



**ASSAM ELECTRICITY REGULATORY COMMISSION
(AERC)**

**TARIFF ORDER
TRUING UP OF FY 2013-14, APR OF FY 2014-15 AND
ARR & TARIFF FOR FY 2015-16**

Assam Electricity Grid Corporation Limited (AEGCL)

Petition No. 2/2015

ASSAM ELECTRICITY REGULATORY COMMISSION

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CONTENTS

ORDER.....	V
1. INTRODUCTION	1
1.1 CONSTITUTION OF THE COMMISSION.....	1
1.2 TARIFF RELATED FUNCTIONS OF THE COMMISSION.....	1
1.3 BACKGROUND.....	2
1.4 PROCEDURAL HISTORY.....	4
1.5 ADMISSION OF THE PETITION AND HEARING PROCESS.....	4
1.6 STATE ADVISORY COMMITTEE MEETING.....	6
2. SUMMARY OF AEGCL'S PETITION.....	7
2.1 PRAYERS OF AEGCL.....	9
3. SUMMARY OF OBJECTIONS RAISED, RESPONSE OF THE AEGCL AND COMMISSION'S COMMENTS	10
4. TRUING UP FOR FY 2013-14.....	21
5. ANNUAL PERFORMANCE REVIEW FOR FY 2014-15.....	30
5.1 METHODOLOGY FOR PERFORMANCE REVIEW.....	30
6. DETERMINATION OF ARR AND TARIFF FOR FY 2015-16.....	40
6.1 INTRODUCTION.....	40
6.2 APPROVED ARR FOR FY 2015-16 VIDE MYT ORDER DATED NOVEMBER 21, 2013.....	40
6.3 OPERATION AND MAINTENANCE EXPENSES.....	41
(1) EMPLOYEE COST.....	42
(2) REPAIR AND MAINTENANCE (R&M) EXPENSES.....	42
(3) ADMINISTRATION AND GENERAL (A&G) EXPENSES.....	43
6.4 CAPITAL INVESTMENT.....	43
6.5 CAPITALISATION.....	44
6.6 DEPRECIATION.....	44

6.7	INTEREST AND FINANCE CHARGES	46
6.8	INTEREST ON WORKING CAPITAL.....	47
6.9	RETURN ON EQUITY	48
6.10	PROVISION FOR INCOME TAX	48
6.11	OTHER DEBITS	48
6.12	BST FOR PENSION FUND (SPECIAL CHARGES FOR TERMINAL BENEFITS)	48
6.13	PGCIL CHARGES	48
6.14	NON-TARIFF INCOME.....	49
6.15	SLDC CHARGES	50
6.16	TRANSMISSION LOSS.....	50
6.17	ENERGY HANDLED	51
6.18	ARR FOR FY 2015-16.....	51
6.19	TRANSMISSION CHARGES.....	52
6.20	SLDC CHARGES APPLICABLE TO USERS.....	54
6.21	RECOVERY OF TRANSMISSION CHARGES (TC)	54
6.22	EFFECTUATION OF TRANSMISSION TARIFF	55
7	COMPLIANCE OF DIRECTIVES & NEW DIRECTIVES	56
7.1	COMPLIANCE OF OLD DIRECTIVES.....	56
7.2	NEW DIRECTIVE	58
ANNEXURE-1	59

