance as per normative closing balance as considered in the FY 2017-18 True-Up.

5.2.7 Considering the above, the Petitioner has submitted that the gross interest on long term loan is Rs. 1188.34 Crore. The interest capitalization has been considered at the same rate as per annual accounts. The computations for interest on long term loan are depicted below:

TABLE 47: ALLOWABLE INTEREST ON LONG TERM LOAN FOR FY 2018-19 AS SUBMITTED BY UPPTCL (RS. CRORE)

Particulars	FY 2018-19
Opening Loan	10,596.59
Loan Additions (70% of Investments)	2,132.60
Less: Repayments (Depreciation allowable for the year)	1,146.77
Closing Loan Balance	11,582.42
Weighted Average Rate of Interest	10.72%

Particulars	FY 2018-19
Interest on long term loan	**1,188.34**
Interest Capitalisation Rate	9.06 %
Less: Interest Capitalized	107.69
Net Interest Charged	**1,080.64**

Commission's Analysis

CAPEX and INVESTMENT

5.2.8 In Tariff Order dated 08.01.2019 of UPPTCL, the Commission had disallowed 30% of the claimed capital investments for FY 2018-19 as the Licensee has not submitted the capital investment plan for FY 2018-19 as well as the provisional accounts for FY 2016-17 then. Also, the Commission considered taking 25% of total investments where total investments includes opening CWIP, employee capitalisation, A&G capitalisation, interest capitalisation and investments during the year.

Quote

"7.5.3 It is to be noted that the Licensee has currently not submitted the capital investment plan. In its submissions dated December 21, 2018 the Licensee had submitted that the capex scheme wise details are being compiled for FY 2015-16 to FY 2017-18. Further, it is observed that the Licensee has not submitted the provisional accounts for FY 2016-17. During several deliberations at the time of processing of the current submissions of tariff, the Commission had directed the Licensee to submit the same. Therefore, in line with the above the Commission has considered the following assumptions to arrive at the allowed GFA and CWIP:

• The Commission considers 70% of the claimed capital investments for FY 2016-17, FY 2017-18 and FY 2018-19.

• Taking 25% of total investments where total investments include opening CWIP, employee capitalisation, A&G capitalisation, interest capitalisation and investments during the year."

Unquote

5.2.9 Further, it is to be noted that UPPTCL has submitted a Capital Investment Plan during FY 2018 for the period FY 2018-22, and there were deliberations done by the Commission on the same. The details of the deliberation and chronology, on the Capital Investment

Plan is as follows:

5.2.9.1 A presentation by UPPCL on "Uttar Pradesh Power Sector Snapshot" was made before the Commission on July 9, 2018. During the presentation the Managing Director, UPPCL and the Managing Director, UPPTCL committed to submit "The Metering Plan and Detailed Transmission Plan", respectively, within 15 days, with effect from the date of the presentation, mentioned above.

5.2.9.2 The Commission vide letter no UPERC / Secy / D(Tariff) / 18-753 dated July 30, 2018, directed UPPTCL to submit the Detailed Transmission Plan. Accordingly, UPPTCL vide its letter No.609 / Dir (Comm & Plg.) / UPPTCL / 2018 / ARR dated August 8, 2018, submitted the detailed transmission plan.

5.2.9.3 "The Detailed Transmission Plan FY 2018-22" submitted by UPPTCL contained the following:

(a) Evacuation System and 765 kV & 400 kV network is approved by Standing Committee of CEA and 220 kV & 132 kV network is generally noted by Standing Committee of CEA.

(b) Evacuation Plan of Solar Power (Green Corridor-II) for 4000 MW (4 Phases of 1000 MW each) for the FY 2019-2023.

5.2.9.4 In regards to the above, the Commission directed UPPTCL vide letter UPERC/Secy/D(Tariff)/246/18-1081 dated September 26, 2018 to make a detailed presentation on the above on October 05, 2018.

5.2.9.5 The Commission in its internal note commented that 'the Detailed Transmission Plan for FY 2018-22' submitted by UPPCL provides the list of schemes (only substation capacity and transmission lines length) without any basis and justification for the same and UPPTCL should re-submit the Detailed Transmission Plan.

5.2.9.6 Accordingly, the Commission drafted a list of required information that a detailed Transmission Plan should consist of and the same was communicated to UPPTCL vide letter UPERC/Secy/D(Tariff)18-1722 dated January 17, 2019. Meanwhile, the Commission in the matter of Suo Moto Proceedings on Truing Up for FY 2015-16, Annual Performance Review (APR) for FY 2016-17 and FY 2017-18 and Tariff for FY 2018-19 for the State Discoms (DVVNL, PVVNL, PuVVNL, KESCO and MVVNL) and UPPTCL, issued the Tariff Order for Suo Motu proceedings on August 30, 2018. So, UPPTCL filed their submission on November 13, 2018 for determination of Transmission Tariff for FY 2018-19. Accordingly, process for approval of Capital Investment Plan got delayed.

5.2.9.7 In response, UPPTCL vide letter No.228/Dir(Comm.Plg)/UPPTCL/2019/TransPlan dated February 27, 2019 submitted their updated Capital Investment Plan for FY 2018 -22, along with Transmission Works Committee approval copies.

5.2.9.8 Further, Director (Distribution) UPERC, had conducted a meeting with UPPTCL officials on May 05, 2019. The submissions made by UPPTCL on February 27, 2019 were reviewed. In the meeting, UPPTCL officials had presented a draft of their submissions as mentioned below. Further improvements were made on the draft and UPPTCL resubmitted the details on May 20, 2019 as follows:

- Year on Year Network Details
- Network addition
- Capital Expenditure
- Augmentation of 132 kV
- Augmentation of 220 kV
- Augmentation of 400 kV and 765 kV
- Augmentation Completed
- System Strengthening of Capacitors
- System Strengthening of Bays
- System Strengthening of lines
- Evacuation Plan of 1st Year FY (2019-20) Solar Power for 1000 MW
- Evacuation Plan of 2nd Year FY (2020-21) Solar Power for 1000 MW
- Evacuation Plan of 3rd Year FY (2021-22) Solar Power for 1000 MW
- Evacuation Plan of 4th Year FY (2022-23) Solar Power for 1000 MW

5.2.9.9 The submissions made by UPPTCL to the above heads were inconsistent, in few cases the numbers were not matching with the consolidated CAPEX information and justification for the numbers was lacking. Certain data gaps were observed with respect to their submissions, which are detailed below:

- The Excel file submitted didn't had any kind of justification for the Capex numbers. The consolidated Capex of Augmentations of 132 kV, 220 kV, 400 kV, 765 kV were not matching with the individual sheets of Augmentations of 132 kV, 220 kV, 400 kV, 765 kV for respective years.
- The data submitted were not segregated in terms of years.
- The submission lacked details regarding the Status / Progress of the projects.
- The deposit-based projects, i.e. Consumer contributed Projects were not shown separately.

5.2.9.10 A meeting was arranged with UPPTCL officials by Director (Distribution) UPERC, on June 25, 2019 to sort out the queries raised. As per the discussion, a conclusion was drawn to chart out the format for the submission of data gap was communicated to UPPTCL vide letter UPERC/Secy/D(Tariff)/19-582 dated June 28, 2019 as follows:

(a) The Excel file submitted on 20-05-2019 (named "soft copy UPPTCL transmission plan"), should be re-submitted with all the necessary linking and match the final values in a consolidated table as detailed below:

- The Projects should be categorised in terms of year of completion, and capacity wise and the final value should be linked to consolidated table of Capex.
- For eg: the 132 kV augmentation projects are to be segregated based on year of completion. Similarly, for 220 kV, 400 kV and 765 kV.

(b) The deposit-based projects, i.e. Consumer contributed Projects are to be shown separately.

(c) The Work progress of the projects are to be shown as per the format mentioned below:

S.No	Name of the Project	Financial Year	Scheduled COD	Expected COD	% of Work Progress	Remarks
1	Inline Projects					
(i)						
2	Delayed Projects					
(i)						
3	Completed Projects					
(i)						
4	Projects yet to Start					

Note:

(a) The % of work progress should be given in numbers and corresponding valid reason and justification should be provided in the remarks column as shown above.

(b) The projects should be segregated on the basis of

- Inline projects
- Delayed projects
- Completed projects and
- Projects yet to start

(c) Further, the information in the above table should be segregated into year wise. Separate sheets for FY 2018-19, FY 2019-20, FY 2020-21, FY 2021-22 & FY 2022-23.

5.2.9.11 Further, UPPCL was directed that the file 'UPPTCL DETAILED CAPITAL INVESTMENT PLAN FROM FY 2018-19 TO FY 2021-22 (Excluding Green Energy Corridor/Augmentation/System

Strengthening etc.)' should be re-submitted by segregating it into year wise and total should be linked to the consolidated Capex Table.

5.2.9.12 With respect to the queries mentioned vide letter UPERC/Secy/D(Tariff)/19-582 dated June 28, 2019, UPPTCL neither responded nor submitted in this regard, so the Commission vide letter UPERC/Secy/D(Tariff)/19-766 requested UPPTCL to submit the same within one week.

5.2.9.13 Further, the Commission in its letter to UPPTCL on June 26, 2019 raised some queries concerning to some modifications in submission for better optimisation. Replying to the query, UPPTCL has submitted the "The Detailed Transmission Plan for FY 2018-22" on August 7, 2019 with proper linking and other required information. No further action was taken on the same.

5.2.10 From the above, wrt to the Capital Investment Plan, it is to be noted that the above was regarding transmission system and evacuation planning and was not submitted in regards to approval of Capital Investment in the ARR. Further, the Licensee were expected to comply to the Regulation 19A and submit scheme-wise DPR (schemes submitted in ARR petition) for schemes greater than 10 Crores, providing detailed analysis and supporting documents including but not limited to purpose of investment, capital structure, capitalization schedule, financing plan and cost-benefit analysis, which they failed to do.

5.2.11 It is noted that, along with the True-Up petition also, the Petitioner has not submitted the detailed Capital Investment Plan during FY 2018-19, further, in the True-up proceeding for FY 2018-19, the Petitioner has only submitted the Capitalisation details, Fixed Asset Register for FY 2018-19 along with the Audited Balance Sheet. The Commission observed that the Petitioner has submitted the Fixed Asset Register and the Capitalisation details of Rs. 3154.19 Crores is as per the Balance sheet.

5.2.12 Further, the Commission in its data gaps / queries asked the Petitioner to provide the details of scheme/projects for capital expenditure greater than INR 10 Crore incurred in FY 2018-19, as per the Regulation 19A of UPERC Multi Year Transmission Tariff Regulations, 2014. The Petitioner submitted the details of the assets energised in FY 2018-19 in the required format with the project wise details.

TABLE 48: TRANSMISSION LINES (CKM) ENERGISED DURING FY 2018-19 AS SUBMITTED BY UPPTCL

S.No	Name of the Project	CKM	Cost (Rs. Crore)	COD
	400kV LINES			
1	LILO of one ckt of Meja - Rewa Road 400 kV DC line (Q) at Masauli	80	83.40	5-Feb-19
2	220 kV dc Aligarh400-Atrauli	79	15.90	27-Oct-18
3	400 kV dc q Orai-Banda	108	265.00	28-May-18

S.No	Name of the Project	CKM	Cost (Rs. Crore)	COD
4	LILO of 1ckt of Muradnagar(400)-Sahibabad(220)@ Pratap vihar(Monopole)	8	8.27	30-Mar-19
	220kV LINES			
1	132kv SC Azamgarh-II to Kerakat	20	12.60	1-Apr-18
2	132kV DC Bachrawan(220)-Bachrawan Line	30	11.46	9-Apr-18
3	220 kV DC Attaur(400) Gaziabad-Mandola Vihar(220)Line	34	20.70	12-Apr-18
4	Sohawal (400) - Barabanki (220) -DC Line	138	50.37	14-Apr-18
5	220kV DC Fatehpur(765)-Saarh (Kanpur) Line	150	46.92	7-May-18
6	132 kV LILO of Pukhrayan - Jainpur@ Sikandra	54	32.14	11-May-18
7	LILO of 220kv Chinhat-Raibareli@ CG City	8	0.00	11-May-18
8	132 kV Faridnagar-UPSIDC Masuri Line	19.9	29.76	25-May-18
9	220 kV LILO Bhauti - orai @ Sikandara	62	22.44	28-May-18
10	LILO of 220 kV Amawan(PGCIL)Raebareilly-Sarojni Nagar Line	46	27.37	30-May-18
11	LILO of Simbholi -Shatabdinagar at Hapur 220 KV	24	36.94	2-Jun-18
12	220kV DC Mohanpur Gadda(400)PGCIL-Sarshawa Line	22	20.70	12-Jun-18
13	132kV DC Bachrawan(220)-Sareni Line	70	29.79	25-Jun-18
14	132kV SC Neebkarori-Kayamganj Line	28.38	12.00	17-Jul-18
15	132kV SC Neebkarori-Kannauj Line	62.62	27.00	21-Aug-18
16	220kV DC Moti ram Adda-Haata(220) Line	48	25.21	29-Aug-18
17	LILO of 132 KV SC Manth-Bamoli Line @ 220KV Manth	110	20.62	1-Dec-18
18	132kV DC Kasiya(132)-Haata(220) Line	48	11.46	10-Jan-19
19	220 kV dc Gonda400-Bahraich Line	36	35.03	12-Feb-19
20	220 kV DC Rewa Road- Chitrakut Line	180	95.00	2-Mar-19
21	132 kV sc Nanpara-Dhaurahra Line	51	17.88	6-Mar-19
22	220kV DC Deoria(220)-Haata(220) Line	76	33.63	25-Mar-19
	132kV LINES			
1	132kV DC Dakaur(Solar Plant)-Bhardekhi(Urai) Line	56	6.07	11-Apr-18
3	LILO of 132kV SC Gadwara-Pratapgarh Line-10 Km.	20	5.05	25-Apr-18
5	132 kV Lakhimpur-Laharpur Line	32.23	13.72	30-Apr-18
6	LILO of 132kV SC Saharanpur-Nakur Line @ Sarshwaha	6	5.05	5-May-18
7	LILO of 132kV SC Bansi(220)-Dumariyaganj Line	26	6.87	9-May-18
8	132kV DC Robertsganj-Pasahee Line	26	7.30	11-May-18
9	132 Kv DC Barabanki(220)-Haidergarh(132) Line	56	6.26	12-May-18
11	ii. Hapur-II(220)-Babugarh 132kV SC Line	20	7.20	18-May-18
12	Modipuram (220)- Kankankhera (II) 132 kV DC Line	40	21.90	23-May-18
13	i. Hapur -II (220)- Pilkhua 132 kV SC Line	25	9.12	25-May-18
15	132kV sc Nanauta220- Shamli Shyamla Line	25.94	8.87	6-Jun-18
16	132 kV sc New Tanda 220 - Aalapur Line	35	11.20	13-Jun-18
17	Kursato 132 kv -Raja ka talab (220) SC Line on DC Tower	25	12.60	5-Jul-18
19	132kV DC Masauli(400)-Jari line	110	24.75	20-Jul-18
21	132kV DC Rampur(220)-Thakurdwara Line	12	26.25	31-Jul-18
22	LILO of 132 Kv Dhampur-kalagarh @132kv Sherakot,Bijnour	20	10.10	13-Aug-18
24	132 kV DC Hamirpur- Saadh,Kanpur Dehat Line	102	15.75	30-Oct-18
25	132kV DC Amethi(220)-Gauriganj Line	46	7.70	1-Nov-18
26	132 kV SC Gola - Banda Line	48	18.90	14-Nov-18
27	132 kV LILO Hathras-Jalesar@Hasayan	48	13.34	28-Nov-18
28	132 kV Anandnagar-Maharajganj Line	36	12.41	3-Dec-18
29	132 kV sc Bharthana-Chakarnagar Line@ DC Tower	13	4.50	19-Dec-18
31	132 kV sc Dumariaganj-Utraula Line	40	14.90	23-Jan-19
32	132 kV SC Baghpat - Harsia Line(on DC Tower)	13	7.92	31-Jan-19
33	132 kV sc Kadipur-Jalalpur Line	46.4	14.00	6-Mar-19

S.No	Name of the Project	CKM	Cost (Rs. Crore)	COD
34	LILO of 132kV SC Kauriram-Dohrighat at Gola 220 KV	20	10.00	6-Mar-19
35	132 kV Kursi Road-Nindura Line	26.4	9.99	19-Mar-19

TABLE 49: SUBSTATIONS (S/s) ENERGISED DURING FY 2018-19 AS SUBMITTED BY UPPTCL

S.No	Name of the Project	MVA	Cost (Rs. Crore)	COD
	400kV SUBSTATION			
1	400/132kV Masauli (Allahabad) (2x200)	400	130	6-Feb-19
	220kV SUBSTATIONS			
1	220/132/33 kV Sarshawana Saharanpur(2X160+2X40)	320	45.76	3-Apr-18
2	220/132/33kV Barabanki (2x160+2x40)	400	25	14-Apr-18
3	220 kV s/s Kanpur Road(GIS)	180	46.6	21-Apr-18
4	220/132/33kV Saarh (Kanpur) (2x100+2x40)	200	20	21-May-18
5	220 kV s/s Bhadaura(2X100+2X40)	280	35	22-May-18
6	220/132/33kV Bachrawan (Raebareilly) (2x160+2x40)	400	64.12	26-May-18
7	220 kV S/S Sikandra (Kanpur Dehat) (2X100)	200	63.8	28-May-18
8	220/132/33 Kv Pahari Chitrakut s/s (2X160+2X40)	320	20	30-May-18
9	220/33 Kv Mandola Vihar Gaziabad(3X60)	180	49	30-Jun-18
10	220/132/33kV Raja ka Talab (2x160+2x40)	320	38	5-Jul-18
11	Amethi 132/33 kV @ 220 Kv S/S	80	19.54	3-Nov-18
12	220/132/33kV Mant (Mathura)	200	43.83	1-Jan-19
13	Amethi 220/132 kV S/S	320	43.79	31-Mar-19
	132kV SUBSTATIONS			
1	132kV s/s Sarshwana (Saharanpur)(2x40)	80	17	13-Apr-18
2	Raniganj 132/33 Kv S/S	80	19.54	30-Apr-18
3	132kV S/S Itawa (Siddharth Nagar) (1x40)	40	15.69	9-May-18
4	132 kV s/s Bhatahat (Gorakhpur)	80	17	12-May-18
5	132 kV s/s Pasahi (Sonbhadra) (2x40)	80	19.72	18-May-18
6	132 kV s/s Kankarkhera-II (Meerut) (2x40)	80	10.74	24-May-18
7	132/33 kV S/S Ganganagar ,Partapur	126	36.24	5-Jun-18
8	Sadat (Ghazipur) 132/33 Kv S/S	80	19.54	7-Aug-18
9	132/33kV s/s Sherkot,Bijnor	40	16.56	13-Aug-18
10	MAU 132/33 Kv S/S	80	19.54	12-Dec-18
11	Tulsipur (Balrampur) 132/33 Kv S/S	80	19.54	18-Jan-19
12	132 kV s/s Harsia (Baghpat) (2x40)	80	17	31-Jan-19
13	Nauatnwa 132/33 Kv S/S	80	19.54	25-Feb-19
14	220/132/33 Kv Pahari Chitrakut s/s (2X100+2X40)	80	10	28-Feb-19
15	220S/S:132/33kV Gola (Gorakhpur)	80	17	12-Mar-19

5.2.13 Further, the Regulation 19A of UPERC MYT Transmission Regulations, 2014 states that:

Quote

Capital Expenditure

a. Capital expenditure shall be considered on scheme wise basis.

b. For capital expenditure greater than INR 10 Crore, the Transmission Licensee shall seek prior approval of the Commission.

c. The Transmission Licensee shall submit detailed supporting documents while seeking approval from the Commission.

Provided that supporting documents shall include but not limited to purpose of investment, capital structure, capitalization schedule, financing plan and cost-benefit analysis:

d. The approval of the capital expenditure by the Commission for the ensuing year shall be in accordance with load growth, system extension, rural electrification, transmission loss reduction or quality improvement as proposed in the Transmission Licensee's supporting documents.

e. The Commission may also undertake a detailed review of the actual works compared with the works approved in the previous Tariff Order while approving the capital expenditure for the ensuing year.

f. In case the capital expenditure is required for emergency work, the licensee shall submit an application, containing all relevant information along with reasons justifying the emergent nature of the proposed work, seeking post facto approval by the Commission.

g. The Transmission Licensee shall take up the work prior to receiving the approval from the Commission provided that the emergent nature of the scheme has been certified by its Board. If capital expenditure is less than INR 10 Crore, the Transmission Licensee shall undertake the execution of the plan with simultaneous notification to the Board of Directors.

h. If capital expenditure is less than INR 10 Crore, the Transmission Licensee shall undertake the execution of the plan with simultaneous notification to the Commission with all of the relevant supporting documents.

i. Consumer's contribution towards cost of capital asset shall be treated as capital receipt and credited in current liabilities until transferred to a separate account on commissioning of the assets.

Unquote

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.**

5.2.15 Further, the Commission in its deficiency for the purpose of prudence check and verification of the Audited Sheet asked UPPTCL to submit the Comptroller Audit Report and Statutory Audit Report. In the response UPPTCL provided an Independent Auditor's Report. It was observed that the Audit report pointed out that there is overstatement of Rs. 420.08 Crores for FY 2018-19 in CWIP which are deliberated in the following:

5.2.16 The Relevant extract of the audit Report of FY 2018-19, detailing the above-mentioned issue is provided below:

Quote

"1. The Company has not complied with the following Accounting Standards _ Ind AS notified under Section 133 of the Companies Act 2013, read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 (as amended).

……..

b. Capital Advances to Suppliers (other than material) — Rs. 420.08 crores have been included in and shown as Capital Work in Progress (note-3), which is inconsistent with Ind AS 1 and Schedule III to the Companies Act, 2013. This has resulted in over statement of Capital Work in Progress.

…………"

Unquote

5.2.17 UPPTCL, in its response stated that final comments from AG for FY 2018-19 are still awaited. Regarding over-statement of CWIP by Rs. 420.08 Crores, UPTTCL submitted that the classification of such advances under the group of CWIP is correct and classification between CWIP and long term loans and advances will neither have any impact on Profit & Loss nor GFA of the relevant financial year.

5.2.18 With respect to Auditor`s comment on Rs. 420.08 Crores in CWIP pertaining to Capital Advances to Suppliers (other than material) resulting in overstatement, it is to be noted that in regulatory accounts, conventionally the advances to contractors for capital works is considered in CWIP. Accordingly, Rs. 420.08 Crores are provisionally considered as part of CWIP for the purpose of this order. However, further the Commission directs the Petitioner to submit the details of the final outcome of the issues raised by CAG regarding CWIP and its impact in the future tariff proceedings.

5.2.19 In respect of the above discussions, the Commission, after due prudence, has disallowed 25% of the Capital Investment during the year. Accordingly, the Commission has derived the capital investments, CWIP and capitalization in FY 2018-19. The details are provided in the Table below:

TABLE 50: APPROVED CAPITAL INVESTMENTS FOR FY 2018-19 (RS. CRORE)

Particulars	Derivation	Tariff Order	True-Up Petition	Approved upon True-Up
Opening WIP as on 1st April	A	8617.37	6,144.66	5652.66*
Investments	B	3063.57	3,428.04	2571.03**
Employee Expenses Capitalisation	C	409.53	278.84	278.84
A&G Expenses Capitalisation	D	0.00	0.00	0.00
Interest Capitalisation on Interest on long term loans	E	631.65	107.69	99.66
Total Investments	**F= A+B+C+D+E**	**12722.12**	**9,959.24**	**8602.39**
Transferred to GFA (Total Capitalisation)	G	3180.53	3,154.19	2724.36
Closing WIP	**H= F-G**	**9541.59**	**6,805.05**	**5877.72**

** As per the CAG's comments in Audit Report Rs. 34.36 Crores (4.88 + 29.58) have been disallowed from the opening CWIP as on 1st April in FY 2017-18 and 25% investment was disallowed in FY 2017-18, same is reflected in the Opening CWIP of FY 2018-19.*

***25% investment during FY 2018-19 has been disallowed.*

5.2.20 The Commission has considered a normative approach with Debt: Equity ratio of 70 :30. Considering this approach, 70% of the capital expenditure undertaken in the year has been considered to be financed through loan and balance 30% has been considered to be financed through equity contribution. The portion of capital expenditure financed through Consumer Contributions, capital subsidies and grants has been separated and reduced, as the depreciation and interest thereon would not be charged to the consumers. The Commission has approved the amounts received as Consumer Contributions, capital subsidies and grants based on the Audited Accounts of the

Petitioner, as summarised in the Table below:

TABLE 51: APPROVED CONSUMER CONTRIBUTIONS, CAPITAL GRANTS AND SUBSIDIES IN FY 2018-19 (RS. CRORE)

Particulars	Tariff Order dt.	True-Up Petition	Approved Upon Truing Up
Opening Balance of Consumer Contributions, Grants and Subsidies towards Cost of Capital Assets	697.34	1020.89	1023.61
Additions during the year	205.43	381.47*	381.47
Less: Amortisation	52.29	83.03	78.41**
Closing Balance	**850.48**	**1319.32**	**1326.67**

** Rs. 381.47 Crores consists of Rs. 18.58 Crores under Power Sector Development Fund (PSDF) Grants, Rs. 95.79 Crores under Government Grant for Infrastructure development and Rs. 267.10 Crores under consumer contributions. As per Petitioner submission, no Govt. subsidy has been received in FY 2018-19.*

*** For FY 2018-19, the depreciation on consumer contributions claimed by UPPTCL as per Audited Accounts is based on SLM method. Accordingly, the same has been recomputed based on WDV method & applicable rates as per UPERC MYT Regulations, 2014.*

5.2.21 The approved financing of the Capital Investment is as shown in the Table given below:

TABLE 52: APPROVED FINANCING OF THE CAPITAL INVESTMENTS IN FY 2018-19 (RS. CRORE)

Particulars	Derivation	Tariff Order dt. 08.01.2019	True-Up Petition	Approved Upon Truing Up
Investment	A	3063.57	3,428.04	2571.03
Less:				
Consumer Contribution	B	205.43	381.47	381.47
Investment funded by debt and	C=A-B	2858.14	3046.57	2189.56
Debt Funded	70%	2000.70	2132.60	1532.69
Equity Funded	30%	857.44	913.97	656.87

5.2.22 From the above tables, it can be observed that UPPTCL has made an investment of Rs. 3428.04 Crore in FY 2018-19. The Consumer Contributions, capital subsidies and grants received during the corresponding period is Rs. 381.47 Crore. Thus, balance Rs. 3046.57 Crore has been funded through debt and equity. Considering a debt equity ratio of 70:30, Rs. 2132.60 Crore or 70% of the capital investment is approved to be funded through debt and balance 30% equivalent to Rs. 913.97 Crore through equity. Allowable depreciation for the year has been considered as normative loan repayment. The Commission on prudence found that the actual weighted average interest rate is 10.72 % wrt the actual loans from REC and PFC and the same has been considered for computing the interest. The closing loan balance approved in the True up for FY 2017-18 has been considered as opening balance of long-term loan from the above chapters.

5.2.23 Considering the above, the gross interest on long-term loan is approved. Further, the interest capitalisation has been considered at the same rate as per the Audited Accounts. The interest on long-term loan approved for FY 2018-19 is as shown in the Table given below:

TABLE 53: ALLOWABLE INTEREST ON LONG TERM LOAN FOR FY 2018-19 AS APPROVED BY THE COMMISSION (RS. CRORE)

Particulars	Tariff Order	True-Up Petition	Approved Upon Truing Up
Opening Loan	9701.14	10596.59	10042.51
Loan Additions (70% of	2000.70	2132.60	1532.69
Less: Repayments (Depreciation allowable for the year)	968.50	1146.77	1093.90
Closing Loan Balance	10733.33	11582.42	10481.30
Weighted Average Rate of	11.16%	10.72%	10.72%
Interest on long term loan	**1140.35**	**1188.34**	**1099.65**
Interest Capitalisation Rate	48.12%	9.06%	9.06%
Less: Interest Capitalized	631.65	107.69	99.66
Net Interest Charged	**508.70**	**1080.64**	**1000.00**

5.3 FINANCE CHARGES

Petitioner's submission

5.3.1 The Petitioner has submitted that it has incurred finance charges to the tune of Rs. 0.44 Crore as per annual accounts towards expenditures like bank charges, finance charges, etc and the same may be allowed in the true up for FY 2018-19.

Commission's Analysis

5.3.2 The Commission approves the bank charges and finance charges as per the Audited Accounts to the extent of Rs. 0.44 Crore for FY 2018-19.

5.4 INTEREST ON WORKING CAPITAL

Petitioner's Submission

5.4.1 The Petitioner submitted that the UPERC (MYT for Transmission Tariff) Regulations, 2014 provides that for normative interest on working Capital based on the methodology outlined in the Regulations. The interest on working capital has been computed based on the methodology specified in the Regulation 24 as provided below:

Quote

24 "The Transmission Licensee shall be allowed interest on estimated level of working capital for the financial year, computed as follows:

O&M expenses for one month.

Two months equivalent of expected revenue.

Maintenance spares @ 40% of R&M expenses for two month.

Less:

Security deposits from consumers, if any-

Provided that the interest on working capital shall be on normative basis and rate of interest shall be equal to the State Bank Advance Rate (SBAR) as of the date on which petition for determination of tariff is accepted by the Commission:"

Unquote

5.4.2 The Petitioner has considered the interest rate of 13.75% for the purpose of computing Interest on Working Capital for FY 2018-19, which is SBAR (SBIPLR) as on 13th November 2018 (i.e. the date of Admittance Order dated 8th January, 2019 for ARR / Tariff Petition of FY 2018-19). The Petitioner has, in accordance with the above-mentioned Regulations, considered the interest on working capital. In the Tariff Order for FY 2018-19, the Commission had allowed Rs. 71.04 Crore towards interest on working capital. The Transmission Tariff Regulations provide for the normative interest on working capital based on the methodology outlined in the MYT Transmission Regulations.

Commission's Analysis:

5.4.3 As per the first proviso of Regulation 24 of UPERC Multi Year Transmission Tariff Regulation, 2014, it is provided that the interest on working capital shall be on normative basis and rate of interest shall be equal to State Bank Advance Rate (SBAR) as of the date (13.11.2018) on which Petition for determination of the tariff is admitted (i.e. Admittance Order dated November 13, 2018) by the Commission. Accordingly, the Commission has considered the interest rate on working capital requirement at 13.75%. The link for the same is: https://www.sbi.co.in/portal/web/interest-rates/benchmark-prime-lending-rate-historical-data

5.4.4 The Commission in accordance with the Transmission MYT Regulations, 2014, has considered the interest on working capital as shown in the Table given below:

TABLE 54: APPROVED INTEREST ON WORKING CAPITAL FOR FY 2018-19 (RS. CRORE)

Particulars	Tariff Order	Claimed	Approved upon Truing Up
One Month of O&M Expenses	80.36	103.11	60.51
Maintenance spares @ 40% of R&M expenses for two months	27.62	28.25	27.56
Receivable equivalent to 60 days average billing of consumers	397.64	610.45	493.17
Less: Security deposits from consumers	-	-	-
Total Working Capital Requirement	**505.62**	**741.81**	**581.24**
Interest rate (%)	14.05%	13.75%	13.75%
Interest on working capital	**71.04**	**102.00**	**79.92**

5.4.5 The following table summarises the total interest and finance charges approved by the Commission for true-up of FY 2018-19 as against those claimed by the Petitioner in the Tariff Order for UPPTCL for FY 2018-19:

TABLE 55: APPROVED INTEREST AND FINANCE CHARGES FOR FY 2018-19 (RS. CRORE)

Particulars	Approved in T.O dt 08/01/2019	Actual as per annual accounts	True-up Petition	Approved Upon Truing Up
A: Interest on Long Term Loans				
Gross Interest on Long Term Loan	1,140.35	1,170.57	1,188.34	1,099.65
Less: Interest Capitalisation	631.65	107.69	107.69	99.66
Net Interest on Long Term Loans	**508.70**	**1,062.87**	**1,080.64**	**1000.00**
B: Finance and Other Charges	**0.54**	**0.44**	**0.44**	**0.44**
C: Interest on Working Capital	**71.04**	**0.00**	**102.00**	**79.92**
Total (A+B+C)	**580.28**	**1,063.31**	**1,183.08**	**1080.35**

5.5 DEPRECIATION

Petitioner's submission

5.5.1 The Petitioner submitted that the Regulation 22 of the UPERC (MYT for Transmission Tariff) Regulation, 2014 provide for the basis of charging depreciation. The relevant excerpt is reproduced below:

Quote

"22 treatment of Depreciation:

Depreciation shall be calculated for each year of the control period on the written down value of the fixed assets of the corresponding year.

Depreciation shall not be allowed on assets funded by consumer contributions or subsidies / grants.

………………………………

The residual value of assets shall be considered as 10% and depreciation shall be allowed to a maximum of 90% of the original cost of the asset.

Depreciation shall be charged from the first year of operation of the asset.

……………………"

Unquote

5.5.2 The Petitioner submitted that the UPERC (MYT for Transmission Tariff) Regulations, 2014 provides for calculating depreciation based on the written down value (WDV) of the fixed assets of the corresponding year based on rate of deprecation as provided in the Annexure C of the MYT Transmission Regulations for respective asset category.

5.5.3 The Commission in its Order dated November 30, 2017 had approved the allowable depreciation for each asset category for the control period and the Petitioner has considered the same approach while claiming the depreciation for truing up of FY 2018-19. Further, the Petitioner has considered the normative closing gross fixed asset base for FY 2017-18 as the opening GFA balance of FY 2018-19 for computing the allowable depreciation.

5.5.4 However, the Petitioner while computing Cumulative Depreciation, had considered Rs. 93.91 Crores, which was disallowed by the Commission during the True-Up of FY 2013-14 due to non-maintenance of FAR. The Commission enquired about the same in the deficiency to the petition and in response the Petitioner revised the Cumulative Depreciation value and its detailed computation is provided below w.r.t to FY 2018-19:

TABLE 56: ALLOWABLE DEPRECIATION FOR FY 2018-19 AS SUBMITTED BY UPPTCL (RS. CRORE)

Depreciable Assets	Opening GFA as on 1.4.2018 (Depreciable Assets)	Cumulative Depreciation up to 31.3.2018	Net Addition (Depreciable Assets)	Closing GFA as on 31.3.2019 (Depreciable Assets)	Rate of Depreciation (%)	Gross Allowable Depreciation	Consumer Contribution*	Net Allowable Depreciation
Buildings	935.77	211.01	149.37	1,085.14	3.02%	24.14	83.03	1146.77
Other Civil Works	85.59	19.30	6.04	91.63	3.02%	2.09		
Plant & Machinery	11,582.73	2,611.77	1,239.32	12,822.04	7.81%	749.03		
Lines, Cables, Network etc.	9,940.37	2,241.44	1,374.37	11,314.74	5.27%	441.95		
Vehicles	3.38	0.76	-0.01	3.37	12.77%	0.33		
Furniture & Fixtures	6.71	1.51	2.03	8.74	12.77%	0.79		
Office Equipment	8.33	1.88	1.22	9.55	12.77%	0.90		
Intangible Assets	4.27	0.96	0.00	4.27	15.00%	0.50		
Other assets	95.05	21.43	10.39	105.44	12.77%	10.06		
Total	**22,662.20**	**5,110.06**	**2,782.73**	**25,444.93**	**6.49%**	**1,229.80**		

*Less: Equivalent amount of depreciation on assets acquired out of the consumer contribution

5.5.5 The Petitioner further submitted that in compliance to the provisions of lndAS-I8, accounting standards, from 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. However, the Commission, in its Order dated January 8, 2019 and its subsequent Order dated August 27, 2019, while approving the revised ARR for FY 2018-19 & FY 2019-20 has allowed the net depreciation after deducting the equivalent amount of depreciation on assets acquired out of the consumer contribution. The petitioner submitted that it has considered the same approach while claiming the net deprecation amount for the MYT period. The Income from Consumer Contribution recognized as revenue (or equivalent depreciation amount) in FY 2018-19 has been considered as per the annual accounts.

5.5.6 The Petitioner submitted that it seeks approval of Rs. 1229.80 Crores towards the depreciation expenses for final Truing Up of FY 2018-19. The Petitioner further submitted that the Fixed Asset Register (FAR) up to FY 2018-19 has been finalised and a copy of the same is being submitted by the Petitioner.

Commission's Analysis

5.5.7 The Commission has computed the depreciation in line with Regulation 22 of the Transmission MYT Regulations, 2014. From FY 2017-18 onwards the Methodology for Computation of Depreciation is changed from SLM to WDV Method.

5.5.8 The Commission observed that the Petitioner in their revised submission has provided the revised Cumulative depreciation computation. The same is discussed in the True-Up chapters of FY 2017-18.

5.5.9 For, written down value computation, the Petitioner has considered Net Cumulative Depreciation (i.e. without consumer contribution) of Rs. 5110.06 Crores and deducted the same with GFA base of Rs. 22662.20 Crores (which includes consumer contribution). Hence, the written down value computed by the Petitioner comes out to be Rs. 17522.14 Crores. However, the Commission has considered Gross Allowable Depreciation (i.e. with consumer contribution) of Rs. 1046.27 Crores and deducted the same with GFA base of Rs. 18020.84 Crores (which includes consumer contribution). Hence, the written down value computed by the Commission comes out to be Rs. 16974.57 Crores.

5.5.10 Further, addition and deletion to the GFA during the year has been considered same as allowed and Depreciation has been computed on the average GFA as per the WDV rates given in the Regulations. Accordingly, Gross Depreciation for the year, as computed by the petitioner is Rs. 1229.80 Crores. And Gross Depreciation computed by the Commission is Rs. 1172.31 Crores.

5.5.11 Further, for computation of Net Depreciation (Gross Deprecation – Dep. of Consumer Contribution), the Petitioner has considered the Depreciation amount of Rs. 83.03 Crores for Consumer Contribution (amortization) as per Audited Accounts is based on SLM method. However, the same has been recomputed by the Commission based on WDV method & rates as per UPERC MYT Regulations, 2014 to Rs. 78.41 Crores.

5.5.12 Accordingly, the Net Depreciation claimed by the petitioner is Rs. 1146.77 Crores and the Depreciation to be allowed computed by the Commission is Rs.1093.90 Crores.

5.5.13 The gross allowable depreciation for each component is sum totalled and the equivalent depreciation on assets created out of Consumer Contributions, capital grants and subsidies are deducted and the detailed methodology adopted is as shown under:

TABLE 57: GROSS ALLOWABLE DEPRECIATION FOR FY 2018-19 (RS. CRORE)

S.No.	Particulars	Opening GFA	Gross Allowable Depreciation of FY 2017-18	Written Down Opening	Additions to GFA	Deductions	Closing GFA	Average GFA	Rate of Depreciation (%)	Gross Allowable Depreciation (for the year)
1	Buildings	736.54	20.49	716.05	129.01	-	845.06	780.55	3.02%	**23.57**
2	Other Civil Works	66.13	1.95	64.18	5.22	0.00	69.40	66.79	3.02%	**2.02**
3	Plant & Machinery	9,115.16	652.68	8462.48	1294.44	259.35	9497.57	8,980.03	7.81%	**701.34**
4	Lines, Cables, Network etc.	8,011.89	359.81	7652.08	1228.81	48.31	8832.58	8,242.33	5.27%	**434.37**
5	Vehicles	2.59	0.33	2.26	-	0.01	2.25	2.25	12.77%	**0.29**
6	Furniture & Fixtures	5.24	0.63	4.60	1.75	0.00	6.36	5.48	12.77%	**0.70**
7	Office Equipment	6.56	0.77	5.80	1.06	0.00	6.85	6.32	12.77%	**0.81**
8	Intangible Assets	73.12	9.23	63.89	8.97	0.00	72.87	68.38	12.77%	**8.73**
9	Other assets	3.62	0.38	3.24	0.00	0.00	3.24	3.24	15.00%	**0.49**
10	**Total**	**18020.84**	**1046.27**	**16974.57**	**2669.26**	**307.67**	**19336.17**	**18155.37**	**6.46%**	**1172.31**

5.5.14 The Net Depreciation approved for FY 2018-19 is as under:

TABLE 58: NET APPROVED DEPRECIATION FOR FY 2018-19 (RS. CRORE)

Particulars	Tariff Order	Claimed	Allowable
Gross allowable Depreciation	1020.79	1229.80	1172.31
Less: Equivalent amount of depreciation on assets acquired out of the Consumer Contribution	52.29	83.03	78.41
Net allowable Depreciation	**968.50**	**1146.77**	**1093.90**

5.6 O&M EXPENSES

5.6.1 Operation and Maintenance Expenses (O&M expenses) comprises of employee expenses, repair and maintenance expenses and administrative and general expenses. Each element of O&M expenses has been examined in detail in the succeeding paragraphs. The Regulation 21 of the MYT Transmission Regulations issued by the Commission stipulates:

Quote

"21. Operation & Maintenance Expense

a. *Operation & Maintenance expenses comprise of Employee Costs, Administrative & General Expenses, and Repair & Maintenance expenses. The regulation 21 of the MYT Transmission Regulations issued by the Hon'ble Commission stipulates:*

b. *The Commission shall stipulate a separate trajectory of norms for each of the components of O&M expenses viz., employee cost, repairs and maintenance (R&M) expense and Administrative and General Expense (A&G expense). Provided that such norms may be specified for a specific Transmission Licensee or a class of Transmission Licensees.*

c. *Norms shall be defined in terms of combination of number of personnel per ckt/km (for different categories of transmission lines for e.g. HVDC, 765 KV, 400 KV, > 66 KV & 400 KV, etc. lines) and number of personnel per bay (for different categories of bay for e.g. 765 KV, 400 KV, > 66 KV & 400 KV, etc bays) along with annual expenses per personnel for Employee expenses; combination of A&G expense per personnel and A&G expense per ckt/km and bay for A&G expenses and R&M expense as percentage of gross fixed assets for estimation of R&M expenses.*

d. *One-time expenses such as expense due to change in accounting policy, arrears paid due to pay commissions etc., shall be excluded from the norms in the trajectory.*

e. *The expenses beyond the control of the Transmission Licensee such as dearness allowance, terminal benefits etc. in Employee cost etc., shall be excluded from the norms in the trajectory.*

f. *The One-time expenses and the expenses beyond the control of the Transmission Licensee shall be allowed by the Commission over and above normative Operation & Maintenance Expenses after prudence check.*

g. *The norms in the trajectory shall be specified over the control period with due consideration to productivity improvements.*

h. *The norms shall be determined at constant prices of base year and escalation on account of - inflation shall be over and above the baseline.*

i. *The Transmission Licensee specific trajectory of norms shall be identified by the Commission on the basis of simple average of previous five years audited figures, duly normalized for any abnormal variation.....*

Unquote

Petitioner's Submission

Employee Expenses for FY 2018-19:

5.6.2 The Petitioner submitted that it has computed the Employee expenses for FY 2018-19 as per the Regulation 21.1 of the MYT Transmission Regulations as below:

Quote

Employee cost shall be computed as per the approved norm 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., governed by the following formula:

*EMPn= (EMPb * CPI inflation) +Provision*

Where:

EMPn: Employee expense for the year n.

EMPb: Employee expense as per the norm CPI inflation: is the average increase in the Consumer Price Index (CPI) for immediately preceding three financial years.

Provision: Provision for expenses beyond control of the Transmission Licensee and expected one-time expenses as specified above.

Unquote

5.6.3 The Petitioner has submitted that it has considered the approach adopted by the Commission while allowing the employee expenses in the MYT ARR for the 1st Control Period (FY 2017-18 to FY 2019-20) in its Order dated November 30, 2017 and its order dated 8th January 2019. Further, it has submitted that the Commission approved the employee expense norms for transmission lines and norms for bays for the MYT period in its Order dated November 30th, 2017 for computation of normative employee expenses. The Petitioner has considered the same methodology and norms, approved by the Commission in the Tariff Order for FY 2018-19, for the Truing-up of Employee expenses for FY 2018-19. Normative Employee expenses approved by the Commission and claimed for FY 2018-19 has been shown in the Table below:

TABLE 59: EMPLOYEE EXPENSES FOR FY 2018-19 AS SUBMITTED BY UPPTCL (RS. CRORE)

Particulars	Approved in T.O dt 08/01/2019	Audited Accounts	True-up Petition
Norms per ckt kms (Rs. Crore)	0.0053		0.0053
Line Length (ckt kms)	38,887.28		40,714.37
Employee Expenses (ckt kms) (Rs. Crore)	204.60		214.21
Norms per Bay (Rs. Crore)	0.1814		0.1814
Number of Bays (nos)	4,032		4633
Employee Expenses (Bays) (Rs. Crore)	731.43		840.45
Add: Arrears (Rs. Crore)	41.58		0.00
Gross Employee Expenses (Rs. Crore)	**977.61**	**553.70**	**1054.67**
Less: 20% Disallowance	195.52	0.00	0.00
Total Employee Expenses (Rs. Crore)	**782.09**	**553.70**	**1054.67**
Less: Employee Expenses Capitalised (Rs. Crore)	327.63	278.84	278.84
Net Employee Expenses (Rs. Crore)	**454.46**	**274.86**	**775.82**

5.6.4 The Petitioner submitted that the actual gross employee expenses were Rs. 553.70 Crore as against Rs. 782.09 Crore as approved by the Commission in the Tariff Order dated 8th January 2019 for FY 2018-19. The employee expenses capitalised as per annual accounts are to the tune of Rs. 278.84 Crore as against Rs. 327.63 Crore as approved in the Tariff Order. Thus, the net employee expenses as per annual accounts are Rs. 274.86 Crore as against Rs. 454.46 Crore approved in the Tariff Order. However, the Petitioner has claimed the normative employee's expenses of Rs. 1054.67 Crores for truing up of FY 2018-19, computed by considered the actual number of bays and line length of the transmission lines upto March 2019. The net employee expenses claimed for FY 2018-19 are Rs. 775.82 Crores.

5.6.5 Further, the normative employee's expenses for FY 2018-19 are within the limit as allowed in the tariff Order. The Petitioner submitted that the normative employee expenses are allowed to it in terms of the extant UPERC (MYT for Transmission Tariff) Regulations, 2014.

Administrative and General Expenses

5.6.6 The Petitioner has submitted that it has computed the administrative and general expenses for the FY 2018-19 as per the Regulation 21.3 of the UPERC (MYT for Transmission Tariff) Regulations, 2014 as below:

Quote

A&G expense shall be computed as per the norm escalated by 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, and shall be governed by following formula:

*A&Gn= (A&Gb * WPI inflation) + Provision*

Where:

A&Gn: A&G expense for the year n A&Gb: A&G expense as per the norm WPI inflation: is the average increase in the Wholesale Price Index (WPI) for immediately preceding three financial years Provision: Cost for initiatives or other one-time expenses as proposed by the Transmission Licensee and validated by the Commission.

Unquote

5.6.7 Further, the Petitioner has submitted that it has claimed the normative A&G expenses as per the approach adopted by the Commission while approving the MYT ARR for the 1st Control Period (FY 2018-19 to FY 2019-20) in its Order dated November 30, 2017 and subsequent tariff order dated 8th January 2019 for FY 2018-19. The Commission approved A&G expense norms for transmission lines and the norms for bays in the said MYT Order for computation of normative A&G expenses.

5.6.8 The A&G Expenses have been claimed for True Up of FY 2018-19 based on the norms approved by the Commission in the said MYT Order dated January 08, 2019. The detailed computation of the A&G expenses in provided below:

TABLE 60: A&G EXPENSES FOR FY 2018-19 AS SUBMITTED BY UPPTCL (RS. CRORE)

Particulars	Approved in T.O dt 08/01/2019	Audited Accounts	True-up Petition
Norms per ckt kms (Rs. Crore)	0.0002		0.0002
Line Length (ckt kms)	38887.28		40,714.37
A&G Expenses for Transmission Lines (Rs. Crore)	8.47		8.86
Norms per Bay (Rs. Crore)	0.0050		0.0050
Number of Bays (nos)	4,032.00		4,633.00
A&G Expenses for Bays (Rs. Crore)	20.14		23.14
Norms per Employee (Rs. Crore)	0.0009	**59.60**	0.0009

Particulars	Approved in T.O dt 08/01/2019	Audited Accounts	True-up Petition
Number of Employees (nos)	6,718.00		6,368.00
A&G Expenses for Employees (Rs. Crore)	6.13		5.81
Total A&G Expenses (Rs. Crore)	**34.73**		**37.81**
A&G Expenses Capitalised (Rs. Crore)	0.00	0.00	0.00
Additional A&G Expenses towards the License Fee for FY 2018-19 (Rs. Crore)	6.95	-	0.00
Net A&G Expenses (Rs. Crore)	**27.79**	**59.60**	**37.81**

5.6.9 The Petitioner submitted that as per audited accounts, the actual gross A&G expenses were Rs. 59.60 Crore. No A&G expenses capitalization has been claimed for FY 2018-19 as per annual accounts. The erstwhile policy for capitalization of the administrative and general expenses has been discontinued with effect from FY 2015-16 based on the observations of the AG Audit. Whereas, the A&G capitalization approved in the Tariff Order are to the tune of Rs. 6.95 Crore. Thus, the net A&G expenses as per annual accounts are Rs. 59.60 Crore as against Rs. 27.79 Crore approved in the Tariff Order.

R&M Expenses

5.6.10 The Petitioner submitted that it has computed the Repair & Maintenance expenses for FY 2018-19 as per the Regulation 21.2 of the UPERC (MYT for Transmission Tariff) Regulations, 2014 as below:

5.6.11 “Repairs and Maintenance expense shall be calculated as percentage (as per the norm defined) of Average Gross Fixed Assets for the year governed by following formula:

Quote

*R&Mn = Kb * GFAn*

Where:

R&Mn: Repairs & Maintenance expense for nth year

GFAn: Average Gross Fixed Assets for nth year

Kb: Percentage point as per the norm.