Abbreviations

A&G	Administration and General
ABITA	Assam Branch of Indian Tea Association
AEGCL	Assam Electricity Grid Corporation Limited
AERC	Assam Electricity Regulatory Commission
APDCL	Assam Power Distribution Company Limited
APGCL	Assam Power Generation Corporation Limited
ARR	Annual Revenue Requirement
ASEB	Assam State Electricity Board
BST	Bulk Supply Tariff
C&AG/ CAG	Comptroller and Auditor General
CERC	Central Electricity Regulatory Commission
CPI	Consumer Price Index
CSGS	Central Sector Generating Stations
CTU	Central Transmission Utility
CWIP	Capital Work-In-Progress
EPFI	Employees Pension Fund Investment
FAR	Fixed Asset Register
FY	Financial Year
GFA	Gross Fixed Assets
GoA	Government of Assam
HRA	House Rent Allowance
IPP	Independent Power Producers
kW	Kilo Watt
kWh	Kilo Watt Hour
Misc	Miscellaneous
MoM	Minutes of Meeting
MS Excel	Microsoft Excel
MW	Mega Watt
MU	Million Units
MYT	Multi Year Tariff
NEC	North Eastern Council
NERLDC	North Eastern Region Load Despatch Centre
NLCPR	Non Lapsable Central Pool of Resources
PF	Providend Fund
PGCIL	Power Grid Corporation Limited
PRA	Pension Related Allowence
R&M	Repairs and Maintenance

RoE	Return on Equity
RLDC	Regional Load Despatch Centre
SAC	State Advisory Committee
SBI	State Bank of India
SLDC	State Load Despatch Centre
SLM	Straight Line Method
STU	State Transmission Utility
WPI	Wholesale Price Index

ASSAM ELECTRICITY REGULATORY COMMISSION

Guwahati

Present

Shri Naba Kumar Das, Chairperson

Shri Dipak Chakravarty, Member

Petition No. 2/2015

Assam Electricity Grid Corporation Limited (AEGCL) - **Petitioner**

ORDER

(Passed on July 24, 2015)

- (1) The Commission vide its order dated November 21, 2013, approved the Multi Year Tariff applicable to the Assam Electricity Grid Corporation Limited (hereinafter referred to as “**AEGCL**”), for the period FY 2013-14 to FY 2015-16.
- (2) Regulation 6.1 of the Assam Electricity Regulatory Commission (Terms and Conditions for determination of Tariff) Regulations, 2006 (hereinafter referred as “AERC Tariff Regulations, 2006”) specifies that the transmission licensee shall file a Tariff Petition annually before the Commission to determine changes to the current tariff not later than 1st December, except in case an extension is granted by the Commission upon application.
- (3) The AEGCL filed a Misc. Petition on December 11, 2014 (Petition No. 21/2014) praying for extension of time up to January 31, 2015, for submission of its Petition for approval of True-up for FY 2013-14, Annual Performance Review (hereinafter referred to as “**APR**”) for FY 2014-15, and Annual Revenue Requirement (hereinafter referred to as “**ARR**”) and Tariff for FY 2015-16. The Commission, vide its Order dated December 20, 2014, granted the said extension to AEGCL up to January 31, 2015, for filing of Petition for approval of ARR and Tariff for FY 2015-16, APR for FY 2014-15, and true-up for FY 2013-14.
- (4) The AEGCL filed its Petition (Petition No.2/2015) for True-up for FY 2013-14, APR for FY 2014-15 and approval of the ARR for FY 2015-16 and corresponding tariff adjustments on January 31, 2015 under Section 62 of the Electricity Act, 2003.

- (5) The Commission, on preliminary scrutiny, found that the above Petitions filed by the AEGCL were incomplete with respect to some material information. Therefore, additional clarifications on the Petitions were sought from AEGCL from time to time and replies were received. The Commission in the larger interest of the consumers as well as the licensee and abiding by the statutory obligation of tariff determination, admitted the Petitions on April 10, 2015.
- (6) Although, the Petitions from the AEGCL were admitted on April 10, 2015, the Commission continued to receive additional clarifications from the AEGCL on various aspects as late as up to May 16, 2015.
- (7) On admission of the Petitions, in accordance with Section 64 of the Electricity Act 2003, the Commission directed the AEGCL to publish a summary of the ARR and Tariff filings in local dailies to ensure due public participation. A copy of the Petitions and other relevant documents were also made available to the consumers and other interested parties at the office of the Managing Director of the AEGCL and at the offices of the Deputy General Manager of each circle of the AEGCL. A copy of the Petition was also made available on the websites of the Commission and AEGCL.
- (8) Accordingly, a Public Notice was issued by the AEGCL inviting objections/suggestions from objectors to be submitted on or before May 15 2015. The notice was published in ten (10) leading newspapers of the State on April 23, 2015.
- (9) Meanwhile, the Petition was also discussed in the meeting of the State Advisory Committee (constituted under Section 87 of the Electricity Act, 2003) convened on May 8, 2015 held at Assam Administrative Staff College, Khanapara, Guwahati.
- (10) The Commission received 6 (Six) objections on the Petitions filed by the AEGCL. The objectors were notified about the place, date and time of Hearing, so that they can take part in the Hearing to be held at District Library, Guwahati on June 04, 2015. Also, a comprehensive Notice was published in seven (7) newspapers on May 27, 2015 in Assamese and English language. The Hearing was held as scheduled. The details are discussed in the relevant sections of this Tariff Order.
- (11) The Commission, now in exercise of its powers vested under Section 61 and 62 of the Electricity Act, 2003 and all other powers enabling it in this behalf and taking into consideration the submissions made by the petitioners, objections and suggestions received from objectors and all other relevant materials on record, has carried out the True-up for FY 2013-14, APR for FY 2014-15, determination of ARR for FY 2015-16 and transmission tariff for FY 2015-16.

- (12) The Commission further directs the AEGCL to publish a Public Notice intimating the revised transmission charges before the implementation of this Order I English and Vernacular newspapers and on the website of the AEGCL
- (13) The approved rate of transmission charges shall be effective from August 1, 2015 and shall continue until replaced by another Order by the Commission.
- (14) Accordingly, the Petition no.2 of 2015 stands disposed of.

Sd/-
(D. Chakravarty)
Member, AERC

Sd/-
(N. K. Das)
Chairperson, AERC

1. Introduction

1.1 CONSTITUTION OF THE COMMISSION

- 1.1.1. The Assam Electricity Regulatory Commission (hereinafter referred to as the AERC or the Commission) was established under the Electricity Regulatory Commissions Act, 1998 (14 of 1998) on February 28, 2001. The first proviso of Section 82(1) of the Electricity Act, 2003(36 of 2003) (hereinafter referred to as the “**Act**”) has ensured continuity of the AERC under the Electricity Act, 2003.
- 1.1.2. AERC came into existence in August 2001 as a one-man Commission. Considering the multidisciplinary requirements of the Commission, it was made a multi-Member Commission comprising of three Members (including Chairperson) from January 27, 2006. The Commission started functioning as a multi-Member Commission on joining of two Members from February 1, 2006.
- 1.1.3. The Commission is mandated to exercise the functions conferred on it under Section 86 of the Act and to exercise the powers conferred under Section 181 of the Electricity Act, 2003 (36 of 2003) (hereinafter referred to as the Act).

1.2 TARIFF RELATED FUNCTIONS OF THE COMMISSION

- 1.2.1. Under Section 86 of the Act, the Commission inter-alia has the following tariff related functions:
- (a) to determine the tariff for generation, supply, transmission and wheeling of electricity, wholesale, bulk or retail, as the case may be within the State;
 - (b) to regulate electricity purchase and procurement process of distribution utilities including the price at which the electricity shall be procured from the generating companies, from other licensees or from other sources through agreements for purchase of power for distribution and supply within the State;
 - (c) to facilitate intra-State transmission and wheeling of electricity;
 - (d) to promote competition, efficiency and economy in the activities of the electricity industry to achieve the objects and purpose of this Act.
- 1.2.2. Under Section 61 of the Act in the determination of tariffs, the Commission is to be guided by the following:

- (a) The principles and methodologies specified by the Central Commission for determination of the tariff applicable to generating companies and transmission licensees;
- (b) The electricity generation, transmission, distribution and supply are conducted on commercial principles;
- (c) The factors, which would encourage competition, efficiency, economical use of the resources, good performance, Optimum investments, and other matters which the State Commission considers appropriate for the purpose of this Act;
- (d) The interests of the consumers are safeguarded and at the same time, the consumers pay for the use of electricity in a reasonable manner;
- (e) That the tariff progressively reflects the cost of supply of electricity at an adequate and improving level of efficiency and also gradually reduces cross subsidies;
- (f) The National Electricity Plans formulated by the Central Government including the National Electricity Policy and National Tariff Policy.