Unquote

5.6.12 As per the UPERC (MYT for Transmission Tariff) Regulations, 2014 the R&M expenses for any year of the MYT period are a percentage or fraction of the average GFA base of that year. This percentage or the factor ‘Kb’ may be determined by the Commission. The

'Kb' factor approved by the Commission for the FY 2017-18, FY 2018-19 & FY 2019-20 is 1.68%, 1.75% & 1.83% respectively. The R&M Expenses have been claimed for the FY 2018-19 based on the 'Kb' factor approved by the Commission in the said MYT order i.e. 1.75%. The detailed computation of the R&M expenses in provided below:

TABLE 61: R&M EXPENSES FOR FY 2018-19 SUBMITTED BY UPPTCL (RS. CRORE)

Particulars	Approved in T.O dt 08/01/2019	Audited Accounts	True-up Petition
Average GFA (Rs. Crore)	20,616.74		24,164.99
Kb - Factor (%)	1.75%		1.75%
R&M Expense (Rs. Crore)	**361.49**		**423.70**
Less: Disallowance 20%	72.30		0.00
R&M Expense (Rs. Crore)	**289.19**	**429.40**	**423.70**

5.6.13 The actual repair and maintenance expenses for FY 2018-19 were Rs. 429.40 Crore as against Rs. 289.19 Crore approved by the Commission in the Tariff Order dated 30.11.2017.

Sharing of Efficiency Gain of Loss

Petitioner's Submission

5.6.14 The Petitioner has submitted that in line with the Regulation 11 of the MYT Regulations 2014, it is sharing the net gain in the operation and maintenance (O&M) expenditure as compared to the actual O&M expenditure incurred during the FY 2018-19. The net gain is in respect of the O&M expenditure is Rs. 236.74 Crore.

Commission's View

5.6.15 As per the provisions of the aforesaid Regulations, the Commission in MYT Order dated November 30, 2017 had computed the norms for Employee expenses, R&M expenses and A&G expenses. The relevant extract of the Order is as follows:

Employee Expenses:

Quote

7.6.11 Considering the methodology provided in Transmission MYT Regulations, 2014 the detailed calculation of Employee Expense is as follows:

7.6.12 The norms for preceding five years for which audited accounts is available i.e. FY 2010-11 to FY 2014-15 is calculated by using following formulae:

Sl No	Formulae
•	*Assumption: 25% of Gross Employee expenses is attributed to Transmission lines and remaining 75% for bays as per methodology followed in CERC 2014 Tariff Regulations.*
(A)	*Norms per ckt km = (25% of Gross Employee Expense for year / ckt kms)*
(B)	*Norms per bay= (75% of Gross Employee expense for a year / Number of Bays)*
(C)	*Average of (A) from FY 2010-11 to FY 2014-15. (5 years)*
(D)	*Average of (B) from FY 2010-11 to FY 2014-15. (5 years)*

7.6.13 It is observed that the value of (C) & (D) is considered as the values for base year FY 2014-15. Hence, (C) & (D) are escalated using CPI escalation to arrive at the values for FY 2017-18.

Particulars	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	Average of FY 2011-2015
Employee Expenses (25%) (Audited) (A1) (Rs Crore)	*88.62*	*87.87*	*86.24*	*98.82*	*99.22*	
Line Length (Ckt kms) (A2)	*24,405*	*25,301*	*25,920*	*26,876*	*28,678*	
Employee Expenses (75%) (Audited) (A3) (Rs Crore)	*265.85*	*263.60*	*258.72*	*296.46*	*297.66*	
Number of Bays (A4) (nos.)	*2098.00*	*2169.00*	*2271.00*	*2434.00*	*2445.00*	
Norms per ckt kms (A)= (A1/A2)*1000 (Rs Crore)	*0.0036*	*0.0035*	*0.0033*	*0.0037*	*0.0035*	***0.0035 (C)***
Norms per Bays (B)= (A3/A4) (Rs Crore)	*0.1267*	*0.1215*	*0.1139*	*0.1218*	*0.1217*	***0.1211 (D)***

7.6.14 CPI escalation for a year is calculated considering CPI inflation for FY 2012-13 to FY 2014-15 i.e. preceding three years from the base year as per Regulations.

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
CPI Indices*	*194.83*	*215.17*	*236.00*	*250.83*	*265.00*	*275.92*	-	-	-
Percentage increase over previous year-CPI Inflation		***10.44%*** *(= (215.17-194.83)/194.83*	***9.68%*** *(= (236-215.17)/ 215.17*	***6.29%*** *(=(250.83-236/236))*	***5.65%*** *(=(265-250.83/250.83)*	***4.12%*** *(=(275.92-265)/265)*	***8.80%*** *(Avg of previous 3 years from base year)*		

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**
							((= 10.44%+9.68%+6.29%)/ 3)		

*Source: http://labourbureau.nic.in/indtab.html

7.6.15 Thereafter year wise (i.e. FY 2017-18, FY 2018-19 and FY 2019-20) Employee Expense (per ckt km) and Employee Expense (per bay) is calculated considering norms per ckt km and norms per bay (calculated above) using following formulae:

Employee Expense (Consumers) = (Norms per ckt km * ckt kms)

Employee Expense (Bay) = (Norms per bay * Number of bays)

	Base Value	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**
CPI Inflation		5.65%	4.12%	8.80%	8.80%	8.80%
Pay Commission impact			15%			
Norms per ckt kms (Rs Crore)	**0.0035**	0.0039	0.0044	0.0048	0.0053	0.0057
Line Length (ckt kms)		30151.41	35522.41	44618.41	49200.41	52937.41
Employee Expense for Lines (F)(Rs Crore)		116.12	157.88	215.77	258.86	303.04
Norms per bay (Rs Crore)	**0.1211**	0.1328	0.1532	0.1667	0.1814	0.1974
No of bays		3428.00	3733.00	3955.00	4417.00	4663.00
Employee Expense for Bays (G) (Rs Crore)		455.18	572.06	659.43	801.27	920.35

*Impact of 7th pay revision has been considered while calculation of norms from 2015-16 onwards

7.6.16 Further, UPPTCL has considered the impact of the 7th pay revision while computing the norms for the employee expenses by 15% and has accordingly claimed the onetime arrears of FY 2015-16 and FY 2016-17 payable due to the 7th pay revision of Rs. 44.74 Crore each in FY 2017-18 and FY 2018-19 respectively. Accordingly, the arrears of 7th Pay Commission the same is allowed under Regulation 21.1 of the Transmission MYT Regulations, 2014 as “provision” i.e.

provision for expenses beyond the control of the Transmission Licensee as one-time expenses.

7.6.17 The computation of total Employee Expense is calculated by taking the average of Employee Expense (ckt kms) and Employee Expense (Bay), as shown under:

Particulars	***Control Period***		
	FY 2017-18	***FY 2018-19***	***FY 2019-20***
Norms per ckt kms (Rs Crore)	*0.0048*	*0.0053*	*0.0057*
Line Length (ckt kms)	*44618.41*	*49200.41*	*52937.41*
***Employee Expenses (ckt kms) (F)** (Rs Crore)*	***215.77***	***258.86***	***303.04***
Norms per Bay (Rs Crore)	*0.1667*	*0.1814*	*0.1974*
Number of Bays (nos)	*3955.00*	*4417.00*	*4663.00*
***Employee Expenses (Bays) (G)** (Rs Crore)*	***659.43***	***801.27***	***920.35***
Add: Arrears (H)	*44.74*	*44.74*	
***Total Employee Expenses (F+G+H)** (Rs Crore)*	***919.94***	***1104.88***	***1223.39***

Unquote

A&G Expenses:

Quote

7.6.26 Considering the methodology provided in Transmission MYT Regulations, 2014 the detailed calculation of A&G Expense is as follows:

7.6.27 The norms for five years (i.e. for last five years for which audited accounts are available i.e. from FY 2010-11 to FY 2014-15) are calculated by using formulae as follows:

Sl No	***Formulae***
•	*Assumption: 25% of Gross A&G expenses are attributed to Transmission lines, 25% of Gross A&G for employee expenses and remaining 50% for bays as per methodology followed in CERC 2014 Tariff Regulations.*
(A)	*Norms per ckt km= (Gross A&G expense for a year /Length of ckt kms) * 1000*
(B)	*Norms per Bay= (Gross A&G expense for a year / Number of Bays)*
(B1)	*Norms per Employee= (Gross A&G expense for a year / Number of Employees)*

Sl No	Formulae
(C)	Average of (A) from FY 2011-12 to FY 2015-16 (5 years)
(D)	Average of (B) from FY 2011-12 to FY 2015-16 (5 years)
(E)	Average of (B1) from FY 2011-12 to FY 2015-16 (5 years)*

*Note- The A&G Expenses have been computed considering number of bays and circuit km and employee expenses as submitted by the petitioner vide affidavit dated 2.5.2017.

7.6.28 The values (C), (D) & (E) are considered escalated using WPI escalation for FY 2014-15 to FY 2015-16 to arrive at value for FY 2017-18. As per Regulation the A&G Expenses should be calculated considering Norms per ckt/km, norms per bay and norms per employee.

Particulars	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	Average of FY 2011-2016
A&G Expenses (25%) (Audited) (A1) (Rs Crore)	3.66	3.69	4.01	7.26	8.52	
Line Length (ckt kms) (A2)	24405	25301	25920	26876	28678	
A&G Expenses (75%) (Audited) (A3) (Rs Crore)	7.31	7.39	8.02	14.52	17.05	
Number of Bays (A4) (nos.)	2098.00	2169.00	2271.00	2434.00	2445.00	
A&G Expenses (25%) (Audited) (A5) (Rs Crore)	3.66	3.69	4.01	7.26	8.52	
Number of Employees (A6)	5654	5973	5833	6856	6778	
Norms per ckt kms (A)= (A1/A2)*1000 (RsCrore)	0.0001	0.0001	0.0002	0.0003	0.0003	**0.0002**
Norms per Bay (B)= (A3/A4) (Rs Crore)	0.0035	0.0034	0.0035	0.0060	0.0070	**0.0047**
Norms per Employee (C)= (A5/A6) (Rs Crore)	0.0006	0.0006	0.0007	0.0011	0.0013	**0.0008**

7.6.29 The WPI escalation for a year is calculated considering WPI inflation for FY 2012-13 to FY 2014-15 i.e. preceding three years from the base year.

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
WPI Indices*	100	107	113	114	110	112			
Percentage increase over		6.90%	5.53%	0.94%	-3.65%	1.73%	**4.46%**		

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
previous year-WPI Inflation							*(Avg of previous 3 years from the base year) (= 6.90+5.53%+0.94%)/3)*		

**Source- http://eaindustry.nic.in/#*

The new WPI series has been issued by the government and the new series of Wholesale Price Index (WPI) with base 2011-12 is effective from April 2017.The same has been considered for escalation purposes during the MYT control period.

7.6.30 The year wise (i.e. FY 2017-18, FY 2018-19 and FY 2019-20) total A&G Expenses are calculated considering A&G Expense (ckt kms), A&G Expense (Bay) and A&G Expense (Employee) as shown below:

- *A&G Expense (ckt kms) = (Norms per ckt kms * ckt kms)*
- *A&G Expense (Bay) = (Norms per Bay * Number of Bays)*
- *A&G Expense (Employee- (Norms per Employee* Number of Employees)*

Particulars	Base Year	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
WPI Inflation		-3.65%	1.73%	**4.46%**	**4.46%**	**4.46%**
Norms per Ckt kms (Rs Crore)	0.0002	0.0002	0.0002	0.0002	0.0002	0.0002
Line Length (ckt kms)		30151.00	35522.41	44618.41	49200.41	52937.41
A&G Expense (F) (Rs Crore)		**5.91**	**7.09**	**9.30**	**10.71**	**12.04**
Norms per Bay (Rs Crore)	0.0047	0.0045	0.0046	0.0048	0.0050	0.0052
No of Bays (nos.)		3428.00	3733.00	3955.00	4417.00	4663.00
A&G Expense (G) (Rs Crore)		**15.43**	**17.09**	**18.91**	**22.06**	**24.33**
Norms per Employee (Rs Crore)	0.0009	0.0008	0.0008	0.0009	0.0009	0.0010
No of Employees (nos.)		6887.00	6068.00	6411.00	6718.00	7231.00
A&G Expense (H) (Rs Crore)		**5.66**	**5.08**	**5.60**	**6.13**	**6.90**

7.6.31 The total A&G expense for UPPTCL is calculated by taking the average of A&G Expense (ckt kms), A&G Expense (bay) and A&G Expense (Employee) as follows:

Computed	***MYT Control Period***		
	FY 2017-18	***FY 2018-19***	***FY 2019-20***
Norms per ckt kms (Rs Crore)	*0.0002*	*0.0002*	*0.0002*
Line Length (ckt kms)	*44618.41*	*49200.41*	*52937.41*
Administration & General Expenses (ckt km) (F) (Rs Crore)	***9.30***	***10.71***	***12.04***
Norms per Bay (Rs Crore)	*0.0048*	*0.0050*	*0.0052*
Number of Bays (nos)	*3955.00*	*4417.00*	*4663.00*
Administration & General Expenses (Bay) (G) (Rs Crore)	***18.91***	***22.06***	***24.33***
Norms per Employee (Rs Crore)	*0.0009*	*0.0009*	*0.0010*
Number of Employees (nos)	*6411.00*	*6718.00*	*7231.00*
Administration & General Expenses (Employee) (H) (Rs Crore)	***5.60***	***6.13***	***6.90***
Total Administration & General Expenses (F+G+H) *(Rs Crore)*	***33.81***	***38.90***	***43.26***

Unquote

R&M Expenses:

Quote

7.6.19 Considering the methodology provided in Transmission MYT Regulations, 2014 the detailed calculation of R&M Expense is as follows:

7.6.20 The value of Kb is calculated considering audited figures for the preceding five years (i.e. FY 2010-11 to FY 2014-15) as follows:

Kb = % of (Actual R&M Expense / Average GFA)

Particulars	***FY 2010-11***	***FY 2011-12***	***FY 2012-13***	***FY 2013-14***	***FY 2014-15***
Average GFA (A) (Rs Crore)	*7299.38*	*7849.07*	*8414.74*	*9252.58*	*10419.35*

Particulars	**FY 2010-11**	**FY 2011-12**	**FY 2012-13**	**FY 2013-14**	**FY 2014-15**
R&M Expenses (B) (Rs Crore)	*98.06*	*118.8*	*143.14*	*162.7*	*195.96*
K_b (D= B/A)	*1.34%*	*1.51%*	*1.70%*	*1.76%*	*1.88%*

7.6.21 Thereafter, the average of Kb is calculated for the preceding five years is calculated. This is considered as value of Kb factor FY 2014-15 (base year). The value is escalated by using increase in WPI for the corresponding years.

Particulars	**FY 2010-11**	**FY 2011-12**	**FY 2012-13**	**FY 2013-14**	**FY 2014-15**
K_b (D= B/A)	*1.34%*	*1.51%*	*1.70%*	*1.76%*	*1.88%*
Average of 5 years					***1.64%***

7.6.22 The WPI escalation for a year is calculated by considering the average increase in WPI for FY 2012-13 to FY 2014-15 i.e. preceding three years from the base year.

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**
WPI Indices*	*100*	*107*	*113*	*114*	*110*	*112*			
Percentage increase over previous year-WPI Inflation		*6.90%*	*5.53%*	*0.94%*	*-3.65%*	*1.73%*	***4.46%*** *(Avg of previous 3 years from the base year) (=(6.90%+5.53%+0.94%)/3)*		

**Source- http://eaindustry.nic.in/#*

The new WPI series has been issued by the government and the new series of Wholesale Price Index (WPI) with base 2011-12 is effective from April 2017.The same has been considered for escalation purposes during the MYT control period.

7.6.23 The total R&M Expense is calculated by using following formulae:

*Total R&M Expense = Kb * Average GFA*

Particulars	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Average GFA (Rs Crore)	*11,862.38*	*14,498.84*	*18,475.35*	*23,389.44*	*29,211.51*
WPI Inflation	*-3.65%*	*1.73%*	*4.46%*	*4.46%*	*4.46%*
K_b	*1.58%* *(= 1.64%*(1-3.65%))*	*1.61%* *(= 1.58% *(1+ 1.73%))*	***1.68%*** *(=1.61%*(1+ 4.46%))*	***1.75%*** *(=1.68%*(1+ 4.46%)*	***1.83%*** *(=1.75%*(1+ 4.46%)*

7.6.24 The calculation of R&M Expense for UPPTCL is as follows:

S. No.	Particulars	Control Period		
		FY 2017-18	FY 2018-19	FY 2019-20
1	*Average GFA (Rs Crore)*	*18475.35*	*23389.44*	*29211.51*
2	*K_b*	*1.68%*	*1.75%*	*1.83%*
3	***R&M Expense (Rs Crore)***	***310.12***	***410.10***	***535.02***

Unquote

5.6.16 The Commission is of the view that if the O&M expenses are allowed on actuals, there will be no sanctity of fixation of norms for Employee expenses, R&M expenses and A&G expenses in Tariff Regulations and hence each of them have to be dealt individually & appropriately. Therefore, the Commission for the purpose of True-Up of Employee expenses, R&M expenses and A&G expenses has considered the same norms for FY 2018-19 as computed in the aforementioned MYT Order dated November 30, 2017 as shown below:

TABLE 62:NORMATIVE EMPLOYEE EXPENSES FOR FY 2018-19 (RS. CRORE)

Particulars	Approved in T.O dt 08/01/2019	Audited Accounts	True-up Petition	Normative as per Commission
Norms per ckt kms (Rs. Crore)	0.0053		0.0053	0.0053
Line Length (ckt kms)	38,887.28		40,714.37	40,714.37
Employee Expenses (ckt kms) (Rs. Crore)	204.60	**553.70**	214.21	214.21

Particulars	Approved in T.O dt 08/01/2019	Audited Accounts	True-up Petition	Normative as per Commission
Norms per Bay (Rs. Crore)	0.1814		0.1814	0.1814
Number of Bays (nos)	4,032		4633	4633
Employee Expenses (Bays) (Rs. Crore)	731.43		840.45	840.45
Add: Arrears (Rs. Crore)	41.58		0.00	0.00
Total Employee Expenses (Rs. Crore)	**977.61**		**1054.67**	**1054.67**
Less: 20% Disallowance	195.52	**-**	**-**	**-**
Employee Expenses Capitalised (Rs. Crore)	327.63	278.84	278.84	278.84
Net Employee Expenses (Rs. Crore)	**454.46**	**274.86**	**775.82**	**775.82**

TABLE 63: NORMATIVE A&G EXPENSES FOR FY 2018-19 (RS. CRORE)

Particulars	Approved in T.O dt 08/01/2019	Audited Accounts	True-up Petition	Normative as per Commission
Norms per ckt kms (Rs. Crore)	0.0002		0.0002	0.0002
Line Length (ckt kms)	38887.28		40,714.37	40,714.37
A&G Expenses for Transmission Lines (Rs. Crore)	8.47		8.86	8.86
Norms per Bay (Rs. Crore)	0.0050		0.0050	0.0050
Number of Bays (nos)	4,032.00		4,633.00	4,633.00
A&G Expenses for Bays (Rs.	20.14		23.14	23.14
Norms per Employee (Rs. Crore)	0.0009		0.0009	0.0009
Number of Employees (nos)	6,718.00		6,368.00	6,368.00
A&G Expenses for Employees	6.13		5.81	5.81
Total A&G Expenses (Rs. Crore)	**34.73**	**59.60**	**37.81**	**37.81**
A&G Expenses Capitalised (Rs.	-	-	-	-
Less: 20% Disallowance	6.95	-	-	-
Net A&G Expenses (Rs. Crore)	**27.79**	**59.60**	**37.81**	**37.81**

TABLE 64: GFA COMPUTATION FOR FY 2018-19 (RS. CRORE)

Particulars	FORMULA	Normative as per Commission
Opening GFA	A	22371.41
Addition to GFA	B	2724.36
Deductions to GFA	C	307.67
Closing GFA	D=A+B-C	24788.10
Average GFA	**E=(A+D)/2**	**23579.88**

TABLE 65: R&M EXPENSES FOR FY 2018-19 AS APPROVED BY THE COMMISSION (RS. CRORE)

Particulars	Approved in T.O dt 08/01/2019	Audited Accounts	True-up Petition	Normative as per Commission
Average GFA (Rs. Crore)	20,616.74		24,164.99	23,579.88
Kb - Factor (%)	1.75%		1.75%	1.75%
R&M Expense (Rs. Crore)	**361.49**		**423.70**	**413.44**
Less: Deductions:	72.30		0.00	**0.00**
R&M Expense (Rs. Crore)	**289.19**	**429.40**	**423.70**	**413.44**

Summary of O&M Expenses:

5.6.17 The Commission observes that the Petitioner claimed the total normative O&M expenses to the tune of Rs. 1,237.33 Crore as against actual expenses of Rs. 763.85 Crore. Further, the Petitioner states that the normative O&M expenses for FY 2018-19 are within the limit as approved in the Tariff Order dated January 08, 2019. Thus, the Petitioner has requested that the normative O&M expenses be allowed to it in terms of the extant UPERC (MYT for Transmission Tariff) Regulations, 2014.

5.6.18 Further, the Petitioner has submitted that it has reduced the actual O&M expenses wrt the normative O&M expenses and hence it has claimed the amount on account of sharing the gains due to efficiency in the operation and maintenance (O&M) expenditure as compared to the actual O&M expenditure incurred during the FY 2018-19. The net gain due to efficiency is computed to be Rs. 473.48 Crores and it is sharing 50% of gain with consumers i.e. Rs. 236.74 Crores in the Petition and an equal amount has been shared with the consumers as per the Regulation 11 of UPERC MYT Regulations, 2014.

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:

Quote

"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."

Unquote

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.

5.6.21 Further, the Commission observes that there is a large variation in the normative and actual O&M Expenses of UPPTCL. It should be noted 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 for FY 2018-19 were allowed considering the projections of line length (ckt kms), no. of bays, energy handled for FY 2018-19 by the petitioner. It is observed that in its current true-up filings, the Petitioner has shown considerable reduction in the components actually incurred as per audited accounts, which has resulted in vast variation in the parameters. Further, the Commission observes that the normative A&G Expenses of Rs.37.81 Crores is lower compared to the Actual A&G Expenses of Rs.59.60 Crores by UPPTCL. The R&M Expenses is computed based on Average GFA and kb factor, it is observed that the actual R&M is Rs.429.40 Crores and normative is Rs. 423.70 Crores, again a variation of approx. Rs. 5.70 Crores due to lower capex and capitalization done wrt to the approved. The normative employee expenses claimed by the Petitioner is Rs. 1054.67 Crores against the actual Rs.553.70 Crores as per audited Accounts.

5.6.22 The Commission is of the view that the sharing of gains is allowed only for the purpose of incentivization 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 State owned DISCOMs Tariff Order dated 03.09.2019 (True up of FY 2018-19).

5.6.23 The Commission, keeping in view the benefit of the consumers, while allowing the O&M expenses, has considered the "lower of normative or actual expense for each element of O&M, i.e. Employee Expense, R&M & A&G" separately. Accordingly, the Commission has approved the O&M expenses which are listed in the Table below:

TABLE 66: APPROVED O&M EXPENSES FOR FY 2018-19 (RS. CRORE)

Particulars	Approved in T.O dt 08/01/2019	Annual Accounts	Normative as per Commission	True-up Petition	Approved upon Truing Up
Gross Employee Expenses	782.09	553.70	1054.67	1054.67	553.70
Employee expenses capitalized	327.63	278.84	278.84	278.84	278.84
A. Net Employee Expenses	**454.46**	**274.86**	**775.82**	**775.82**	**274.86**
Gross A&G Expenses	27.79	59.60	37.81	37.81	37.81
A&G expenses capitalized	0.00	0.00	0.00	0.00	0.00
B. Net A&G Expenses	**27.79**	**59.60**	**37.81**	**37.81**	**37.81**

Particulars	Approved in T.O dt 08/01/2019	Annual Accounts	Normative as per Commission	True-up Petition	Approved upon Truing Up
C. R&M Expenses	**289.19**	**429.40**	**423.70**	**423.70**	**413.44**
Total O&M Expenses	**771.44**	**763.85**	**1237.33**	**1237.33**	**726.11**
Net (Gain)/Loss				**473.48**	
Less: Net (Gain)/Loss sharing				**236.74**	
Net O&M Expenses	**771.44**	**763.85**	**1237.33**	**1000.59**	**726.11**

5.7 PRIOR PERIOD EXPENSES

Petitioner's Submissions

5.7.1 The Petitioner has not claimed any amount under the Petition for True up of FY 2018-19. However, the Petitioner in the Annual Accounts has shown a surplus of Rs. 2.28 Crores as Prior Period Items, Debits, write-offs & other Expenses, other comprehensive income.

Commission's Ruling

5.7.2 Prior period expenses and incomes are the outcomes of omissions / errors in recording the transactions in the accounting statements. The items booked under the prior period expenses are essentially ARR items like O&M expenses, interest and finance charges, etc. Each item of ARR has a distinct methodology of treatment in the ARR and true up determination. The Commission has not approved the prior period expenses / income in True up for FY 2018-19 as the same has not been claimed by the Petitioner.

5.8 RETURN ON EQUITY

Petitioner's Submission

5.8.1 Under the provisions of the MYT Transmission Regulations, the Petitioner is allowed a return of @ 15.5% on equity base; for equity base calculation debt equity ratio shall be 70:30. Where equity involved 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.

5.8.2 In view of the huge gap in the recovery of cost of supply at the Discom level, the Petitioner was of the view that return on equity would only result in accumulation of receivables. As such, the Licensee has been claiming return on equity @ 2% since the financial years

2009-10 onwards. Return on equity has been computed on the normative equity portion (30%) on capitalized assets.

Commission's Analysis

5.8.3 As mentioned in the Tariff Order dated August 27, 2019 the estimates for FY 2018-19 like capital expenditure, sales, etc., were not revised and considered same as that approved by the Commission vide Tariff Order dated November 30, 2017. So, the Commission carried out the detailed prudence check of various components.

5.8.4 The Commission while undertaking analysis for allowance of return on equity has considered opening level of equity for FY 2018-19 based on the closing regulatory equity approved in the section dealing with the true up for FY 2018-19. The opening level of equity considered for FY 2018-19 is Rs. 7730.53 Crore.

5.8.5 As per Regulation 26 of the UPERC MYT Regulations, 2014, Return on Equity is computed as under:

Quote

"Treatment of Return on equity

a) Return on equity shall be computed on 30% of the capital base or actual equity, whichever is lower:

Provided that assets funded by consumer contribution, capital subsidies / grants and corresponding depreciation shall not form part of the capital base. Actual equity infused in the Transmission Licensee as per book value shall be considered as perpetual and shall be used for computation in these regulations.

…"

Unquote

5.8.6 For computation of Return on Equity, in past year (till FY 2016-17) there has been an inadvertent error, wherein the assets created out of consumer contribution, capital subsidies / grants were not deducted from the assets capitalized during the year (i.e. GFA addition). The same has been rectified in the current computations of FY 2017-18 & FY 2018-19.

5.8.7 The closing equity base of FY 2016-17 is an accepted figure; therefore, the closing of FY 2016-17 has been considered as the opening for FY 2017-18, similarly closing of FY 2017-18 has been considered as the opening for FY 2018-19. Further, in order to arrive at the closing equity for FY 2018-19, 30% of the equity addition during the FY 2018-19 has been added & 30% of the Consumer Contribution received during the year has been deducted. Accordingly, Return on Equity is computed on average of the above-mentioned opening and closing equity.

5.8.8 The Return on Equity computed by the Commission for FY 2018-19 comes out to be Rs. 152.94 Crore as shown in the Table below:

TABLE 67:ALLOWABLE RETURN ON EQUITY FOR FY 2018-19 AS APPROVED BY THE COMMISSION (RS. CRORE)

S.No	Particulars	FORMULA	FY 2018-19		
			Tariff Order dt. 08.01.2019	Petitioner's Submission	Approved upon Truing Up
Assets to be deducted regarding Equity					
1	Assets Capitalised (during the year)	A	3180.53	3154.19	2724.36
2	Assets created out of consumer contribution (during the year)	B	205.43	381.47	381.47
3	Net Assets Capitalised (during the year)	C=A-B	2975.10	2772.72	2342.90
4	30% on Net Assets Capitalised (during the year)	D=30%*C	-	-	702.87
Equity Computation					
5	Equity at the beginning of the year	E	6431.26	7730.63	7295.32
6	Addition to Equity (during the year)	F=D (Approved upon Truing Up)	954.16	946.26	702.87
7	Closing Equity	G=E+F	7,385.42	8,676.88	7,998.19
8	Average Equity	H=(E+G)/2	6,908.34	8,203.75	7,646.75
9	Rate of Return (%)	I	2.00%	2.00%	2.00%
10	**Return on Equity (during the year)**	**J=H*I**	**138.17**	**164.08**	**152.94**

5.9 NON-TARIFF INCOME

Petitioner's Submission

5.9.1 The Petitioner submitted that against the projected non-tariff income of Rs. 72.55 Crore in the Tariff Order, the actual non-tariff income as per the annual accounts of FY 2018-19 is Rs. 151.59 Crore. Further, as per the FY 2018-19 annual accounts the income from Consumer Contribution is to the tune of Rs. 83.03 Crore is also recognized under the other income which has been already deducted from the gross allowable depreciation in the section above. Thus, the net non-tariff considered for FY 2018-19 is Rs. 68.55 Crore.

Commission's Analysis

5.9.2 The Regulation 28 of the Uttar Pradesh Electricity Regulatory Commission (Multi Year Transmission Tariff) Regulations, 2014 provides as under:

Quote

28 Non-Tariff Income

a) All incomes being incidental to electricity business and derived by the Licensee from sources, including but not limited to profit derived from disposal of assets, rents, delayed payment surcharge, meter rent (if any), income from investments other than contingency reserves, miscellaneous receipts from the consumers and income to Licensed business from the Other Business of the Transmission Licensee shall constitute Non-Tariff Income of the Licensee.

b) Interest earned on security deposits, in excess of the rate specified by the Commission shall be considered as Non-Tariff income of the Licensees.

c) The amount received by the Licensee on account of Non-Tariff Income shall be deducted from the aggregate revenue requirement in calculating the net revenue requirement of such Licensee.

Provided further that any expenditure incurred for generating/ earning Non- Tariff Income may be reduced from such income.

Unquote

5.9.3 The Non-Tariff Income comprises of items such as interest on loans and advances to employees, income from fixed rate investment deposits and interest on loans and advance to staff etc.

5.9.4 As per the Regulations all income being incidental to electricity business is to be considered under Non-Tariff Income, therefore the Commission has also considered the Point of Connectivity Charges for the Transmission Lines determined by CERC (as per the CERC in Petition No.286/TT/2013 vide Order dated 15.02.2016 and CERC in Petition No.168/TT/2016 vide Order dated 19.12.2017) as a part of Non-Tariff Income for UPPTCL as a part of Non-Tariff Income for UPPTCL. Accordingly, the Commission included the Point of Connectivity Charges of Rs. 25.74 Crores in Non-Tariff Income comes out to be

Rs. 94.29 Crores for FY 2018-19.

TABLE 68: NON-TARIFF INCOME FOR FY 2018-19 AS APPROVED BY THE COMMISSION (RS. CRORE)

S.No	Particulars	FY 2018-19			
		Tariff Order dt. 08.01.2019	Audited	Petitioner's Submission	Approved
1	**Interest Incomes on:**				
a	Fixed Deposits		27.23		
b	Loan to staff		0.00	40.99	40.99
c	Others		13.77		
	Sub-Total		**40.99**	**40.99**	**40.99**
2	**Maintanance & Shutdown Charges**		**12.62**	**12.62**	**12.62**
3	**Other Non-Operating Income**				
a	Income from Contractors/Suppliers		13.28	13.28	13.28
b	Incomes from Consumer Contribution Reserve	72.55	83.03	83.03	78.41
c	Rental from Staff		0.16	0.16	0.16
d	Miscellaneous Reciepts		1.51	1.51	1.51
e	Interest Subsidy		0.00	0.00	0.00
	Sub-Total		**97.98**	**97.98**	**93.36**
4	**Others**				
5	**PoC Charges of CERC lines**				**25.74**
6	**Total**		**151.59**	**151.58**	**172.71**
	Less:				
	Consumer Contribution during the year		83.03	83.03	78.41
7	**Non-Tariff Income**	**72.55**	**68.55**	**68.55**	**94.29**

5.10 REVENUE FROM TRANSMISSION OF POWER

Petitioner's Submission

5.10.1 The Petitioner has submitted that the gross transmission charges in FY 2018-19, are to the tune of Rs. 2107.59 crore. Further, as part of separate function of SLDC, it is maintaining separate accounts for SLDC. It has recovered SLDC charges to the tune of

Rs. 4.40 crore in FY 2018-19. The open access charges are to the tune of Rs. 59.15 crore as considered in annual accounts for FY 2018-19 which includes the short-term open access charges recovered in FY 2018-19 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 interstate transmission system as disbursed by PGCIL during FY 2018-19. Thus, the total revenue receipts of the Petitioner for FY 2018-19 are to the tune of Rs. 2171.14 crore. The net revenue pertaining to FY 2018-19 is provided in the table below:

TABLE 69: REVENUE FROM OPERATIONS PERTAINING TO FY 2018-19 AS SUBMITTED BY UPPTCL (RS. CRORE)

Particulars	Amount
Transmission Charges for FY 2018-19	2,107.59
Open Access Charges for FY 2018-19	59.15
SLDC Charges for FY 2018-19	4.40
Total Revenue considered for revenue side truing up in FY 2018-19	**2,171.14**

Table 70: DETAILED BREAKUP OF REVENUE FROM OPERATIONS PERTAINING TO FY 2018-19 AS SUBMITTED BY UPPTCL (RS. CRORE)

S.No.	Particulars	FY 2018-19	
		Energy delivered (MU)	Amount (Rs. Crore)
Distribution Licensee			
1	DVVNL	24,082.45	458.77
2	MVVNL	21,287.18	405.52
3	PVVNL	33,336.73	635.06
4	PuVVNL	26,153.55	498.23
5	KESCO	3,468.97	66.08
6	NPCL	2,010.92	24.97
7	**Sub-Total**	**1,10,339.80**	**2,088.63**
Open Access Consumer			
8	**LTC (other than distribution licensee)**	**1,087.76**	**18.96**
9	**STOA**	**317.49**	**33.41**
10	**SubTotal**	**1,11,745.05**	**2,141.00**
SLDC Charges			
11	**SLDC Charges**	**-**	**4.40**
12	**PoC Charges**	-	**25.74**
13	**Total**	**1,11,745.05**	**2,171.14**

Commission's Analysis

5.10.2 The Commission in its analysis has considered the Point of Connectivity Charges as a part of Non-Tariff Income the same is removed and accordingly approves the Revenue from Transmission of Power for FY 2018-19.

Table 71: DETAILED BREAKUP OF REVENUE FROM OPERATIONS PERTAINING TO FY 2018-19 AS APPROVED BY THE COMMISSION (RS. CRORE)

S.NO.	Particulars	FY 2018-19	
		Energy delivered (MU)	Amount (Rs. Crore)
Distribution Licensee			
1	DVVNL	24,082.45	458.77
2	MVVNL	21,287.18	405.52
3	PVVNL	33,336.73	635.06
4	PuVVNL	26,153.55	498.23
5	KESCO	3,468.97	66.08
6	NPCL	2,010.92	24.97
7	**Sub-Total**	**1,10,339.80**	**2,088.63**
Open Access Consumer			
8	**LTC (other than distribution licensee)**	**1,087.76**	**18.96**
9	**STOA**	**317.49**	**33.41**
10	**Sub-Total**	**1,11,745.05**	**2,141.00**
SLDC Charges			
11	**SLDC Charges**	**-**	**4.40**
12	**Total**	**1,11,745.05**	**2,145.40**

5.11 AGGREGATE REVENUE REQUIREMENT

Petitioner's Submission

5.11.1 The trued transmission charges claimed by the Petitioner for FY 2018-19 are Rs. 3662.70 Crore as against Rs. 2385.83 Crore approved in the MYT Tariff Order. After considering the transmission charges and associated revenue already recovered for FY 2018-19 amounting to Rs. 2171.14 Crore, and sharing of the gain in respect of the O&M expenses there is revenue gap to the tune of Rs. 1254.82 Crore.

5.11.2 As per the consistent practice of the Commission adopted in previous Tariff Orders pertaining to True-Up for previous years, the Petitioner submitted that it seeks the recovery of the un-recovered revenue gap of 1254.82 Crore upon truing up for FY 2018-19 from the date of order upon the instant petition in the proportion of amount billed to the Distribution Licensees and other beneficiaries in FY 2018-19.

Commission's Analysis

5.11.3 The Aggregate Revenue Requirement for FY 2018-19 after final truing up is summarised in the Table below:

TABLE 72: ARR FOR FY 2018-19 AFTER FINAL TRUING UP (RS. CRORE)

Particulars	Approved in T.O dt 08/01/2019	True-up Petition	Approved Upon Truing-Up
Employee expenses	782.09	1054.67	553.70
A&G expenses	27.79	37.81	37.81
R&M expenses	289.19	423.70	413.44
Interest on Loan Capital	1140.35	1188.34	1099.65
Interest on Working Capital	71.04	102.00	79.92
Finance Charges	0.54	0.44	0.44
Depreciation	968.50	1146.77	1093.90
Gross Expenditure	**3279.49**	**3953.72**	**3278.86**
Less: Employee cost capitalized	327.63	278.84	278.84
Less: A&G Capitalization	-	-	-
Less: Interest Capitalization	631.65	107.69	99.65
Net Expenditure	**2320.21**	**3567.18**	**2900.36**
Provision for Bad & Doubtful debts	-		
Prior Period Items, Debits, write-offs & other expenses, other comprehensive income	-		
Net Expenditure with provisions	**2320.21**	**3567.18**	**2900.36**
Add: Return on Equity	138.17	164.08	152.94
Less: Non-Tariff Income	72.55	68.55	94.29
Annual Revenue Requirement (ARR)	**2385.83**	**3662.70**	**2959.00**
Revenue from Operations	**2915.43**	**2171.14**	**2145.40**
Net Gap/ Surplus	**(529.60)**	**1,491.56**	**813.60**
Net Gain Sharing as per MYT Regulations		236.74	
Net Gap/ (Surplus) after adjusting Gain Sharing		**1254.82**	**813.60**

5.11.4 Thus, the Trued-Up Transmission ARR approved for FY 2018-19 is Rs. 2959.00 Crore as against Rs. 3662.70 Crore claimed by the Petitioner. After considering the transmission charges and associated revenue already recovered for FY 2018-19 amounting to Rs. 2145.40 Crore, the revenue gap approved for FY 2018-19 is to the tune of Rs. 813.60 Crores.

5.11.5 The Commission allows UPPTCL to recover the net gap of Rs. 813.60 Crores allowed on

True Up for FY 2018-19 in 4 monthly instalments from the date of this Order in the proportion of amount billed to the Distribution Licensees and other entities in FY 2018-19.

5.12 TRANSMISSION TARIFF

5.12.1 The Transmission MYT Regulations, 2014 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.

5.12.2 Presently, the State Discoms 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. Further, the Petitioner has projected 111745.03 MUs to be delivered to Distribution Licensees and other Long-Term Open Access Consumers who are also Discom's consumers during FY 2018-19.

5.12.3 In this regard, the Commission in the deficiency has required UPPTCL that the transmission loss data as submitted by SLDC (3.92% for FY 2018-19) is not matching with data provided by UPPTCL (3.56% for FY 2018-19). Therefore, the Commission required the clarification of the same with figures indicated at Note 17 of audited balance sheet. Further, the Commission required UPPTCL, the reconciled figures as verified by SLDC to be submitted in support of any further new submission.

5.12.4 In response the Petitioner has submitted that it has computed intra-state losses based on the total injection and drawl during the FY 2018-19. The details of the injection and drawl are as per the data provided by the NRLDC, UPPTCL's Transmission Zone Energy Account and UPSLDC as depicted in the table below:

Table 73: TRANSMISSION LOSS (%) FOR FY 2018-19

<table>
<tr><th>No.</th><th>Details of Injection Entity</th><th>Actual Injection (MU)</th><th>Source</th><th>S No.</th><th>Details of Drawee Entity</th><th>Actual Drawl (MU)</th><th>Source</th><th>Transmission Losses (%)</th></tr>
<tr><td>1</td><td>Inter-State</td><td>49,668.94</td><td>NRLDC/UPSLDC</td><td>1</td><td>MVVNL</td><td>21,287.18</td><td rowspan="5">Trans. Zone Energy A/C</td><td rowspan="7">**3.568%**</td></tr>
<tr><td>2</td><td>IPP</td><td>30,209.51</td><td>UPSLDC</td><td>2</td><td>DVVNL</td><td>24,082.45</td></tr>
<tr><td>3</td><td>UPRVUNL</td><td>29,135.00</td><td>UPSLDC</td><td>3</td><td>PuVVNL</td><td>26,153.55</td></tr>
<tr><td>4</td><td>UPJVUNL</td><td>1,185.03</td><td>UPJVNL</td><td>4</td><td>PVVNL</td><td>33,336.73</td></tr>
<tr><td>5</td><td>CPP/Co-Gen/Solar</td><td>5,680.65</td><td>Trans. Zone Energy A/C</td><td>5</td><td>KESCO</td><td>3,468.97</td></tr>
<tr><td></td><td></td><td>-</td><td></td><td>6</td><td>NPCL</td><td>2,010.92</td><td rowspan="2">UPSLDC</td></tr>
<tr><td></td><td></td><td>-</td><td></td><td>7</td><td>NR-UP</td><td>735.41</td></tr>
</table>

No.	Details of Injection Entity	Actual Injection (MU)	Source	S No.	Details of Drawee Entity	Actual Drawl (MU)	Source	Transmission Losses (%)
		-		8	Open Access Customer	669.83		
	Total	**1,15,879.13**			**Total**	**1,11,745.04**		

5.12.5 Further the Petitioner submitted that in respect of the Commission query regarding the mismatch of the transmission losses as computed by UPSLDC and that submitted by UPPTCL, it is submitted that presently actual drawl by Distribution Licensee is being accounted as below:

5.12.5.1 UPSLDC is issuing energy account (T-D) interface point (i.e. actual drawl by Distribution Licensee form intra-state transmission system) on the basis of MRI data of energy meter at these interface points through processing the same in EASS software at UPSLDC. The drawl ascertained for state owned Discoms by UPSLDC, on this basis, is not being considered for billing and losses calculation by UPPCTL (commercial wing), as MRI data for all the interface points is not available and UPSLDC software does not take account of missing data while computing the intra-state transmission losses.

5.12.5.2 Transmission zones of UPPCTL is also issuing energy account which is having distribution zone-wise data for drawl energy at T-D interface points. The same is compiled from the data of energy statements prepared on the basis of the joint monthly manual reading of various interface points energy meters at grid sub-station level. This drawl energy data for State owned Discoms is considered for billing and losses calculation by UPPTCL commercial wing.

5.12.5.3 Presently, the drawl by NPCL and NR-UP (Railways) available through EASS software is being considered for billing and losses calculation by UPPTCL commercial wing.

5.12.6 It is further submitted that presently actual Injected energy at G-T interface points for the generators (intra-state entity) under the scheduling regime and actual energy at inter-state interface points is only available through EASS software. Actual injected energy data of co-gen, solar generating stations which is not provided in EASS is accounted from the data provided by the transmission zones energy accounts.

5.12.7 UPSLDC is providing the intra-state transmission loss on the basis of injected & drawl energy data available in EASS software only. Whereas, UPPTCL is calculating the intra-state transmission losses, considering the injection/drawl as mentioned above, hence the same are different.

5.12.8 In this regard, the Commission directs UPPTCL and SLDC shall ensure proper arrangements are to be made to ensure that next filing the same discrepancies regarding the mismatch in Transmission Loss accounted between UPPTCL & SLDC should not be repeated.

5.13 DERIVATION OF TRANSMISSION TARIFF FOR FY 2018-19

5.13.1 The Standalone trued up ARR for FY 2018-19 is Rs.2959.00 Crores as against Rs. 3662.70 Crores claimed by the Petitioner.

5.13.2 The Transmission Tariff is computed as shown in the Table below:

TABLE 74: TRUED UP TRANSMISSION TARIFF FOR FY 2018-19 (RS. CRORE)

Particulars	Legend	Approved in T.O dt 08/01/2019	Actual as per annual accounts	True-up Petition	Approved Upon Truing-Up
ARR for FY 2018-19	A	2385.83	2718.28	3662.70	2959.00
Energy Handled (MU)	B	125270.50	111745.03	111745.03	111745.05
Transmission Tariff (Rs. /kWh)	C=(A/B)*10	**0.1905**	**0.2433**	**0.3278**	**0.2648**

5.13.3 From the audited balance sheet and the submissions of the Petitioner, it is observed that the Petitioner recovered the revenue of Rs. 2145.40 Crore for FY 2018-19 at a weighted average Transmission Tariff of Rs. 0.1920 / kWh from 111745.05 MUs (i.e. 2145.40/111745.05) from Distribution Licensees, LTOA, STOA etc as under:

Table 75: REVENUE GAP RECOVERY COMPUTATION FOR FY 2018-19

S.NO.	Particulars	FY 2018-19	
		Energy delivered (MU)	Amount (Rs. Crore)
1	Distribution Licensee`s +LTOA	1,11,427.56	2,107.59
3	STOA	317.49	33.41
4	SLDC Charges	-	4.40
5	**Total**	**1,11,745.05**	**2,145.40**
	Weighted avg. Transmission Tariff (Rs. /kWh)		**0.1920**

5.13.4 Hence, the gap allowed for FY 2018-19 of Rs. 813.60 Crores shall be recovered at (0.2648-0.1920= 0.0728) Rs. 0.0728 / kWh (i.e. 0.0728 X 111745.05/10= 813.60 Crs), in 4 monthly instalments from the date of this Order in the proportion of amount billed to the Distribution Licensees and other entities in FY 2018-19.

6 ANNUAL PERFORMANCE REVIEW FOR FY 2019-20

Petitioner's Submission

6.1.1 The Petitioner in the current petition is filing the Annual Performance Review for the FY 2019-20 based on the revised estimates for FY 2019-20, seeking review of the same by the Commission. In estimating the ARR under this section the main objective of the Petitioner is to reduce or at least contain the expenses to the extent possible thereby reducing the cost burden on the beneficiaries. In 2018-19, the Petitioner has endeavoured to limit most of the expenses within the budget approved by the Commission in the respective Tariff Orders with some exceptions which were totally beyond the control of the Petitioner.

6.1.2 The Petitioner submitted that in FY 2019-20, it has made plan for capital investment matching with the system requirement. The Petitioner also submitted the revised Business Plan for FY 2020-21 to FY 2024-25 vide MYT Business Plan petition dated 17th September 2020. A copy of the capital investment plan and details of the assets undertaken during the period was submitted by the Petitioner along with the revised APR Petition submitted on May 30, 2020.

6.1.3 The Petitioner has presented the detailed analysis & estimate of all the elements of ARR for FY 2019-20 in the subsequent sections with appropriate explanations. The cost elements of ARR have been estimated based on the revised estimates for FY 2019-20.

Commission's View

6.1.4 Regulation 8.1 of the Transmission MYT Regulations, 2014 specifies that under the MYT framework, the performance of the Transmission Licensee shall be subject to Annual Performance Review (APR) as under:

Quote

Where the aggregate revenue requirement and expected revenue from tariff and charges of a Transmission Licensee are covered under a Multi-Year Tariff framework, such Transmission Licensee shall be subject to an annual review of performance and True Up during the Control Period in accordance with these regulations.

Provided that in case of an excruciating and extra-ordinary circumstance, at any time notwithstanding the Annual Review, the Transmission Licensee may file appropriate application before the Commission.

Unquote

6.1.5 Also, Regulation 8 of the UPERC Multi Year Transmission Tariff Regulations, 2014 provides that the Transmission Licensee shall be subject to an annual review of performance and true up during the Control Period in accordance with the Regulations.

1) Further, Regulation 12.2 & 12.3 of the UPERC Multi Year Distribution Tariff Regulations, 2014 provides that an application for determination of tariff shall be made by November 1. The relevant extract of the same has been quoted below:

Quote

12.2 An application for determination of tariff shall be made by November 1 for the control period, in such form and in such manner as specified in this regulation and the UPERC Conduct of Business, Regulations, 2004 and its subsequent amendments / addendums & the new regulations made after repeal of the same, for whatever not covered under these regulations and accompanied by such fee payable, as specified in the UPERC (Fees and Fines) Regulations, 2010 and its subsequent amendments / addendums &the new regulations made after repeal of the same.

………..

12.3 The petition for determination of tariff shall be accompanied by information for the previous years, current year and the ensuing year for each year of the transition period / the entire control period capturing the expected revenues from the tariff and charges including miscellaneous charges along with detailed assumptions, parameters required in annual true-up exercise, etc.

Provided that the application shall be accompanied where relevant, by a detailed tariff revision proposal showing how such revision would meet the gap, if any, in Aggregate Revenue Requirement for each year of the transition / control period.

Provided further that the information for the previous year shall be based on audited accounts and in case audited accounts for previous year are not available, audited accounts for the immediately preceding previous year should be filed along with un-audited accounts for the previous year.

Unquote

Also, Regulation 12.2 & 12.3 of the UPERC Multi Year Transmission Tariff Regulations, 2014 provides that an application for determination of Tariff shall be made by November 1.

It can be observed from above that UPERC Multi Year Tariff Regulations, 2014 (for both Discoms and Transco) provides that Licensees are required to file the following by November 1, 2019:

a) True-Up for FY 2018-19 (for NPCL) & True – up for FY 2018-19 (for State Discoms - DVVNL, MVVNL, PVVNL, PuVVNL & KESCO) & True – up for FY 2017-18 & FY 2018-19 State Transmission Licensee (UPPTCL).

b) APR for FY 2019-20 for State Discoms, NPCL and State Transmission Licensee.

c) Tariff for FY 2020-21

Reasoning for above inference:

Let's take the case of NPCL and State Discoms, it will be getting its True – Up for FY 2018-19 and Tariff determination for FY 2020-21, so logically APR will be for FY 2019-20. This practice is being followed in other Regulatory Commission's too.

Similarly, for State Transmission Licensee (UPPTCL), the True up will be done for FY 2017-18 & FY 2018-19. Hence, in their case APR data will comprise of FY 2019-20.

It must be noted that in APR, audited data is not necessarily required.

Quote

……..

II. Scope of APR

In accordance with the provisions of UPERC MYT Regulations (both for DISCOMs and Transco), the scope of APR can be as follows:

The scope of Annual Performance Review shall be a comparison of the actual performance of the Applicant with the approved forecast of Aggregate Revenue

Requirement and expected revenue from tariff and charges and shall comprise of the following: -

a) A comparison of the audited performance of the applicant for the previous financial year with the approved forecast for such previous financial year and truing up of expenses and revenue subject to prudence check including pass through of impact of uncontrollable factors;

b) Categorisation of variations in performance with reference to approved forecast into factors within the control of the applicant (controllable factors) and those caused by factors beyond the control of the applicant (un-controllable factors) in accordance with the provisions of Regulations 9 of UPERC MYT Regulations;

c) Revision of estimates for the ensuing financial year, if required, based on audited financial results for the previous financial year;

d) Computation of sharing of gains and losses on account of controllable factors for the previous year in accordance with the provisions of Regulations 10 of UPERC MYT Regulations;

e) Parameters / targets monitoring by Commission (for example UDAY Scheme and Power for all 24x7, etc.).

Unquote

6.1.6 The Commission in this Order has not carried out the detailed analysis of various components of APR for FY 2019-20. The Commission has carried out comparison of each component of APR as claimed by the Petitioner with that approved Tariff Order for FY 2019-20. The Commission will carry out the detailed prudence check of various components of ARR for FY 2019-20 while carrying out the truing up for FY 2019-20, respectively.

6.2 OPERATION & MAINTENANCE EXPENSES

6.2.1 Operation & Maintenance expenses comprise of Employee costs, Administrative & General (A&G) Expenses and Repair & Maintenance (R&M) expenses. The Regulation 21 of the MYT Transmission Regulations 2014 issued by the Commission stipulates:

Quote

"21. Operation & Maintenance Expense

Operation & Maintenance expenses comprise of Employee Costs, Administrative & General Expenses, and Repair & Maintenance expenses. The regulation 21 of the MYT Transmission Regulations 2014 issued by the Hon'ble Commission stipulates:

(a) The Commission shall stipulate a separate trajectory of norms for each of the components of O&M expenses viz., employee cost, repairs and maintenance (R&M) expense and Administrative and General Expense (A&G expense). Provided that such norms may be specified for a specific Transmission Licensee or a class of Transmission Licensees.

(b) Norms shall be defined in terms of combination of number of personnel per ckt/km (for different categories of transmission lines for e.g. HVDC, 765 KV, 400 KV, > 66 KV & 400 KV, etc. lines) and number of personnel per bay (for different categories of bay for e.g. 765 KV, 400 KV, > 66 KV & 400 KV, etc bays) along with annual expenses per personnel for Employee expenses; combination of A&G expense per personnel and A&G expense per ckt/km and bay for A&G expenses and R&M expense as percentage of gross fixed assets for estimation of R&M expenses.

(c) One-time expenses such as expense due to change in accounting policy, arrears paid due to pay commissions etc., shall be excluded from the norms in the trajectory.

(d) The expenses beyond the control of the Transmission Licensee such as dearness allowance, terminal benefits etc. in Employee cost etc., shall be excluded from the norms in the trajectory.

(e) The One-time expenses and the expenses beyond the control of the Transmission Licensee shall be allowed by the Commission over and above normative Operation & Maintenance Expenses after prudence check.

(f) The norms in the trajectory shall be specified over the control period with due consideration to productivity improvements.

(g) The norms shall be determined at constant prices of base year and escalation on account of -inflation shall be over and above the baseline.

(h) The Transmission Licensee specific trajectory of norms shall be identified by the Commission on the basis of simple average of previous five years audited figures, duly normalized for any abnormal variation...."

Unquote

6.2.2 The O&M expenses include Employee expenses, R&M expenses and A&G expenses. In accordance with Regulation 21 of the Transmission MYT Regulations, 2014, the O&M expenses for the last year of the Control Period shall be determined by the Commission taking into account the actual O&M expenses of the previous years and any other factors considered appropriate by the Commission. The submissions of the Petitioner and the Commission's analysis on the O&M expenses for FY 2019-20 is detailed below.

6.3 EMPLOYEE EXPENSES FOR FY 2019-20

Petitioner's Submission

6.3.1 The Petitioner has submitted that it has computed the Employee expenses for FY 2019-20 as per the Regulation 21.1 of the MYT Transmission Regulations 2014 as below:

Quote

"Employee cost shall be computed as per the approved norm 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., governed by the following formula:

*EMPn= (EMPb * CPI inflation) + Provision*

Where:

EMPn: Employee expense for the year n. EMPb: Employee expense as per the norm CPI inflation: is the average increase in the Consumer Price Index (CPI) for immediately preceding three financial years. Provision: Provision for expenses beyond control of the Transmission Licensee and expected one-time expenses as specified above."

Unquote

6.3.2 The Petitioner further submitted that it has considered the approach adopted by the Commission while approving the MYT ARR for the 1st Control Period (FY 2017-18 to FY 2019-20) in its MYT order dated 30th November 2017 and subsequent orders dated 8th January 2019 and 27th August 2019. The Commissions approved employee expense norms for transmission lines and norms for bays for the MYT period in its order dated

30th November 2017 for computation of normative employee expenses.

6.3.3 The employee expenses for MYT period are based on the norms approved by the Commission in the order dated 30th November 2017. Further, the Petitioner has considered the same norms for employee expenses for FY 2019-20 as derived by the Commission for the FY 2019-20. The detailed computation of the employee expenses in provided below:

TABLE 76: EMPLOYEE EXPENSES FOR FY 2019-20 AS PER PETITIONER'S SUBMISSION

Particulars	Approved in Order dated 27th August 2019	Revised Estimates
Norms per ckt km (Rs. Crore)	0.0057	0.0057
Line Length (ckt km)	47,270.25	44044.37
Employee Expenses (ckt km) (Rs. Crore)	270.60	252.13
Norms per Bay (Rs. Crore)	0.1667	0.1974
Number of Bays (nos.)	4,576	4,874.00
Employee Expenses (Bays) (Rs. Crore)	762.97	962.00
Add: Arrears (Rs. Crore)	30.55	0.00
Total Employee Expense (Rs. Crore)	1,064.13	1214.13
Less: 30% Disallowance	319.24	0.00
Employee Expense after Disallowance	744.89	1,214.13

6.3.4 The Petitioner also submitted that the employee expenses capitalized for FY 2019-20 have been considered at the same rate as per the annual accounts of FY 2018-19.

Commission's View

6.3.5 The Commission observes that for FY 2019-20, the decrease in the Employee expenses per ckm of Petitioner as compared to employee expenses approved in the Tariff Order is because of the reduced line length (ckt kms) claimed in the Petition.

6.3.6 For FY 2019-20, it is observed that the Petitioner has claimed the same value of Norms per ckt km (Rs. Crore) as approved in the Tariff order, whereas higher value of Norms per Bay (Rs. Crore) as compared to the Norms approved in the Tariff Order. It is further observed that the Petitioner has claimed higher Employee expenses with respect to the approved employee expenses in Tariff Order of FY 2019-20 dated August 27, 2019, due of the higher Norms per bay considered and increase in no. of Bays. The prudence of the same will be done at the time of Truing-up.

6.4 ADMINISTRATIVE AND GENERAL EXPENSES FOR FY 2019-20

Petitioner's Submission

6.4.1 The Petitioner submitted the A&G expenses of Rs. 41.91 Crore for FY 2019-20 as per the Regulation 21.3 of the MYT Transmission Regulations 2014 as below: -

Quote

> *"A&G expense shall be computed as per the norm escalated by 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, and shall be governed by following formula:*
>
> *A&Gn= (A&Gb * WPI inflation) + Provision*
>
> *Where:*
>
> *A&Gn: A&G expense for the year n A&Gb: A&G expense as per the norm WPI inflation: is the average increase in the Wholesale Price Index (WPI) for immediately preceding three financial years Provision: Cost for initiatives or other one-time expenses as proposed by the Transmission Licensee and validated by the Commission."*

Unquote

6.4.2 The Petitioner further submitted that it has claimed the normative A&G expenses as per the approach adopted by the Commission while approving the MYT ARR for the 1st Control Period (FY 2017-18 to FY 2019-20) in its MYT order dated 30th November 2017 and subsequent orders dated 8th January 2019 and 27th August 2019. The Commissions approved A&G expense norms for transmission lines and the norms for bays in the said MYT order for computation of normative A&G expenses. The A&G Expenses have been claimed for MYT period under in this petition based on the norms approved by the Commission in the said MYT order dated 30th November 2017. The detailed computation of the A&G expenses in provided below:

TABLE 77: ADMINISTRATION AND GENERAL EXPENSES FOR FY 2019-20 AS PER PETITIONER'S SUBMISSION

Particulars	Approved in Order dated 27th August 2019	Revised Estimates
Norms per ckt km (Rs. Crore)	0.0002	0.0002
Line Length (ckt km)	47,270.25	44,044.37
A&G Expenses for Transmission Lines (Rs. Crore)	9.85	10.0174
Norms per Bay (Rs. Crore)	0.0048	0.0052
Number of Bays (nos.)	4,576.00	4,874.00
A&G Expenses for Bays (Rs. Crore)	21.88	25.43
Norms per Employee (Rs. Crore)	0.0009	0.0010
Number of Employees (nos.)	6,300	6,232
A&G Expenses for Employees (Rs. Crore)	5.50	5.95
Total A&G Expense (Crore)	**37.23**	41.40
Less 30% Disallowance	**11.17**	**0.00**
A&G Expenses after Disallowance (Rs. Crore)	**26.06**	**41.40**

Commission's View:

6.4.3 It is observed that the Petitioner has claimed the same value of Norms per Ckt km (Rs. Crore) as approved in the Tariff order, whereas higher value of Norms per Bay (Rs. Crore) and Norms per Employee (Rs. Crore) as compared to the Norms approved in the Tariff Order. It is further observed that the Petitioner has claimed higher A&G expenses with respect to the approved expenses in Tariff Order of FY 2019-20 dated August 27, 2019, due of the higher Norms per bay and higher norms per employee considered and increase in no. of Bays. The prudence of the same will be done at the time of Truing-up.

6.5 REPAIR & MAINTENANCE EXPENSES FOR FY 2019-20

Petitioner's Submission

6.5.1 The Petitioner submitted that it has computed the Repair & Maintenance expenses for FY 2019-20 as per the Regulation 21.2 of the MYT Transmission Regulations 2014 as below:

Quote

"Repairs and Maintenance expense shall be calculated as percentage (as per the norm defined) of Average Gross Fixed Assets for the year governed by following formula:

*R&Mn = Kb * GFAn*

Where:

R&Mn: Repairs & Maintenance expense for nth year GFAn: Average Gross Fixed Assets for nth year Kb: Percentage point as per the norm."

Unquote

6.5.2 As per the MYT Transmission Regulations 2014 the R&M expenses for any year of the MYT period are a percentage or fraction of the average GFA base of that year. This percentage or the factor 'K_b' may be determined by the Commission. The 'K_b' factor approved by the Commission for the FY 2017-18, FY 2018-19 & FY 2019-20 is 1.68%, 1.75% & 1.83% respectively. The R&M Expenses have been claimed for MYT period based on the 'K_b' factor approved by the Commission in the said MYT order for FY 2019-20. The detailed computation of the R&M expenses in provided below:

TABLE 78: REPAIR AND MAINTENANCE EXPENSES FOR FY 2019-20 AS PER PETITIONER'S SUBMISSION

Particulars	Approved in Order dated 27th August 2019	Revised Estimates
Average GFA (Rs. Crore)	25,922.92	27053.36
K_b - Factor (%)	1.83%	1.83%
R&M Expense (Crore)	**474.79**	**495.49**
Less: Deductions (30% Disallowance)	**142.44**	**-**
R&M Expenses after Deduction (Rs. Crore)	**332.35**	**495.49**

Commission's View

6.5.3 The Commission observes that there is increase in claimed amount of average GFA, resulting in increase in R&M Expenses. The prudence of the same will be done at the time of Truing-Up.

6.6 OPERATION AND MAINTENANCE EXPENSES FOR FY 2019-20

Petitioner's Submission

6.6.1 The Petitioner has computed the allowable O&M expenses for FY 2019-20 as depicted in the table below:

TABLE 79: O&M EXPENSES FOR FY 2019-20 AS PER PETITIONER'S SUBMISSION

Particulars	FORMULA	Approved in Order dated 27th August 2019	Revised Estimates
Gross Employee Expenses	A	744.89	1,214.13
Employee Expenses capitalized	B	734.98	611.44
Net Employee Expenses	**C=A-B**	**9.91**	**602.69**
Gross A&G Expenses	D	26.6	41.40
A&G Expenses capitalized	E	-	-
Net A&G Expenses	**F=D-E**	**26.06**	**41.40**
R&M Expenses	**G**	**332.35**	**495.49**
Total O&M Expenses	**H=C+F+G**	**368.32**	**1,139.58**

6.6.2 The Petitioner has submitted the complete details of UPPTCL's network including year-wise transmission lines, bays and sub-station considered for computation of the normative O&M Expenses along with the worksheets showing detailed computation of the O&M expenses along with this petition.

Commission's View

6.6.3 The overall O&M expenses claimed by the Petitioner have increased as compared to the O&M expenses approved in Tariff Order dated August 27, 2019 for the FY 2019-20. Each element of O&M expense has already been discussed previously.

6.7 GROSS FIXED ASSETS BALANCES AND CAPITAL FORMATION

Petitioner's Submission

6.7.1 The Petitioner has submitted the assumptions used for projecting gross fixed asset (GFA) and capital work in progress (CWIP) and are as follows:

6.7.2 The Petitioner has estimated the capital investment for FY 2019-20 based on the expected expenditure to be made towards the ongoing projects or schemes and those completed in FY 2019-20. The details of the ongoing and completed projects or schemes in FY 2019-20 is provided along with the Petition.

6.7.3 The capital investment for FY 2019-20 has been estimated as per the table below:

TABLE 80: CAPITAL INVESTMENT FOR FY 2019-20 AS PER PETITIONER'S SUBMISSION

Financing	Approved in Order dated 27th August 2019	Revised Estimates
Grant or Consumer Contribution	398.7	280.68
Debt	3,234.18	2732.86
Equity	1,386.08	1171.22
Total Investment	**5,018.96**	**4184.76**

- The Petitioner has made Investment through "deposit work" and the same has been taken for capital formation. The total consumer contribution considered towards the capital formation in FY 2019-20 is Rs. 280.68 Crores.
- The procedure prescribed by the MYT Transmission Regulations 2014 towards claiming the capital investment plan has been strictly complied in the current Petition. The details of the assets completed or under construction in the FY 2019-20 are provided in the capital investment plan for FY 2020-21 to FY 2024-25 is provided in the 'Annexures of the Petition submitted.
- 25% of the opening CWIP and 25% of investment made during the year, expenses capitalized & interest capitalized (25% of total investment) has been assumed to be capitalized during the year for FY 2019-20.
- The capital investment plan (net of deposit works) has been projected to be funded in the ratio of 70:30 (debt to equity).

6.7.4 The projected capital formation and capital work in progress for FY 2019-20 is presented below:

TABLE 81: PROJECTIONS OF CAPITALISATION & WIP OF INVESTMENT FOR FY 2019-20 AS PER PETITIONER'S SUBMISSION

Particulars	Derivation	Approved in Order dt. 27th August 2019	Revised Estimates
Opening CWIP as on 1st April	A	8280.99	6,805.05
Investments	B	5018.96	4184.76
Employee Expenses Capitalisation	C	734.98	611.44
A&G Expenses Capitalisation	D	0.00	0.00
Interest Capitalisation on Interest on long term loans	E	904.73	119.67

Particulars	Derivation	Approved in Order dt. 27th August 2019	Revised Estimates
Total Investments	**F= A+B+C+D+E**	**14939.66**	**11720.91**
Transferred to GFA (Total Capitalisation)	G	4426.58	2930.23
Closing CWIP	**H= F-G**	**10513.08**	**8790.69**

TABLE 82: PROJECTIONS OF GROSS FIXED ASSETS FOR FY 2019-20 AS PER PETITIONER'S SUBMISSION

Particulars	Derivation	Approved in Order dated 27th August 2019	Revised Estimates
Opening GFA	A	23709.63	25,588.25
Net Addition to GFA during the year	B	4426.58	3,177.37
Closing GFA	C=A+B	28136.21	28,765.62

Commission's View

6.7.5 The Commission observes that the Petitioner has considered the normative closing GFA for FY 2018-19 as the opening GFA for FY 2019-20, which is the main reason for the difference in the claimed figure of the Petitioner against the numbers approved in last year's Tariff Order.

6.8 FINANCING OF THE CAPITAL INVESTMENT

Petitioner's Submission

6.8.1 The Petitioner has considered a normative debt: equity ratio for financing of the capital investment for FY 2019-20. Considering this approach, 70% of the capital expenditure undertaken in any year has been considered to be financed through loan and balance 30% has been considered to be financed through equity contributions. The portion of capital expenditure financed through consumer contribution, capital subsidies and grants has been separated as the depreciation and interest thereon would not be charged to the beneficiaries.

6.8.2 The total consumer contribution considered towards the capital formation in FY 2019-20 is the total value of the deposit works to be undertaken in FY 2019-20.

6.8.3 The table below summarizes the amounts considered towards consumer contributions, capital grants and subsidies for FY 2019-20:

TABLE 83: CONSUMER CONTRIBUTION, CAPITAL GRANTS & SUBSIDIES FOR FY 2019-20 AS PER PETITIONER'S SUBMISSION

Particulars	Approved in Order dated 27th August 2019	Revised Estimates
Opening Balance of Consumer Contributions, Grants and Subsidies towards Cost of Capital ASSETS	900.91	1,319.32
Additions during the year	398.70	280.68
Less: Deductions	63.46	86.27
Closing Balance	**1236.15**	**1,513.73**

TABLE 84: FINANCING OF THE CAPITAL INVESTMENT FOR FY 2019-20 AS PER PETITIONER'S SUBMISSION

Particulars	Derivation	Approved in Order dated 27th August 2019	Revised Estimates
Investment	A	5018.96	4184.76
Less:			
Consumer Contribution	B	398.70	280.68
Investment funded by debt and equity	C= A-B	4620.26	3904.08
Debt Funded	70%	3234.18	2732.86
Equity Funded	30	1386.08	1171.22

6.8.4 The Petitioner has submitted that out of the capital investment of Rs. 4,184.76 crore in FY 2019-20, the capital investment through deposit works has been considered as Rs. 280.68 crore. The balance amount is considered to be funded through debt and equity. The debt equity ratio considered for the FY 2019-20 is 70:30. The Petitioner is planning large capital expenditure in the MYT period towards new and ongoing works of sub-stations and transmission lines, augmentation schemes and power evacuation schemes.

Commission's View:

6.8.5 The Commission had approved the Consumer Contributions, capital subsidies and grants to the tune of Rs. 398.70 Crore for FY 2019-20 in Tariff Order dated August 27, 2019. The balance amount has been considered to be funded through debt and equity considering a debt equity ratio of 70:30.

6.9 DEPRECIATION

Petitioner's Submission

6.9.1 Regulation 22 of the Transmission MYT Regulations, 2014 specifies as follows:

Quote

"22 treatment of Depreciation:

Depreciation shall be calculated for each year of the control period on the written down value of the fixed assets of the corresponding year.

Depreciation shall not be allowed on assets funded by consumer contributions or subsidies / grants. …………………………………

The residual value of assets shall be considered as 10% and depreciation shall be allowed to a maximum of 90% of the original cost of the asset.

Depreciation shall be charged from the first year of operation of the asset.

……………………"

Unquote

6.9.2 The MYT Transmission Regulations 2014 provides for calculating depreciation based on the written down value of the fixed assets of the corresponding year.

6.9.3 The Commission in its order dated 30th November 2017 has approved the depreciation rate and the allowable depreciation for each asset category for the control period. The Petitioner has considered the same approach while claiming the allowable depreciation for FY 2019-20. Further, the Petitioner has considered the normative closing gross fixed asset base for FY 2018-19 as the opening GFA balance for FY 2019-20 while computing the allowable depreciation. The detailed computation is provided below:

TABLE 85: GROSS ALLOWABLE DEPRECIATION FOR FY 2019-20 AS PER PETITIONER'S SUBMISSION

Depreciable Assets	Opening GFA as on 1.4.2019 (Depreciable Assets)	Cumulative Depreciation up-to 31.3.2019	Net Addition (Depreciable Assets)	Closing GFA as on 31.3.2020 (Depreciable Assets)	Rate of Depreciation (%)	Gross Allowable Depreciation	Consumer Contribution	Net Allowable Depreciation
Buildings	1,085.14	266.83	124.26	1,209.40	3.02%	26.59		

Depreciable Assets	Opening GFA as on 1.4.2019 (Depreciable Assets)	Cumulative Depreciation up-to 31.3.2019	Net Addition (Depreciable Assets)	Closing GFA as on 31.3.2020 (Depreciable Assets)	Rate of Depreciation (%)	Gross Allowable Depreciation	Consumer Contribution	Net Allowable Depreciation
Other Civil Works	91.63	22.53	10.49	102.13	3.02%	2.25		
Plant & Machinery	12,822.04	3,152.90	1,468.31	14,290.36	7.81%	812.50		
Lines, Cables, Network etc.	11,314.74	2,782.26	1,295.70	12,610.44	5.27%	483.80		
Vehicles	3.37	0.83	0.39	3.76	12.77%	0.35		
Furniture & Fixtures	8.74	2.15	1.00	9.75	12.77%	0.91		
Office Equipment	9.55	2.35	1.09	10.64	12.77%	0.99		
Intangible Assets	4.27	1.05	0.00	4.27	15.00%	0.48		
Other assets	105.44	25.93	12.56	118.01	12.77%	10.96		
Total	**25,444.93**	**6,256.83**	**2,913.82**	**28,358.74**	**6.48%**	**1,338.82**	**86.27**	**1252.54**

6.9.4 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. However, the Commission in its order dated 8th January 2019 and 27th August 2019 while approving the revised ARR for FY 2018-19 & FY 2019-20 has allowed the net depreciation after deducting the equivalent amount of depreciation on assets acquired out of the consumer contribution. The Petitioner submitted that it has considered the same approach while claiming the net deprecation amount for the MYT period. The Income from Consumer Contribution recognized as revenue (or equivalent depreciation amount) in FY 2019-20 has been projected as the percentage of the Non-tariff income (in the same ratio as in the annual accounts of FY 2018-19).”

6.9.5 Thus, the Petitioner requests the Commission to allow the net depreciation amount of Rs. 1252.54 Crore for FY 2019-20.

Commission's View

6.9.6 The Commission has carried out comparison of each component of APR as claimed by the Petitioner with that approved vide Tariff Order dated August 27, 2019 for FY 2019-20. The Commission will carry out the detailed prudence check of various components of ARR for FY 2019-20 while carrying out the truing up for FY 2019-20. However, the Licensee is required to make submission strictly as per Regulations & MYT Tariff Order to maintain the sanctity of Regulatory accounting.

6.10 INTEREST ON LONG TERM LOANS

Petitioner's Submission

6.10.1 The Petitioner submitted that it has considered a normative tariff approach with a gearing of 70:30. In this approach, 70% of the capital expenditure undertaken in any year has been considered to be financed through loan and balance 30% has been considered to be funded through equity contributions. 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.

6.10.2 Further, the Petitioner submitted that the allowable 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 2018-19 has been considered for FY 2019-20, as it seems to be fair and equitable. The computation of the Weighted Average Interest Rate on Long-Term Loan portfolio in FY 2018-19 is provided in Annexures in the Petition submitted. The interest capitalization has been considered at a rate of 9.06% for FY 2019-20 which is the actual capitalization for FY 2018-19 as per the annual accounts. The computations for interest on long term loan are depicted below:

TABLE 86: INTEREST ON LONG TERM LOANS FOR FY 2019-20 AS PER PETITIONER'S SUBMISSION

Particulars	Approved in Order dt. 27th August 2019	Revised Estimates
Opening Loan	10698.55	11582.42
Loan Additions (70% of Investments)	3234.18	2732.86
Less: Repayments (Depreciation allowable for the year)	1205.52	1252.54
Closing Loan Balance	12727.21	13062.73
Weighted Average Rate of Interest (%)	11.16%	10.72%
Interest on long term loan	**1307.28**	**1320.47**
Interest Capitalisation Rate (%)	59.40	9.06%

Particulars	Approved in Order dt. 27th August 2019	Revised Estimates
Less: Interest Capitalized	904.73	119.67
Net Interest Charged	**402.55**	**1200.80**

Commission's View

6.10.3 The Commission has considered the normative approach with debt: equity ratio of 70: 30 specified in the Transmission MYT Regulations, 2014. The portion of capital expenditure financed through Consumer Contributions and grants has been separated as the depreciation thereon would not be charged to the consumers. Further, the allowable depreciation for the year has been considered for normative loan repayment.

6.11 FINANCE CHARGES

Petitioner's Submission

6.11.1 The Petitioner submitted that it has estimated the finance charges towards expenses such as guarantee fees and bank charges to the tune of Rs. 0.45 crore in FY 2019-20.

Commission's View

6.11.2 The Commission has allowed finance charges to the tune of Rs. 0.56 Crore for FY 2019-20 in the Tariff Order.

6.12 INTEREST ON WORKING CAPITAL

6.12.1 MYT Transmission Regulations 2014 provides for normative interest on working Capital based on the methodology outlined in the Regulations. The interest on working capital has been computed based on the methodology specified in the Regulation 24 as provided below:

Quote

"The Transmission Licensee shall be allowed interest on estimated level of working capital for the financial year, computed as follows:

a) O&M expenses for one month.

b) Two months equivalent of expected revenue.

c) Maintenance spares @ 40% of R&M expenses for two months.

Less:

Security deposits from consumers, if any-

Provided that the interest on working capital shall be on normative basis and rate of interest shall be equal to the State Bank Advance Rate (SBAR) as of the date on which petition for determination of tariff is accepted by the Commission:"

Unquote

Petitioner's Submission

6.12.2 The Petitioner submitted that it has considered the State Bank Advance Rate of 13.80% as per the rate considered by the Commission is the order dated 27th August 2019 for computation of the interest of the working capital for FY 2019-20. The Petitioner has, in accordance with the above mentioned MYT Transmission Regulations 2014, considered the interest on working capital which is shown in the table below:

TABLE 87: INTEREST ON WORKING CAPITAL FOR FY 2019-20 AS PER PETITIONER'S SUBMISSION

Particulars	Approved in Order dated 27th August 2019	Revised Estimates
One Month of O&M Expenses	30.69	94.96
Maintenance spares @ 40% of R&M expenses for two months	30.48	33.03
Receivable equivalent to 60 days average billing of consumers	337.28	634.96
Less: Security deposits from consumers		-
Total Working Capital Requirement	**398.46**	**762.96**
Interest rate (%)	13.80%	13.80%
Interest on working capital	**54.99**	**105.29**

Commission's View

6.12.3 The Commission directed in the Tariff Order that in accordance with the Transmission MYT Regulations, 2014, the interest on working capital requirement shall be computed on normative basis and rate of interest shall be equal to the State Bank Advance Rate (SBAR) as of the date on which Petition for determination of Tariff is accepted by the Commission via Admittance Order dated May 30, 2019 for FY 2019-20.

6.13 OTHER INCOME

Petitioner's Submission

6.13.1 Other Income includes only non-tariff income, which comprises interest on loans and advances to employees, income from fixed rate investment deposits and interest on loans and advances to Licensees.

6.13.2 The Commission had approved the Non-Tariff Income of Rs. 66.26 Crore for FY 2019-20 in the Tariff Order of FY 2019-20 dated August 27, 2019.

6.13.3 The Petitioner submitted that the amount of depreciation charged on assets created out of consumer contributions, capital grants and subsidies are booked under the other incomes in the annual accounts. The Petitioner also submitted that the non-tariff income for FY 2019-20 is claimed as Rs. 71.23 crore and the same has been projected after deducting the estimated amount of income from Consumer Contribution from the total non-tariff income for the year.

6.14 RETURN ON EQUITY

Petitioner's Submission

6.14.1 Under provisions of the MYT Transmission Regulations 2014, the Petitioner is eligible to a return of @ 15.5% on equity base; for equity base calculation debt equity ratio shall be 70:30. Where equity involved 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. In this Petition, the return on equity has been computed as per methodology adopted by the Commission in the previous Tariff Orders.

6.14.2 In view of the huge gap in the recovery of cost of supply at the Discom's level, 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 the financial year 2009-10 onwards. Return on equity has been computed on the normative equity portion (30%) of capitalized assets.

6.14.3 The Petitioner has computed the eligible return on equity by considering the opening level of equity for FY 2018-19 based on the closing regulatory equity in the true-up Petition for FY 2018-19. Subsequently, it has considered the normative equity closing based on the capital additions for the FY 2019-20 depicted in aforementioned sections.

6.14.4 Thus, the claimed return on equity for FY 2019-20 has been computed to be Rs. 183.07 Crores for FY 2019-20 as depicted in the table below:

TABLE 88: ALLOWABLE RETURN ON EQUITY FOR FY 2019-20 AS PER PETITIONER'S SUBMISSION

Particulars	Derivation	Approved in Order dated 27th August 2019	Revised Estimates
Equity at the beginning of the year	A	7948.86	8676.88
Assets Capitalised	B	4426.58	2930.23
Addition to Equity	C = 30% of B	1327.98	879.07
Closing Equity	D = A + C	9276.83	**9555.95**
Average Equity	E = Average of A & D	8612.84	9116.42
Rate of Return (%)	F	2.00%	2.00%
Return on Equity	**G = E x F**	**172.26**	**182.33**
Disallowance (50%)	**H**	**86.13**	**0.00**
Allowable Return on Equity (RoE)	**I=G-H**	**86.13**	**182.33**

Commission's View

6.14.5 The Commission analysed that the increase in claimed amount of the Return on Equity by the Petitioner is because of the increase in the equity at the beginning of the year.

6.15 SERVICE TAX

Petitioner's Submission

6.15.1 The Petitioner submitted that Service tax liability is imposed on the service provider which would be UPPTCL. The Petitioner also submitted that service tax would be chargeable on actual energy wheeled during a financial year and at the rates as notified & amended by the Govt. from time to time. The Petitioner seeks allowance of such statutory liability on the service provider UPPTCL as pass through in tariff.

6.15.2 Further, the Petitioner submitted that such liability may be imposed on UPPTCL retrospectively like it was done in the case of PGCIL. The Petitioner would approach the Commission for allowance of such liability in its ARR accordingly.

Commission's View

6.15.3 The Commission has not approved any figures in the Tariff Order for FY 2019-20 related to Service Tax / GST and stated that the Petitioner has not proposed any expenses on this account in the ARR for the MYT Period. Hence, the same has not been considered in the Tariff Order. The Commission shall take an appropriate view based on the merits of the specific submissions of the Petitioner in this regard in terms of Transmission MYT Regulations, 2014 at the time of Truing up.

6.16 SUMMARY OF ARR AS PER THE ANNUAL PERFORMANCE REVIEW FOR FY 2019-20

6.16.1 The revised ARR as per the Annual Performance Review for FY 2019-20 is summarized in the table below:

TABLE 89: ARR FOR FY 2019-20 AS PER PETITIONER'S SUBMISSION

Particulars	As per MYT Order dated 30th November 2017	Approved in Order dated 27th August 2019	APR Petition
Employee cost	1,223.39	744.89	1214.13
A&G expenses	43.26	26.06	41.40
R&M expenses	535.02	332.35	495.49
Interest on Loan Capital	2,314.60	1,307.28	1320.47
Interest on Working Capital	119.29	54.99	105.29
Finance Charges	1.45	0.56	0.45
Depreciation	1,456.46	1,205.52	1252.55
Gross Expenditure	**5,693.46**	**3,671.65**	**4429.78**
Less: Employee cost capitalized	305.91	734.98	611.44
Less: A&G Capitalisation	8.77	0.00	-
Less: Interest Capitalisation	1,374.87	904.73	119.67
Net Expenditure	**4,003.92**	**2,031.94**	**3698.67**
Provision for Bad & Doubtful debts	-	-	-
Prior Period Items, Debits, write-offs & other expenses	-	-	-
Net Expenditure with provisions	4,003.91	2,031.94	**3698.67**
Add: Return on Equity	189.46	86.13	182.33
Less: Non-Tariff Income	56.75	66.26	71.23
Annual Revenue Requirement (ARR)	**4,136.63**	**2,051.81**	**3809.76**

6.16.2 The revised ARR for FY 2019-20 as estimated by the Petitioner is Rs. 3809.76 Crore as against Rs. 2,051.81 Crore approved in the Tariff Order dated August 27, 2019. Further, the Petitioner has neither mentioned the estimated revenue for FY 2019-20, nor claimed any Revenue Gap for FY 2019-20.

6.16.3 As discussed earlier, the Commission shall determine Revenue Gap/Surplus for FY 2019-20 during the truing up exercise.

7 AGGREGATE REVENUE REQUIREMENT FOR FY 2020-21

7.1 INTRODUCTION

7.1.1 As per the MYT (Distribution & Transmission) Regulations, 2019, the ARR includes the following components:

(a) Operation and Maintenance Expenses
- Employee Expenses
- Administration & General Expenses
- Repairs and Maintenance Expenses

(b) Interest on Loan Capital
(c) Interest on Working Capital
(d) Depreciation Expenses
(e) Return on Equity
(f) Non-tariff income
(g) Tax on Income
(h) Income from Other Business
(i) Any other relevant expenditure

7.1.2 The Petitioner has submitted that it has prepared the ARR petition for FY 2020-21 as per the provisions of the MYT Regulations 2019. The Commission had sent the data gaps/discrepancies wrt to the Business Plan and ARR. However, in the wake of prevailing pandemic of COVID-19 (the Corona Virus), the petitioner submitted the revised ARR for FY 2020-21 as per the directions of the Commission. The Petitioner submitted as under:

Quote

Power supply saw a decrease of 25% during the lockdown (year-on-year): The months of January and February in 2020 had seen an increase of 3% and 7% in power supply, respectively as compared to 2019 (year-on-year). In comparison, the power supply saw a decrease of 3% between March 1 and March 24. During the lockdown between March 24 and April 19, the total power supply saw a decrease of about 25% (year-on-year).

If we look at the consumption pattern by consumer category, in 2018-19, 41% of total electricity consumption was for industrial purposes, followed by 25% for domestic and 18% for agricultural purposes. As the lockdown has severely reduced the industrial and commercial activities in the country, these segments would have *seen a considerable decline in demand for electricity. However, note that the domestic demand may have seen an uptick as people are staying indoors.*

Electricity demand may continue to be subdued over the next few months. At this point, it is unclear that when lockdown restrictions are eased, how soon will economic activities return to pre COVID-19 levels. India's growth projections also highlight a slowdown in the economy in 2020 which will further impact the demand for electricity.

With gradual resumption of activities, the central government has recently announced measures to ease restrictions on travel and movement. Further, the government has continued to announce policy decisions to ease the financial stress caused by the pandemic, and to contain further spread of the pandemic.

Considering the above projections, the total energy expected to be delivered during FY 2020-21 is 1,17,500 MUs. Further, the Petitioner has revised the capital expenditure for the FY 2020-21 considering the impact of the COVID-19.

Unquote

7.1.3 Further, a Technical Validation Session was held to deliberate on certain issues and the Petitioner has submitted the revised submission according to the discrepancies raised by the Commission.

7.1.4 It is pertinent to mention that in order to arrive at the openings required for determination of ARR for FY 2020-21, the closing values of trued-up have been considered, which have further been accounted for by the APR values, except for capital Investment, which has been considered at 75% of claimed value.

7.1.5 The detailed analysis of each element identified above is presented in the subsequent sections.

7.2 TRANSMISSION LOSSES

Petitioner's Submission

7.2.1 In the Tariff Order dated August 27, 2019, the Commission had approved intra-State transmission losses of 3.56% for FY 2019-20.

7.2.2 The Petitioner has claimed the intra-State transmission losses of 3.50% for FY 2020-21.

Commission's View

7.2.3 The Commission has considered the issue of Transmission Loss in the MYT Business Plan Petition and after detailed deliberation has already approved the Transmission loss trajectory for the control period from FY 2020-21 to FY 2024-25. Therefore, the Commission accordingly approves the transmission losses of 3.40% for FY 2020-21 in accordance with the MYT Business Plan Order dated 15.10.2020 for the control period FY 2020-21 to FY 2024-25.

7.3 CAPITAL INVESTMENT AND CAPITALIZATION

Petitioner's Submission

7.3.1 The Petitioner has submitted that some assumptions were used for projecting Gross Fixed Asset (GFA) and Capital Work in Progress (CWIP). The petitioner has estimated the capital investment for FY 2020-21 based on the expected expenditure to be made towards the ongoing projects or schemes and those towards the new projects to be undertaken in the FY 2020-21. The Petitioner has further submitted the details of the ongoing and new projects or schemes for the period from FY 2019-20 to FY 2020-21 and has submitted the revised capital investment for FY 2020-21.

7.3.2 The capital investment for FY 2020-21 has been estimated by the Petitioner as per the table below:

Table 90: Capital Investment for FY 2020-21 as per Petitioner's Submission

Financing	FY 2020-21
Investment	4810.49
Consumer Contribution/ Grant	369.94
Debt	3108.39
Equity	1332.17
Total Investment	**4440.55**

7.3.3 The Petitioner has further submitted that Investment through "deposit work" has been taken for capital formation. The total consumer contribution considered towards the capital formation in FY 2020-21 is Rs. 369.94 crore. The petitioner has submitted that the procedure prescribed by the MYT Regulations 2019 towards claiming the capital investment plan has been strictly complied in the current Petition. The details of the new or under construction planned in FY 2020-21 are provided in the capital investment plan for FY 2019-20 to FY 2024-25 is provided in the petition. Further, 25% of the opening CWIP and 25% of investment made during the year, expenses capitalised & interest capitalised (25% of total investment) has been assumed to be capitalised during the year for FY 2020-21, in line with the past practice of the Commission. The capital investment plan (net of deposit works) has been projected to be funded in the ratio of 70:30 (debt to equity).

Commission's View

7.3.4 The MYT Distribution & Transmission Regulations, 2019 provide as under:

Quote

" 18 Capital Expenditure/ Cost and Capital Structure

Capital cost for a capital investment Project shall include:

the expenditure incurred or projected to be incurred, including interest during construction and financing charges, as admitted by the Commission after prudence check;

capitalised initial spares subject to the ceiling rates stipulated in these Regulations;

expenses incurred by the Licensee on obtaining right of way, as admitted by the Commission after prudence check;

additional capital expenditure determined under Regulation 19;

Incidental expenditure during construction including apportioned expenditure on relevant components of O&M:

Provided that the assets forming part of the project, but not in use shall be taken out of the capital cost;

any gain or loss on account of foreign exchange risk variation pertaining to the loan amount availed up to the date of commercial operation, as admitted by the Commission after prudence check:

Provided that any gain or loss on account of foreign exchange risk variation pertaining to the loan amount availed up to the date of commercial operation shall be adjusted only against the debt component of the capital cost:

Provided further that the capital cost of the assets forming part of the Project but not put to use or not in use, shall be excluded from the capital cost:

Provided also that the Licensee shall submit documentary evidence in support of its claim of assets being put to use;

The capital cost admitted by the Commission after prudence check shall form the basis for determination of Tariff.

The capital cost admitted by the Commission after prudence check shall form the basis for determination of Tariff.

The actual capital expenditure on a scheme as on COD for the original scope of work based on audited accounts of the Licensee or Project, as the case may be, shall be considered subject to prudence check by the Commission.

Capital cost to be allowed by the Commission for the purpose of determination of Tariff will be based on the capital investment plan prepared by the Licensee and approved by the Commission, prior to the Petition for determination of ARR / Tariff filing

…..

19 Additional Capitalisation

*19.1 The capital expenditure, a**ctually incurred or projected to be incurred, on the following counts within the original scope of work, af**ter the date of commercial operation and up to the cut-off date, may be admitted by the Commission subject to prudence check:*

(i) Undischarged liabilities recognized to be payable at a future date;

(ii) Works deferred for execution;

(iii) Procurement of initial capital spares within the original scope of work, in accordance with the provisions of Regulation 18;

(iv) Liabilities to meet award of arbitration or for compliance of the Order or decree of a court of law; and

(v) Change in law or compliance of any existing law

Provided that the details of works included in the original scope of work along with estimates of expenditure, liabilities recognized to be payable at a future date and the works deferred for execution shall be submitted along with the Petition for determination of final Tariff after the date of commercial operation.

19.2 The capital expenditure, incurred or projected to be incurred on the following counts after the cut-off date, may be admitted by the Commission, subject to prudence check:

(i) Liabilities to meet award of arbitration or for compliance of the Order or decree of a court of law;

(ii) Change in law or compliance of any existing law;

(iii) Any liability for works executed prior to the cut-off date, after prudence check of the details of such undischarged liability, total estimated cost of package, reasons for such withholding of payment and release of such payments, etc.;

(iv) Any liability for works admitted by the Commission after the cut-off date to the extent of discharge of such liabilities by actual payments;

(v) Any additional capital expenditure which has become necessary for efficient operation

Provided that the claim shall be substantiated with the technical justification duly supported by documentary evidence like test results carried out by an independent agency in case of deterioration of assets, damage caused by natural calamities, obsolescence of technology, up-gradation of capacity for the technical reason such as increase in fault level;

(vi) Any additional expenditure on items such as relays, control and instrumentation, computer system, power line carrier communication, batteries, tower strengthening, communication equipment, emergency restoration system, insulators cleaning infrastructure, which has become necessary for successful and efficient operation of Transmission System; and

(vii) Any capital expenditure found justified after prudence check necessitated on account of modifications required:

Provided that any expenditure, which has been claimed under Renovation and Modernisation or repairs and maintenance under O&M expenses, shall not be claimed under Additional Capitalisation.

19.3 Impact of additional capitalisation on Tariff, if any, shall be considered during Tariff determination proceedings.

……

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 chec**k.*

32.3 The Capital Investment Plan shall be accompanied by such information, particulars and documents as may be required including but not limited to the information such as number of bays, name, configuration and location of grid substations, substation capacity (MVA), transmission line length (circuit kilometres) showing the need for the proposed investments, alternatives considered, cost/benefit analysis, total cost of ownership and other aspects that may have a bearing on the transmission charges.

32.4 The Capital Investment Plan of the Transmission Licensee shall be consistent with the Transmission System plan for the Intra-State Transmission System developed by the State Transmission Utility:

*Provided that any capital expenditure incurred **by the Transmission Licensee based on the specific requirement of a Distribution Licensee shall be substantiated with necessary documentary evidence in the form of request for the same and undertaking given as appropriate**.*

32.5 The Commission shall consider the Capital Investment Plan, which will be a part of Business Plan for the entire Control Period submitted by the Transmission Licensee taking into consideration the prudence check of the proposed expenditure and estimated impact on transmission charges.

*32.6 The Transmission Licensee shall submit, along with the Petition for determination of ARR or along with the Petition for **Annual Performance Review,***

as the case may be, details showing the progress of capital expenditure projects, together *with such other information, particulars or documents as the Commission may require to assess such progress.*

(emphasis added)

Unquote

7.3.5 The Commission has noted that the Petitioner due to outbreak of COVID-19 pandemic has filed the revised Business Plan including Capital Investment Plan for the control period FY 2020-21 to FY 2024-25 and has accordingly revised the ARR/ Capital Expenditure for FY 2020-21in ARR Petition. Further, the Commission has observed that the Petitioner has not informed the Commission regarding the execution and completion of the schemes undertaken by it in the existing Control Period. The Commission opines that Petitioner should do all efforts to ensure that it informs the Commission about the status of each scheme and takes approval of the Commission as per Clause 32.2 of the UPERC MYT Regulations 2019.

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.

7.3.9 Accordingly, the projected Capital formation and Capital Work in Progress and GFA allowed for FY 2020-21 is presented below:

Table 91: PROJECTIONS OF CAPITALISATION & WIP OF INVESTMENT DURING FY 2020-21 AS COMMISSION'S ANALYSIS (RS. CRORE)

Particulars	Derivation	Claimed	Approved
Opening WIP as on 1st April	A	8790.69	7441.01
Investments	B	4810.49	4810.49
Employee Expenses Capitalisation	C	406.15	371.63
A&G Capitalisation	D	0.00	0.00
Interest Capitalisation on Interest on long term loans	E	134.80	298.36
Total Investments	**F=A+B+C+D+E**	**14142.13**	**12921.48**
Transferred to GFA (Total Capitalisation)	G	3535.53	3230.37
Closing WIP	**H=F-G**	**10606.60**	**9691.11**

7.4 FINANCING OF THE CAPITAL INVESTMENT

Petitioner's Submission

7.4.1 The Petitioner submitted that they have considered a normative Debt: Equity (70:30) ratio for financing of the capital investment for FY 2020-21. Considering this approach, 70% of the capital expenditure undertaken in any year has been considered to be financed through loan and balance 30% has been considered to be financed through equity contributions. The portion of capital expenditure financed through consumer contribution, capital subsidies and grants has been separated as the depreciation and interest thereon would not be charged to the beneficiaries.

7.4.2 Further, the Petitioner submitted that the total consumer contribution considered towards the capital formation in FY 2020-21 is the total value of the deposit works to be undertaken in FY 2020-21.

7.4.3 Thus, the Petitioner submits that out of the capital investment of Rs. 4810.49 Crore in FY 2020-21 the capital investment through Consumer Contribution has been considered as Rs. 369.94 Crore. The balance amount is considered to be funded through debt and equity. The debt equity ratio considered for the FY 2020-21 is 70:30. The Petitioner is planning large capital expenditure in the MYT period towards new and ongoing works of sub-stations and transmission lines, augmentation schemes and power evacuation schemes.

7.4.4 The financing of the capital investment as per Petitioner's submission is depicted in the table below:

Table 92: FINANCING OF CAPITAL INVESTMENT FOR FY 2020-21 AS PER PETITIONER's SUBMISSION (RS. CRORE)

Particulars	Derivation	Claimed
Investment	A	4810.49
Less:		
Consumer Contribution	B	369.94
Investment funded by debt and equity	C=A-B	4440.55
Debt Funded	70%	3108.39
Equity Funded	30%	1332.17

Commission's View

7.4.5 The Regulation 20 of the UPERC MYT Regulations, 2019 is as follows:

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

7.4.6 For the purpose of arriving at the opening values of FY 2020-21, the Commission has computed the values for FY 2019-20. For APR of FY 2019-20, the Licensee has claimed an investment of Rs. 4184.76 Crores and GFA addition of Rs. 2930.23 Crores. However, 75% of the investment during the year has been considered i.e. Rs. 3138.57 Crores and accordingly the GFA addition of Rs. 2480.34 Crores computed. The projected Capital formation and Capital Work in Progress and GFA computed for FY 2019-20 is as shown in table below:

Table 93: Capital Investment for FY 2019-20 (Rs. Crore)

Particulars	Derivation	Tariff Order dt. 27.08.2019	Claimed in APR	Computed (provisional)
Opening WIP as on 1st April	A	8280.99	6805.05	5877.72
Investments (during the year)	B	5018.96	4184.76	3138.57
Employee expenses capitalisation (during the year)	C	734.98	611.44	611.44
A&G expenses capitalisation (during the year)	D	0.00	0.00	0.00
Interest capitalisation in Interest on long term loans (during the year)	E	904.73	119.67	293.61

Particulars	Derivation	Tariff Order dt. 27.08.2019	Claimed in APR	Computed (provisional)
Total Investments	F=A+B+C+D+E	**14939.66**	**11720.91**	**9921.34**
Transferred to GFA (total capitalisation) (during the year)	G=F*25%	4426.58	2930.23	2480.34
Closing WIP	H=F-G	**10513.08**	**8790.69**	**7441.01**

7.4.7 The Commission has considered the trued-up closing GFA of FY 2018-19 as the opening GFA of FY 2019-20. The closing GFA has been computed after considering Net addition to the GFA during the year as shown in table below:

Table 94: Projections of Gross Fixed Assets for FY 2019-20 (Rs. Crore)

Particulars	Derivation	Claimed	Computed (provisional)
Opening GFA	A	25885.25	24788.10
Addition to GFA during the year	B	2930.23	2480.34
Decapitalisation/ deduction	C	0.00	0.00
Closing GFA	D=A+B-C	28518.48	27268.44

7.4.8 The Table below summarises the amounts considered towards Consumer Contributions, capital grants and subsidies for FY 2019-20:

Table 95: CONSUMER CONTRIBUTION, CAPITAL GRANTS & SUBSIDIES COMPUTED FOR FY 2019-20 (RS. CRORE)

Particulars	Claimed	Computed (provisional)
Opening Balance of Consumer Contributions, Grants and Subsidies towards Cost of Capital Assets	1319.32	1326.67
Additions during the year	280.68	280.68
Less: Deductions	86.27	94.30
Closing Balance	**1513.73**	**1513.05**

7.4.9 The closing GFA and consumer contribution of FY 2019-20, as computed above, has been considered as the opening GFA and consumer contribution of FY 2020-21 as shown in table below:

Table 96: Projections of Gross Fixed Assets for FY 2020-21 (Rs. Crore)

Particulars	Claimed	Approved
Opening GFA	28518.48	27268.44
Opening Balance of Consumer Contributions, Grants and Subsidies towards Cost of Capital Assets	1513.73	1513.05

7.4.10 As per Regulation 20.2 provided above, on the fixed asset base (in which the retirement or replacement or de-capitalisation of the assets is accounted for) computed as on 31.03.2020 (taking into consideration the trued-up values for FY 2018-19 and APR of FY 2019-20), the equity capital as on 1.4.2020, has been computed to the extent of 30% of such fixed asset base and the debt capital has been computed to the extent of 70% of such fixed asset base.

7.4.11 Accordingly, the Debt and equity as on 1.4.2020, computed for FY 2020-21 is shown below:

Table 97: DEBT: EQUITY COMPUTED AS ON 01.04.2020 (RS. CRORE)

Particulars	Derivation	Approved
Opening GFA	A	27268.44
Opening Balance of Consumer Contributions, Grants and Subsidies towards Cost of Capital Assets	B	1513.05
Net Opening GFA	C=A-B	25755.39
Opening Equity	D=C*30%	7726.62
Opening Debt	E=C*70%	18028.77

7.4.12 As per Regulation 20.1 provided above, wrt addition of capital assets after 1.4.2020, debt-equity ratio 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.

7.4.13 Accordingly, the closing GFA for FY 2020-21 has been computed after considering Net addition to the GFA during the year as shown in table below:

Table 98: Projections of Gross Fixed Assets for FY 2020-21 (Rs. Crore)

Particulars	Derivation	Claimed	Approved
Opening GFA	A	28518.48	27268.44
Addition to GFA during the year	B	3535.53	3230.37
Decapitalisation/ deduction	C	0.00	313.00
Closing GFA	D=A+B-C	32054.01	30185.81

7.4.14 The consumer contribution base for FY 2020-21 is as under:

Table 99: Consumer Contribution, Capital Grants & Subsidies Approved for FY 2020-21 (RS. CRORE)

Particulars	Claimed	Approved
Opening Balance of Consumer Contributions, Grants and Subsidies towards Cost of Capital Assets	1513.73	1513.05
Additions during the year	369.94	369.94
Less: Deductions	91.28	91.28
Closing Balance	1792.39	1791.71

7.5 DEPRECIATION

Petitioner's Submission

7.5.1 Regulation 21 of the Uttar Pradesh Electricity Regulatory Commission (Multi Year Tariff for Distribution & Transmission) Regulations, 2019, provide for the basis of charging depreciation.

7.5.2 The MYT (Distribution & Transmission) Regulations, 2019 provides for calculating depreciation based on the Straight – Line Method basis, whereas the previous MYT Transmission Regulations, 2014 provides for calculation of depreciation on written down value of the fixed assets of the corresponding year.

7.5.3 For the purpose of computing the allowable depreciation, the Petitioner has considered normative closing gross fixed asset base for FY 2019-20 as per revised estimates and have subsequently added the yearly capitalizations for the FY 2020-21. Further the Petitioner has computed the asset-wise depreciation as per the rates provided in the Annexure A of the MYT (Distribution & Transmission) Regulations, 2019 based on the normative opening and closing gross fixed asset base for FY 2020-21. The allowable depreciation for FY 2020-21 is provided in the table below:

Table 100: Depreciation Expenses for FY 2020-21 as per Petitioner's Submission

Particulars	Opening GFA	Net Additions to GFA	Closing GFA	Depreciation Rates Considered	Allowable Gross Depreciation
Land & Land Rights					
i) Unclassified	158.23	19.62	177.85	0.00%	0.00
ii) Freehold Land	1.50	0.19	1.69	0.00%	0.00
Buildings	1209.40	149.93	1359.34	3.34%	42.90
Other Civil Works	102.13	12.66	114.79	3.34%	3.62

Particulars	Opening GFA	Net Additions to GFA	Closing GFA	Depreciation Rates Considered	Allowable Gross Depreciation
Plants & Machinery	14290.36	1771.62	16061.98	5.28%	801.30
Lines, Cable Network etc.	12610.44	1563.36	14173.80	5.28%	707.10
Vehicles	3.76	0.47	4.22	9.50%	0.38
Furnitures & Fixtures	9.75	1.21	10.95	6.33%	0.66
Office Equipments	10.64	1.32	11.96	6.33%	0.72
Jeep & Motor Car	0.00	0.00	0.00	9.50%	0.00
Intangible Assets	4.75	0.59	5.34	5.28%	0.27
Assts taken over from Licensees pending final Valuation	117.52	14.57	132.09	5.28%	6.59
Total Depreciable Assets	**28358.74**	**3515.73**	**31874.47**		**1563.53**
Total Non-Depreciable	159.73	19.80	179.54		
Assets	**28518.48**	**3535.53**	**32054.01**		
Grand Total	158.23	19.62	177.85		

7.5.4 The Petitioner has projected the depreciation on assets created out of consumer contributions, capital grants and subsidies for FY 2020-21 in the same ratio as per annual accounts of FY 2018-19. The Petitioner has reduced the equivalent depreciation amounting to Rs. 91.28 crore for FY 2020-21 in respect of depreciation on assets created out of consumer contributions, capital grants and subsidies. The Petitioner further submits that in compliance to the provisions of Appendix 'C' to lnd AS-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. However, the Commission its order dated 8th January 2019 and 27th August 2019 while approving the revised ARR for FY 2018-19 & FY 2019-20 has allowed the net depreciation after deducting the equivalent amount of depreciation on assets acquired out of the consumer contribution. The petitioner has considered the same approach while claiming the net deprecation amount for FY 2020-21. The Income from Consumer Contribution recognized as revenue (or equivalent depreciation amount) in FY 2020-21 has been projected as the percentage of the Non-tariff income (in the same ratio as in the annual accounts of FY 2018-19)."

7.5.5 Thus, the Petitioner requests the Commission to allow the net depreciation amount of Rs. 1472.25 crore for FY 2020-21.

Commission's View

7.5.6 The Regulation 21 of the MYT Distribution & Transmission Regulations, 2019

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 decapitalised assets.

b) Depreciation shall be computed annually based on the Straight- Line Method at the rates stipulated in the Annexure- A of the Uttar Pradesh Electricity Regulatory Commission (Multi Year Tariff for Distribution & Transmission) Regulations, 2019.

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.

d) 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

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 2017-18 (% of Deductions)	FY 2018-19 (% 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. The gross allowable depreciation for each component is sum totalled and the equivalent depreciation on assets created out of Consumer Contributions, capital grants and subsidies are deducted as shown under:

Table 102: GROSS ALLOWABLE DEPRECIATION FOR ASSETS UPTO 31.03.2020 FOR FY 2020-21 (RS. CRORE)

For assets upto 31.3.2020 (Part A)		Depreciation									
S. No.	Particulars	Opening Written down GFA (as on 1.4.2020)	Gross Depreciation during 2019-20	Balance Depreciable Value as on 1.4.2020 (Opening GFA)	Addition to GFA	Average % of Deductions of Last 3 true-Ups	Deduction to GFA	Closing GFA	Average GFA	Depreciation Rate	Allowable Gross Depreciation
1	Land & Land Rights										
	(i) Unclassified	146.39		146.39		0.00%	0.00	146.39	146.39	0.00%	0.00
	(ii) Freehold Land	1.37		1.37		0.00%	0.00	1.37	1.37	0.00%	0.00
2	Buildings	927.02	26.40	900.61		0.01%	0.06	900.56	900.58	3.34%	30.08
3	Other Civil Works	76.44	2.17	74.27		0.00%	0.00	74.27	74.27	3.34%	2.48
4	Plant & Machinery	10043.68	735.70	9307.98		2.27%	208.63	9099.35	9203.67	5.28%	485.95
5	Lines, Cables, Network etc.	9490.15	471.36	9018.79		1.16%	104.28	8914.51	8966.65	5.28%	473.44
6	Vehicles	2.30	0.27	2.03		0.25%	0.01	2.02	2.02	9.50%	0.19
7	Furniture & Fixtures	6.50	0.78	5.72		0.40%	0.02	5.70	5.71	6.33%	0.36
8	Office Equipments	6.97	0.83	6.14		0.00%	0.00	6.14	6.14	6.33%	0.39
9	Other assets (Assets taken over from Licensees pending final Valuation)	74.53	8.85	65.67		0.00%	0.00	65.67	65.67	5.28%	3.47
10	intangible assets	3.16	0.44	2.72		0.00%	0.00	2.72	2.72	5.28%	0.14
11	**Total Fixed Assets**	**27268.44**	**1246.81**	**19531.70**		1.66%	**313.00**	**19218.70**	**19375.20**		
12	Non depreciable assets (Land & Land Rights)	147.76	0.00	147.76		0.00%	0.00	147.76	147.76		
13	**Depreciable assets**	**27120.68**	**1246.81**	**19383.95**		1.66%	**313.00**	**19070.94**	**19227.44**	**5.18%**	**996.51**

Table 103: GROSS ALLOWABLE DEPRECIATION FOR ASSETS AS ON 01.04.2020 FOR FY 2020-21 (RS. CRORE)

For assets from 1.4.2020 onwards (Part B)		Depreciation								
S. No.	Particulars	Opening Written down GFA (as on 1.4.2020)	Gross Depreciation during 2019-20	Balance Depreciable Value (as on 1.4.2020) for FY 2020-21	Addition to GFA	Deduction to GFA	Closing GFA	Average GFA	Depreciation Rate	Allowable Gross Depreciation
1	Land & Land Rights									
	(i) Unclassified	0.00	0.00	0.00	17.34	0.00	17.34	8.67	0.00%	0.00
	(ii) Freehold Land	0.00	0.00	0.00	0.16	0.00	0.16	0.08	0.00%	0.00
2	Buildings	0.00	0.00	0.00	137.44	0.00	137.44	68.72	3.34%	2.30
3	Other Civil Works	0.00	0.00	0.00	11.80	0.00	11.80	5.90	3.34%	0.20
4	Plant & Machinery	0.00	0.00	0.00	1624.67	0.00	1624.67	812.33	5.28%	42.89
5	Lines, Cables, Network etc.	0.00	0.00	0.00	1422.14	0.00	1422.14	711.07	5.28%	37.54
6	Vehicles	0.00	0.00	0.00	0.44	0.00	0.44	0.22	9.50%	0.02
7	Furniture & Fixtures	0.00	0.00	0.00	1.10	0.00	1.10	0.55	6.33%	0.03
8	Office Equipments	0.00	0.00	0.00	1.21	0.00	1.21	0.61	6.33%	0.04
9	Other assets (Assets taken over from Licensees pending final Valuation)	0.00	0.00	0.00	13.54	0.00	13.54	6.77	5.28%	0.36
10	intangible assets	0.00	0.00	0.00	0.53	0.00	0.53	0.27	5.28%	0.01
11	**Total Fixed Assets**	**0.00**	**0.00**	**0.00**	**3230.37**	**0.00**	**3230.37**	**1615.19**		
12	Non depreciable assets (Land & Land Rights)	0.00	0.00	0.00	17.50	0.00	17.50	8.75		
13	**Depreciable assets**	**0.00**	**0.00**	**0.00**	**3212.87**	**0.00**	**3212.87**	**1606.43**	**5.19%**	**83.39**

Table 104: NET APPROVED DEPRECIATION FOR ASSETS BEFORE 1.4.2020 (Part A) FOR FY 2020-21 (RS. CRORE)

Particulars	Claimed	Allowable
Gross allowable Depreciation	1563.53	996.51
Less: Equivalent amount of depreciation on assets acquired out of the Consumer Contribution	91.28	81.68
Net allowable Depreciation	**1472.25**	**914.83**

Table 105: NET APPROVED DEPRECIATION FOR ASSETS 1.4.2020 ONWARDS (Part B) FOR FY 2020-21 (RS. CRORE)

Particulars	Claimed	Allowable
Gross allowable Depreciation	1563.53	83.39
Less: Equivalent amount of depreciation on assets acquired out of the Consumer Contribution	91.28	9.60
Net allowable Depreciation	**1472.25**	**73.79**

Table 106: NET APPROVED DEPRECIATION FOR ASSETS FOR FY 2020-21 (RS. CRORE)

Particulars	Claimed	Allowable
Gross allowable Depreciation	1563.53	1079.90
Less: Equivalent amount of depreciation on assets acquired out of the Consumer Contribution	91.28	91.28
Net allowable Depreciation	**1472.25**	**988.62**

7.6 INTEREST ON LONG TERM LOANS

Petitioner's Submission

7.6.1 The Petitioner submitted that a normative ratio 70:30 has been considered for debt and equity. 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.

7.6.2 Allowable 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 2018-19 has been considered for FY 2020-21, as it seems to be fair and equitable. The interest capitalisation has been considered at a rate of 9.06% for FY 2020-21 which is the actual capitalization for FY 2018-19 as per the annual accounts.

Commission's View

7.6.3 The Commission for the purpose of determination tariff has considered debt equity ratio for the assets capitalized of 70:30 in line with the MYT Distribution & Transmission 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. Further, as per the Regulation 23.5, the rate of interest on long term loan is considered as the weighted average rate of interest of the actual long term loan portfolio. year. The relevant extract is provided in the following:

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

7.6.4 For the purpose of arriving at the opening values of FY 2020-21, the Commission has computed the values for FY 2019-20. 75% of the investment claimed by Petitioner during the year (FY 2019-20) has been considered i.e. Rs. 3138.57 Crores and accordingly the

GFA addition of Rs. 2480.34 Crores computed. Further loan addition during the year is Rs. 2000.53 Crores, which is 70% of Rs. 2857.89 Crores (i.e. Rs. 3138.57 - Rs.280.68 Crores) i.e. net investment after reducing consumer contribution. The closing loan base as on 31.03.2020 computed by the Commission for FY 2019-20 is as shown in the Table below:

Table 107: Interest on Long Term Loans Computed by Commission for FY 2019-20 (RS. CRORE)

S.No	Particulars	Tariff Order dt. 27.08.2019	Claimed	Computed (provisional)
1	Opening Normative Loan	10698.55	11582.42	10481.30
2	Loan Additions (70% of Investments)	3234.18	2732.86	2000.52
3	Less: Repayments (Depreciation allowable for the year)	1205.52	1252.54	1152.51
4	Closing Loan Balance	12727.21	13062.73	11329.31
5	Weighted Average Rate of Interest (%)	11.16%	10.72%	10.72%
6	Interest on long term loan	**1307.28**	**1320.47**	**1168.60**
7	Interest Capitalisation Rate (%)	59.40%	9.06%	25.13%
8	Less: Interest Capitalized	904.73	119.67	293.62
9	Net Interest Charged	**402.55**	**1200.80**	**874.98**

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:

Table 108: OPENING NORMATIVE LOAN FOR FY 2020-21 (RS. CRORE)

S.No	Particulars	Approved
1	Opening debt	18028.77*
2	Cumulative Net Depreciation upto 31.3.2020	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.

7.6.7 The portion of capital expenditure financed through Consumer Contributions and grants has been separated as the depreciation thereon would not be charged to the consumers. Further, the allowable depreciation for the year has been considered for normative loan repayment.

7.6.8 Further, the Commission has considered the capitalization of interest expenses at the rate of 25.13%, i.e. the average of actual interest capitalization rate (%) of last three years true-up (FY 2016-17, FY 2017-18 & FY 2018-19), against the Petitioner's claim of 9.06%.

Table 109: INTEREST CAPITALISATION % FOR FY 2020-21

Year	Formula	Interest Capitalisation Rate
FY 2016-17	A	41.33%
FY 2017-18	B	24.98%
FY 2018-19	C	9.06%
FY 2020-21 (Average of the last three True-up)	**D=(A+B+C)/3**	**25.13%**

7.6.9 The interest on long-term loans approved by the Commission for FY 2020-21 is as shown in the Table below:

Table 110: INTEREST ON LONG TERM LOANS FOR FY 2020-21 (RS. CRORE)

S.No	Particulars	Claimed	Approved
1	Opening Normative Loan	13062.73	10684.13
2	Loan Additions (70% Assets Capitalised)	3108.39	1783.20*
3	Less: Repayments (Depreciation allowable for the year)	1472.25	988.62
4	Closing Loan Balance	14698.86	11478.71
5	Weighted Average Rate of Interest (%)	10.72%	10.72%
6	Interest on long term loan	**1487.45**	**1187.47**
7	Interest Capitalisation Rate (%)	9.06%	25.13%**
8	Less: Interest Capitalized	134.80	298.36
9	Net Interest Charged	**1352.65**	**889.11**

**As per the Regulation 23.1 of UPERC MYT Regulations, 2019, the assets put to use shall be considered as gross normative loan for calculation of interest on loan.*

*** As there is vast variation in Petitioner's claim & True-Up years data, the Interest Capitalisation rate is computed by assuming average of last 3 Trued-Up years available. The Trued-Up Interest Capitalisation rate for FY 2016-17 is 41.33%, FY 2017-18 is 24.98% & for FY 2018-19is 9.06%. The average of these 3 years rate is 25.13%, the same is considered for FY 2020-21.*

7.7 FINANCE CHARGES

Petitioner's Submission

7.7.1 The Petitioner submitted that it has estimated the finance charges towards expenses such as guarantee fees and bank charges to the tune of Rs. 0.48 crore in FY 2020-21.

Commission's View

7.7.2 As per Regulation 34.3 of UPERC MYT Distribution & Transmission Regulation, 2019, the finance charges shall be part of A&G Expenses. The relevant excerpt is reproduced below:

Quote

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

7.7.3 The Commission in its computation has taken into account of the Finance Charges as a part of the A&G Expenses as per the above stated Regulation. The same is incorporated in the O&M Expenses in accordance with the UPERC MYT Distribution & Transmission Regulation, 2019.

7.8 OPERATION & MAINTENANCE EXPENSES

Petitioner's Submission

7.8.1 The Petitioner has submitted that the Operation & Maintenance expenses comprise of Employee costs, Administrative & General (A&G) Expenses and Repair & Maintenance (R&M) expenses. The Regulation 34 of the Uttar Pradesh Electricity Regulatory Commission (Multi Year Tariff for Distribution & Transmission) Regulations, 2019, the Commission stipulates:

Quote

"34. Operation & 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.*

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

Escalation Index/Inflation Rate

7.8.2 The Petitioner has submitted that the MYT (Distribution & Transmission) Regulations, 2019 provides the basis for computation of the expenses of the base year which shall be escalated at Inflation/Escalation rate notified by Labour Bureau, Govt. of India and Economic Advisor Govt. of India respectively for different years.

7.8.3 The inflation rate for Employee Expense shall be the average of Consumer Price index (CPI) for immediately preceding three financial years and the inflation rate for A&G Expense shall be the average of the Wholesale Price index (WPI) for immediately preceding three financial years. For the purpose of this MYT (i.e. FY 2020-21 to FY 2024-25), the Petitioner has used the following WPI, CPI and inflation rates as per the table mentioned below:

TABLE 111: INFLATION INDEX FOR FY 2020-21 AS PER PETITIONER'S SUBMISSION

FY	INDEX		INFLATION RATE		60:40 Index	60:40 Index Inflation
	WPI (FY 2011-12)	CPI	WPI (2011-12)	CPI		
FY 2013-14	112.50	236.00	5.24%	9.68%	186.60	8.58%
FY 2014-15	113.90	250.83	1.24%	6.29%	196.06	5.07%
FY 2015-16	109.70	265.00	-3.69%	5.65%	202.88	3.48%
FY 2016-17	111.60	275.92	1.73%	4.12%	210.19	3.60%
FY 2017-18	114.90	284.42	2.96%	3.08%	216.61	3.05%
FY 2018-19	119.80	299.92	4.26%	5.45%	227.87	5.20%
FY 2019-20	121.71	320.67	1.60%	6.92%	241.08	5.80%

7.8.4 As per the above Regulations, the base year O&M expenses has been worked out i.e. for FY 2019-20, by Petitioner. Further, the Petitioner has submitted that the Average Expenses for Mid-Year is computing considering the True-up O&M expenses for the FY 2014-15 to FY 2016-17 as allowed by the Commission in the true-up orders and O&M Expenses as per the true-up Petition for FY 2017-18 and FY 2018-19. The base year O&M for FY 2019-20 are as mentioned below:

TABLE 112: O&M EXPENSES COMPUTATION FOR FY 2020-21 AS PER PETITIONER'S SUBMISSION

S.No	Particulars	True-Up Expenses (Rs. Crore)					Avg. Expenses for Mid-Year	Normative Expenses (up to base Year)		
		FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18*	FY 2018-19*	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
1	Employee Expenses	452.49	473.99	513.86	848.56	1054.67	668.71	689.14	724.96	767.00
2	A&G Expenses	26.13	28.35	62.51	38.14	37.81	38.59	39.77	41.83	44.26
3	R&M Expenses	154.68	167.81	205.35	344.94	423.70	259.30	267.22	281.11	297.41
4	Gross O&M Expenses	633.30	670.15	781.72	1231.64	1516.18	966.60	966.12	1047.90	1108.67
5	Expenses Capitalised	106.15	242.13	372.09	308.36	278.84	372.09	308.36	278.84	386.26
a	Employee Expenses Capitalised	99.24	242.13	372.09	308.36	278.84	372.09	308.36	278.84	386.26
b	A&G Expenses Capitalised	6.91	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6	Net O&M Expenses	527.15	428.02	409.63	923.28	1237.33	594.51	687.76	769.06	722.41

**As per the true-up petitions*

7.8.5 The Petitioner detailed that since, the true-up for FY 2017-18 and FY 2018-19 are yet to be approved by the Commission, the Petitioner has considered the same on the basis of the true-up petitions for arriving at the base years O&M expenses i.e. for the year FY 2019-20. However, the Commission may consider the final trued-up O&M expenses as allowed in the true-up order for FY 2017-18 and FY 2018-19. Based on the O&M expenses for the FY 2019-20 as worked out in the table above the Petitioner has computed the allowable O&M expenses for FY 2020-21 as mentioned in the table below:

TABLE 113: EMPLOYEE EXPENSES FOR FY 2020-21 AS PER PETITIONER'S SUBMISSION

Employee Expenses	FY 2019-20 (Base Year)	FY 2020-21
CPI Inflation Index (%)	-	5.15%
Gross Employee Costs and Provisions	767.00	806.50
Less: Employee expenses capitalised	386.26	406.15
Net Employee Expenses	380.74	400.35

TABLE 114: A&G EXPENSES FOR FY 2020-21 AS PER PETITIONER'S SUBMISSION

A&G Expenses	FY 2019-20 (Base Year)	FY 2020-21
WPI Inflation Index (%)	-	2.94%
A&G Expenses	44.26	45.56
Less: A&G Expenses Capitalised	0.00	0.00
Net A&G Expenses	44.26	45.56

TABLE 115: R&M EXPENSES FOR FY 2020-21 AS PER PETITIONER'S SUBMISSION

R&M Expenses	FY 2019-20 (Base Year)	FY 2020-21
WPI Inflation Index (%)	-	2.94%
R&M Expenses	297.41	467.65

7.8.6 The Petitioner further submitted that the employee expense capitalisation for the FY 2020-21 is considered at the same rate as per the actual capitalisation in the FY 2018-19.

Commission's View

7.8.7 The Commission observed that the Petitioner has considered the actual O&M Expenses from FY 2014-15 to FY 2018-19 for computation of average gross O&M expense for the base year and has further escalated the same. However, the Regulations 34 (b) of MYT Regulations 2019 provides as follows:

Quote

"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."

Unquote

7.8.8 As per the above, the Petitioner has to consider the last five available Trued-Up values. However, the Commission in this Tariff Order has already carried out the true-ups of FY 2017-18 and FY 2018-19, therefore the average of trued-up values from FY 2014-15 to FY 2018-19 are considered for the computation.

7.8.9 Further, first proviso of Regulation 34.3 of Uttar Pradesh Electricity Regulatory Commission (Multi Year Tariff for Distribution & Transmission) Regulations, 2019 stipulates that the Interest and Finance charges such as Credit Rating charges, collection facilitation charges, financing cost of Delayed Payment Surcharge and other finance charges have been considered a part of A&G expenses. The relevant extract is provided below:

Quote

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

7.8.10 The Finance charges have been considered as part of the A&G expenses as per the above said Regulation.

7.8.11 The Commission has first arrived at the mid-year i.e. FY 2016-17 value of each component of the O&M Expenses based on the average of last 5 Trued-Up values of FY 2014-15 to FY 2018-19 and the Computation of Norms for O&M Expenses of FY 2020-21 is provided in the table below: (owing to the details provided and size of the Table it is split into two)

Table 116: O&M EXPENSES FOR FY 2020-21 AS COMPUTED BY THE COMMISSION

S.No	Particulars	Trued-Up O&M Expenses (Without Efficiency Gains/Loss)					
		FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	Avg. Expenses for past 5 years (a+b+c+d+e)/5 = Mid-Year FY 2016-17
		(a)	(b)	(c)	(d)	(e)	(f)
1	Employee Expenses	452.49	473.99	513.86	507.06	553.70	500.22
2	A&G Expenses	26.13	28.35	62.51	38.14	37.81	-
3	Finance Charges (FC)	1.75	1.26	1.16	0.85	0.44	-
4	A&G Expenses (with FC)	27.88	29.61	63.67	39.00	38.25	39.68
5	R & M Expenses	154.68	167.81	205.35	341.83	413.44	256.62
6	Gross O&M Expenses	**633.30**	**670.15**	**781.72**	**887.03**	**1,004.95**	**796.52**
7	Employee Expenses Capitalisation	99.24	242.13	372.09	308.36	278.84	
8	A&G Expenses Capitalisation	6.91	0.00	0.00	0.00	0.00	
9	**Total Capitalisation**	**106.15**	**242.13**	**372.09**	**308.36**	**278.84**	
10	Net O&M Expenses	**527.15**	**428.02**	**409.63**	**578.67**	**726.11**	

7.8.12 Further, the Mid Year value (FY 2016-17) of each component of O&M expenses as shown in above table is 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. Accordingly, the Commission, has computed the O&M expenses of the base year which shall be escalated at Inflation/Escalation rate notified by Labour Bureau, Govt. of India (http://labourbureau.gov.in/LBO_indexes.htm) and Economic Advisor Govt. of India (https://eaindustry.nic.in/) respectively for different years. The Commission has computed the WPI, CPI inflation rate as follows:

TABLE 117: INFLATION INDEX FOR FY 2020-21 AS APPROVED BY THE COMMISSION

FY	INDEX		INFLATION RATE		60:40 Index	60:40 Index Inflation	Average if Last 3 Years	
	WPI (Base 2011)	CPI (Base 2001)	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%**	**2.96%**	**5.35%**
FY 2019-20	121.80	322.50	1.68%	7.53%	242.22	**6.30%**		

7.8.13 Accordingly, in terms of Regulations, the Employee Expenses for FY 2020-21 are computed by escalating the base year (FY 2019-20) employee expenses by average CPI inflation of immediately preceding 3 financial years. The A&G Expenses (including Finance Charges) and R&M Expenses for FY 2020-21 are computed by escalating the base year (FY 2019-20) R&M and A&G Expenses by average WPI inflation of immediately preceding 3 financial years. The O&M expenses approved for FY 2020-21 are shown as under:

TABLE 118: O&M EXPENSES FOR FY 2020-21 AS APPROVED BY THE COMMISSION

S.No.	Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	Average of previous 3 years CPI and WPI escalation factor		FY 2020-21
		(f) (Average of last 5 year Gross O&M expenses)	g = f*(1+escalation factor 3.05% for FY 2017-18)	h= g*(1+escalation factor 5.20% for FY 2018-19)	i= h*(1+escalation factor 6.30% for FY 2019-20)	WPI	CPI	Normative k= j*(1+average of 3 previous years escalation factor)
1	Employee Expenses	500.22	515.46	542.27	576.43		5.35%	607.29
2	A&G Expenses (with FC)	39.68	40.89	43.02	45.73	2.96%		47.08
3	R & M Expenses	256.62	264.44	281.10	298.80	2.96%		307.64
4	**Gross O&M Expenses**	**796.52**	**820.79**	**866.38**	**920.96**			**962.01**
5	Employee Expenses Capitalisation							371.63
6	A&G Expenses Capitalisation							-
7	**Total Capitalisation**							**371.63**
8	Net O&M Expenses							**590.38**

7.9 INTEREST ON WORKING CAPITAL

Petitioner's Submission

7.9.1 The Petitioner has submitted that MYT (Distribution & Transmission) Regulations, 2019, provides for normative interest on working Capital based on the methodology outlined in the Regulations. The interest on working capital has been computed based on the methodology specified in the Regulation 25 as provided below:

Quote

"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;

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

7.9.2 In accordance with the MYT (Distribution & Transmission) Regulations, 2019, the interest on the working capital requirement is considered as the current State Bank Marginal Cost of Funds based Lending Rate (MCLR) i.e. 10.65%.

Commission's View

7.9.3 In accordance with the MYT (Distribution & Transmission) Regulations, 2019, the interest on the working capital requirement shall be computed on the normative basis and rate of interest shall be equal to the SBI MCLR (1 Year) plus 250 basis points as of the date on which Petition for determination of tariff is accepted by the Commission. Accordingly, the Commission has considered the interest rate on working capital requirement at 10.65 %. (The link for the same is: https://www.sbi.co.in/web/interest-rates/interest-rates/mclr-historical-data.)

7.9.4 The Commission observed that the Petitioner for Computation of Interest on Working Capital has considered Gross O&M Expenses for computation of One Month of O&M Expenses instead of Net O&M Expenses.

7.9.5 The Commission in accordance with the Transmission MYT (Distribution & Transmission) Regulations, 2019, has computed the interest on working capital as shown in the Table given below:

Table 119: INTEREST ON WORKING CAPITAL FOR FY 2020-21 (RS. CRORE)

Particulars	Claimed	Approved
One Month of O&M Expenses	109.98	49.20
Maintenance spares @40% of R&M expenses for two months	31.18	20.51
One and half month's equivalent of expected revenue from transmission charges at prevailing Tariff	271.46	251.57
Less: Security deposits from consumers		
Total Working Capital Requirement	412.61	321.28
Interest rate (%)	10.65%	10.65%
Interest on working capital	**43.94**	**34.22**

7.10 OTHER INCOME

Petitioner's Submission

7.10.1 Other Income includes only non-tariff income, which comprises 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 is also booked under the other incomes in the annual accounts. The non-tariff income for FY 2020-21 is claimed as Rs. 75.36 crore. The same has been projected after deducting the estimated amount of income from Consumer Contribution from the total non-tariff income for the year.

Commission's View

7.10.2 Other Income includes Non-Tariff Income, which comprises items such as interest on loans and advances to employees, income from fixed rate investment deposits and interest on loans and advance to staff. The Commission approves the Non-Tariff Income of Rs. 75.36 Crore for FY 2020-21 as proposed by the Petitioner.

7.11 RETURN ON EQUITY

Petitioner's Submission

7.11.1 Under provisions of the MYT (Distribution & Transmission) Regulations, 2019, the Petitioner is eligible to a return of @ 14.5% on equity base; for equity base calculation debt equity ratio shall be 70:30. Where equity involved 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. In this Petition, the return on equity has been computed as per methodology adopted by the Commission in the previous Tariff Orders.

7.11.2 In view of the huge gap in the recovery of cost of supply at the Discoms' level, 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 the financial year 2009-10 onwards. Return on equity has been computed on the normative equity portion (30%) of capitalised assets.

7.11.3 The Petitioner has computed the eligible return on equity by considering the closing regulatory equity in the APR Petition for FY 2019-20. Subsequently, it has considered the normative equity closing based on the capital additions for the FY 2020-21 depicted in aforementioned sections.

Commission's View

7.11.4 The Regulation 22 of the UPERC MYT Regulations, 2019 is as follows:

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

7.11.5 The Return on Equity claimed by the Petitioner is Rs. 201.73 Crores, however as UPPTCL has not claimed as per the Regulation 18 of UPERC MYT Distribution and Transmission Regulation, 2019 by not subtracting de-capitalisation during the year from the equity base.

7.11.6 For the purpose of arriving at the opening values of FY 2020-21, the Commission has computed the values for FY 2019-20. 75% of the investment claimed by Petitioner during the year (FY 2019-20) has been considered i.e. Rs. 3138.57 Crores and accordingly the GFA addition of Rs. 2480.34 Crores computed. Further equity addition during the year is 30% of Rs. 2199.66 (i.e. Rs. 2480.34 - Rs. 280.68 Crores) i.e. net investment after reducing consumer contribution. The closing equity base as on 31.03.2020 computed by the Commission for FY 2019-20 is as shown in the Table below:

Table 120: Return on Equity computed by Commission for FY 2019-20 (Rs. Crore)

S.No	Particulars	FORMULA	FY 2019-20		
			Tariff Order dt.27.08.2019	Petitioner's Submission	Computed (provisional)
Assets to be deducted regarding Equity					
1	Assets Capitalised (during the year)	A	4426.58	2930.23	2480.34
2	Assets created out of consumer contribution (during the year)	B		280.68	280.68
3	Assets De-Capitalised (during the year)	C			
4	Net Assets Capitalised (during the year)	D=A-B-C		**2649.55**	**2199.66**
5	30% on Net Assets Capitalised (during the year)	E=D*30%		**794.86**	**659.90**

S.No	Particulars	FORMULA	FY 2019-20		
			Tariff Order dt.27.08.2019	Petitioner's Submission	Computed (provisional)
Assets to be deducted regarding Equity					
Return on Equity Computation					
6	Equity at the beginning of the year	F	7948.86	8676.88	7998.19
7	Addition to Equity (during the year)	G=E (Approved)	1327.98	879.07	659.90
8	Closing Equity	H=F+G	**9276.83**	**9555.95**	**8658.08**
9	Average Equity	I=(F+H)/2	8612.84	9116.42	8328.14
10	Rate of Return (%)	J	2.00%	2.00%	2.00%
11	**Return on Equity (during the year)**	**K=I*J**	172.26	**182.33**	**166.56**
12	Disallowance (50%)	L=K*50%	86.13	-	-
13	**Allowable RoE**	**M=K-L**	86.13	**182.33**	**166.56**

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.

7.11.8 For the purpose of computation of ROE, the Opening equity base as computed in the section 7.4.11, has been considered the opening equity as on 1.4.2020. Further, 30% of Net GFA addition (after considering deduction / de-capitalization and consumer contribution in GFA) has been considered as equity addition during the year. Accordingly, the Return on Equity computed is as shown in the Table below:

Table 121: ALLOWABLE RETURN ON EQUITY FOR FY 2020-21 (RS. CRORE)

S.No	Particulars	FORMULA	FY 2020-21	
			Petitioner's Submission	Approved
Assets to be deducted regarding Equity				
1	Assets Capitalised (during the year)	A	3535.53	3230.37
2	Assets created out of consumer contribution (during the year)	B	369.94	369.94
3	Assets De-Capitalised (during the year)	C	-	313.00
4	Net Assets Capitalised (during the year)	D=A-B-C	3165.60	**2547.43**
5	30% on Net Assets Capitalised (during the year)	E=D*30%	-	**764.23**
Return on Equity Computation				

S.No	Particulars	FORMULA	FY 2020-21	
			Petitioner's Submission	Approved
6	Equity at the beginning of the year	F	9555.95	7726.62
7	Addition to Equity (during the year)	G=E (Approved)	1060.66	764.23
8	Closing Equity	H=F+G	10616.61	8490.84
9	Average Equity	I=(F+H)/2	10086.28	8108.73
10	Rate of Return (%)	J	2.00%	2.00%
11	**Return on Equity (during the year)**	**K=I*J**	**201.73**	**162.17**

7.11.9 While truing-up, the return on equity will be computed based on the actual equity, as per the balance sheet or the regulatory equity, whichever is lower.

7.12 SUMMARY OF AGGREGATE REVENUE REQUIREMENT FOR FY 2020-21

7.12.1 The Commission based on above, has approved the ARR for FY 2020-21 are as shown in the Table given below:

Table 122: APPROVED AGGREGATE REVENUE REQUIREMENT FOR FY 2020-21 (RS. CRORE)

S.No	Particulars	Claimed	Approved
1	Employee Cost	806.50	607.29
2	A&G expenses	45.56	47.08*
3	R&M expenses	467.65	307.64
4	Interest on Loan Capital	1487.45	1187.47
5	Interest on Working Capital	43.94	34.22
6	Finance Charges	0.48	-
7	Depreciation	1472.25	988.62
8	**Gross Expenditure**	**4323.84**	**3172.32**
9	Less: Employee cost capitalized	406.15	371.63
10	Less: A&G Capitalisation	0.00	0.00
11	Less: Interest Capitalisation	134.80	298.36
12	**Net Expenditure**	**3782.88**	**2502.33**
13	Provision for Bad & Doubtful debts		
14	Prior Period Items, Debits, write-offs & other expenses/Comprehensive Incomes		
15	**Net Expenditure with provisions**	**3781.88**	**2502.33**
16	Add: Return on Equity	201.73	162.17
17	Less: Non-Tariff Income	75.36	75.36
18	**Annual Revenue Requirement (ARR)**	**3909.25**	**2589.14**

**A&G including Finance charges*

7.13 TRANSMISSION TARIFF

7.13.1 The UPERC MYT Distribution and Transmission 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.

7.13.2 Presently, the State owned Discoms 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. Further, the Petitioner has projected 113424.13 MU to be delivered to Distribution Licensees and other Long-Term Open Access Consumers who are also Discom's consumers during FY 2020-21.

7.13.3 The Commission has approved the projected Energy to be handled at Discom periphery is 108890.33 MU. Accordingly, the Transmission Tariff submitted by Petitioner and approved by the Commission for FY 2020-21 is shown in the Table below:

Table 123: APPROVED TRANSMISSION TARIFF FOR FY 2020-21

Particulars	FY 2020-21	
	Claimed	Approved
Net ARR (Rs. Crore)	3909.25	2589.14
Energy Handled (MU)	113424.13	108890.33
Transmission Tariff (Rs. /kWh)	**0.3447**	**0.2378**

7.13.4 The Commission thus approves the Transmission Tariff of Rs. 0.2378 / kWh for FY 2020-21. The Transmission Tariff as determined by the Commission is payable by all the Distribution Licensees.

7.14 OPEN ACCESS: TRANSMISSION TARIFF

Petitioner's Submission

7.14.1 Further, the Petitioner has submitted that if any Discom's Consumer has availed Short Term Open Access then there will be decrease in the estimated energy of Discoms; as the Discom's 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 revised open access charges for FY 2020-21 as follows:

Table 124: REVISED OPEN ACCESS CHARGES PROPOSED BY THE PETITIONER FOR FY 2020-21

Particulars	Unit	FY 2020-21
Short Term Open Access Transmission Charges	Rs./kWh	0.3447
Long Term Open Access Transmission Charges	Rs./kWh	0.3447

7.14.2 Further the Petitioner submitted that the energy handled as projected in the above para for the purpose uniform open access charges irrespective of voltage levels for the FY 2020-21. 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 order dated 27th August 2019.

7.14.3 In addition to the above charges, the open access customer would also be liable to bear the projected transmission losses to the tune of 3.50 % for FY 2020-21 irrespective of the voltage levels at which the consumers are connected with the grid.

Commission's View

7.14.4 The Commission has computed the Transmission Tariff for FY 2020-21 in the preceding Section for use of UPPTCL network for transmission of electricity. The Intra State Open Access transmission charges are determined as under:

Table 125: APPROVED INTRA STATE OPEN ACCESS TRANSMISSION CHARGES FOR FY 2020-21 PERIOD

Particulars	Unit	FY 2020-21	
		Long-Term	Short-Term
Intra State Open Access Transmission Charges	Rs. /kWh	0.2378	0.2378

7.14.5 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 ruled that the transmission losses for FY 2020-21 would be 3.40 % irrespective of the voltage levels at which the consumers are connected with the grid.

8 DIRECTIVES

8.1 COMPLIANCE WITH DIRECTIVES ISSUED IN THE ORDER DATED JANUARY 08, 2019

8.1.1 The Commission had issued certain directives to the Petitioner in the Order dated August 27, 2019. The status of compliance submitted by the Petitioner with the same is as shown in the Table given below:

Table 126: STATUS OF COMPLIANCE/ PETITIONER'S REPLY TO COMMISSION'S DIRECTIVES

S. No.	Directive	Status of Compliance/ Petitioner's Reply
1	The Commission directs UPPTCL to expedite the process to separate the SLDC from UPPTCL in order to make SLDC as an independent Organization.	Petitioner submits that as per GoUP notification presently as a part of separate function of SLDC, it is maintaining the separate accounts for SLDC. Further, UPPTCL have started the process of separation/segregation/unbundling of the SLDC from UPPTCL.
2	The Commission directs that the licensee must make all filings timely, strictly as per the various UPERC Regulations.	The process of filing of the Business plan and the ARR & tariff petition for FY 2020-21 was slightly delayed on account of delay in preparation of the new tariff formats as per the MYT Regulations 2019. The Petitioner shall ensure timely filings of the petitions in future.
3	The Commission directs UPPTCL to comply to the Regulation 19 A relating to obtaining project wise prior approval of the commission before incurring capital expenditure of an amount exceeding 10 Crore. Failing to do so may result into punitive measures.	The petitioner had submitted the updated project wise detailed capital expenditure plan from time to time in all its ARR or tariff filing for the MYT period from FY 2017-18 and FY 2019-20. Further, the Petitioner has submitted the MYT Business Plan for the MYT period FY 2020-21 to FY 2024-25 on 3rd March 2020 seeking approval of the capital expenditure of new and ongoing projects for the MYT period. It is, in this context, submitted that investment proposals of all individual projects, beyond Rs. 10 crores, are being submitted & approved by Hon'ble Minister/Hon'ble CM/State Cabinet, after due recommendations of the Appraisal Committee, chaired by Principal Secy., Power, GoUP., strictly in line with

S. No.	Directive	Status of Compliance/ Petitioner's Reply
		GoUP GO no.1/2017/417/24/Urja Niji Nevesh Prakoshtha dated 23th August 2017. In view, the matter was discussed during the Technical Validation Session held on 26th may 2020, it was desired that UPPTCL may submit the project-wise details including its cost as submitted in Business Plan viz-a-viz as executed. Petitioner has agreed to get compiled submit the same for FY 2017-18 & FY 2018-19 by 10th June 2020 and for future i.e. FY 2020-21 onwards the same shall be submitted on quarterly basis in accordance with the MYT Regulation 2019.

8.2 DIRECTIVES ISSUED IN THIS ORDER

8.2.1 The Commission directs the Petitioner to submit the detailed justification for wide variations between Actual and Normative Components of O&M Expenses in its next ARR/ Tariff filings.

8.2.2 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) in forthcoming True-Up of FY 2019-20.

8.2.3 UPPTCL should note that any transaction which deals with transfer / sell / renting of its Assets (land, lines, transformers etc), without prior approval of the Commission is void as per Section 17(4) of the Electricity Act, 2003

8.2.4 The Commission directs that UPPTCL and SLDC shall take all necessary actions to ensure that in the next ARR/ Tariff filing the discrepancies regarding the mismatch in Transmission Loss should not be repeated.

8.2.5 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, if any.

8.2.6 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.

8.2.7 The Commission directs the Petitioner to expedite the process to separate the SLDC from UPPTCL in order to make SLDC as an independent Organization. Also, SLDC shall ensure to file its ARR Petition in accordance with UPERC SLDC Regulations, 2020.

8.2.8 The Commission directs the Petitioner to ensure to file its ARR/ Tariff Petition on time strictly in accordance with the applicable UPERC MYT Regulations.

8.2.9 The Commission directs the Petitioner that while filing ARR/ Tariff Petition, it shall upload on its website the Petitions 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.

8.2.10 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.

9 APPLICABILITY OF THE ORDER

UPPTCL, 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.

(Vinod Kumar Srivastava)	**(Kaushal Kishore Sharma)**	**(Raj Pratap Singh)**
Member (Law)	**Member**	**Chairman**

Place: Lucknow

Date: November 10, 2020

SANJAY KUMAR SINGH

Digitally signed by SANJAY KUMAR SINGH
Date: 2020.11.11 12:15:41 +05'30'

10 ANNEXURE 1: ADMITTANCE ORDER

BEFORE

THE UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION, LUCKNOW

Petition No. 1515 / 2019 & 1571 /2020

IN THE MATTER OF:

Application for determination of Annual Revenue Requirement (ARR) for the FY 2020-21, Annual Performance Review (APR) for FY 2019-20 and True-up for the FY 2018-19 – (Petition No. - 1571 of 2020) and FY 2017-18 (Petition No. - 1515 of 2019) 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 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 1, 2015 to March 31, 2020, unless otherwise extended by the Commission. Embarking upon the MYT framework, the Commission has divided the period of five years (i.e. April 1, 2015 to March 31, 2020) into two periods namely –

a. Transition period (April 1, 2015 to March 31, 2017)
b. Control period (April 1, 2017 to March 31, 2020)

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).

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 1, 2020 onwards up to FY 2024-25 [i.e., till March 31, 2025] unless extended by the Commission. Further, as per the provisions stipulated in Regulation 4, the petition for determination of Aggregate Revenue Requirement (ARR) and tariff, Annual Performance Review (APR) and Truing Up complete in all respect has to be

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filed by the Transmission Licensee before the Commission on or before November 30 of each year.

The Transmission Licensee namely Uttar Pradesh Power Transmission Corporation Limited (hereinafter referred to as "UPPTCL"), filed Petition for True-Up for the FY 2017-18 before the Commission on October 14, 2019. It filed the petition for determination of Annual Revenue Requirement and tariff for FY 2020-21, Annual Performance Review of FY 2019-20 and True-up for the FY 2018-19 on March 12, 2020. It subsequently made a presentation before the Commission on March 18, 2020 regarding the Petitions. The presentation was attended by the senior officials of UPPTCL. During the presentation, the Commission pointed out few deficiencies and directed UPPTCL to submit its response on the same.

A preliminary analysis was conducted of the Petitions, wherein various deficiencies were observed in Petitions and the deficiencies were communicated vide letters dated February 27, 2020 & May 13, 2020. UPPTCL submitted their response to the deficiencies in respect to True-Up of FY 2017-18 and 2018-19 on 25th May 2020. The Technical Validation Session covering all the Petitions was conducted on May 26 & 27, 2020 which was attended by the senior officials of UPPTCL and during the Technical Validation Session, UPPTCL explained various issues raised in the deficiencies. However, it sought some further time to submit its response on few issues linked to Depreciation, Capital Expenditure, etc.

Further, since the determination of ARR / Tariffs has already been significantly delayed due to the various factors including outbreak of COVID-19 pandemic, the Commission admits the Petitions for further processing. The Commission directs the Licensee to submit the pending information immediately and also directs them that they shall furnish further information / clarifications, if any, as deemed necessary by the Commission during the processing of the Petitions 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.

The Petitioner in accordance with the Regulation 5.8 of MYT Regulations, 2019 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, 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 Petitioner shall also upload on its website the Petition filed before the Commission along with all regulatory filings, information, particulars and related documents. The Public Notice should also contain the details of the Transmission Loss and Transmission Tariff for FY 2017-18, FY 2018-19, FY 2019-20 & FY 2020-21 in their submissions and indicate that the stakeholders to regularly check the websites of UPPTCL for further submissions made in respect to these proceedings.

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It is pertinent to mention that the Commission, in wake of prevailing COVID-19 pandemic outbreak which has led to restricted movement across the country and due to the subsequent requirement of social distancing for prevention of spread of the disease, intends to hold the Public Hearing in the mid of June through video conferencing. The details of the same will be provided subsequently on the Commission's website. The Licensee 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	**Member**	**Chairman**

Place: Lucknow
Date: 4/6/2020

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11 ANNEXURE 2: LIST OF PERSONS WHO ATTENDED PUBLIC HEARING

11.1.1 In the matter of Tariff Petition No. 1515/2019 & 1571/2020 of UPPTCL for Determination of APR for FY 2019-20, ARR for FY 2020-21 & True Up of ARR for FY 2017-18 & FY 2018-19.

LIST OF PERSONS WHO HAVE ATTENDED THE VIRTUAL PUBLIC HEARING OF UPPTCL ON JULY 02, 2020

S. No.	Name	Organization
1	Shri D.C. Verma	RAU, UPPCL
2	Shri Amit Bhargava	Director (Tariff), UPERC
3	Shri Abhishek Moza	Joint Director (Transmission), UPERC
4	Shri Sarabjeet Singh Dhingra	Joint Director (Distribution), UPERC
5	Shri Neeraj Agrawal	Deputy Director (A & FA), UPERC
6	Shri Arzaan Dordi	Sterlite Power
7	Shri Anil Jain	Dir (Comm) UPPTCL
8	Shri Kshitij Dhingra	IEX
9	Shri Navin Singh	Sterlite Power
10	Shri Amiy Chaturvedi	Mercados
11	Shri BP Mahapatra	UPPTCL
12	Shri RP Dubey	UPPTCL
13	Shri RK Singh	UPSLDC
14	Shri AK Shukla	UPPTCL
15	Shri SK Chaurasia	UPPTCL
16	Shri Girish Deveshwar	Sterlite
17	Shri AK Gupta	UPPCL
18	Dr. Senthil Pandian	UPPTCL
19	Shri Saurabh Srivastava	IEX
20	Shri Manoj Singh	UPPTCL
21	Shri Avadesh Kumar Verma	Chairman, U.P Rajya Vidyut Upbhokta Parishad, Consumer Forum
22	Shri Vinod Prajapati	UPPTCL
23	Shri Hemendra Soni	K. B. Saxena & Associates
24	Shri Ayush Gupta	K. B. Saxena & Associates
25	Shri Vedant Sonkhiya	Open Access User Association
26	Shri Niraj Agrawal	CE (RAU), UPPCL

S. No.	Name	Organization
27	Shri Rama Shankar Awasthi	Consumer
28	Shri Yash Dubey	Open Access User Association
29	Shri Chanmeet Singh	Consultant (ABPS)
30	Shri Inian Sri Malan	Consultant (ABPS)
31	Shri Akhil Katiyar	Consultant (ABPS)
32	Shri Prabhat Gupta	Consultant (ABPS)
33	Shri Arjun Manohar	Consultant (ABPS)