1.2.3. In accordance with the provisions of the Act, the Commission shall not show undue preference to any consumer of electricity in determining the tariff, but may differentiate according to the consumers load factor, power factor, voltage, total consumption of energy during any specified period or the time at which the supply is required or the geographical position of any area, the nature of supply and the purpose for which the supply is required. (Section 62 of the Act).

1.2.4. If the State Government decides to grant any subsidy to any consumer or class of consumers in the tariff determined by the Commission, the State Government shall pay the amount in advance to compensate the person affected by the grant of subsidy in the manner the Commission may direct as a condition for the licence or any other person concerned to implement the subsidy provided by the State Government (Section 65 of the Act).

1.3 BACKGROUND

1.3.1 The Government of Assam Vide Memo No. PEL151/2003/Pt./165 dated December 10, 2004, notified the restructuring of the erstwhile Assam State Electricity Board (ASEB) into five entities, namely:

- (i) Assam Electricity Grid Corporation Limited (AEGCL) to carry out function as State Transmission Utility (STU).

- (ii) Assam Power Generation Corporation Limited (APGCL) to carry out function of generation of electricity in the State of Assam.
 - (iii) Three Electricity Distribution Companies, namely Lower, Central and Upper Assam Distribution Company Limited, respectively, to carry out functions of distribution and retail sale of electricity in the districts covered under each company area.
- 1.3.2 AEGCL owns and operates the transmission system previously owned by Assam State Electricity Board (ASEB). AEGCL has started functioning as a separate entity from December 10, 2004. The Government of Assam, vide Notification No. PEL.151/2003/Pt/3/349 dated August 16, 2005, issued order to give effect to the reorganization of the ASEB and finalization of the provisional transfer effected as per the provisions of the Act and the First Transfer Scheme. The Government of Assam notified the opening balance sheet, updated and finalized based on the Audited Statement of Accounts of ASEB as on March 31, 2005 under Notification No. PEL/114/2006/120 dated August 29, 2007.
- 1.3.3 The Commission notified the AERC Tariff Regulations, 2006 (hereafter referred as Tariff Regulations) vide Notification No. AERC. 2005/19 dated April 28, 2006, which was published in the Assam Gazette on May 24, 2006. As per Regulation 1.2 of Tariff Regulations, the Regulations shall apply to all the Intra-State transmission licensees operating in the State of Assam.
- 1.3.4 The State Government vide notification No. PEL.133/2003/Pt 467 dated March 18, 2009 (Annexure-1) allowed the Assam State Electricity Board (ASEB) to continue to undertake the limited functions of bulk purchase and bulk supply upto June 15, 2009 in respect to the existing generating capacity and existing contracted capacity for the said period.
- 1.3.5 The Government of Assam vide Notification dated March 12, 2013 dissolved ASEB under Section 131 of the Act with effect from March 31, 2013 and transferred ASEB's current functions and reassigned its personnel to its successor entities namely APDCL, AEGCL and APGCL in accordance with the Scheme of Reorganization.
- 1.3.6 As per Regulation 5.3 of the AERC Tariff Regulations, 2006, for Multi Year Tariff (MYT) principles, the tariff is to be determined on the basis of the principles enunciated for a period of three years commencing from April 1, 2006 for the transmission business. The Tariff Policy notified by the Government of India on

January 6, 2006 also stipulated that the MYT framework is to be adopted for any tariffs to be determined from April 1, 2006.

AEGCL had filed the MYT Petition for the Control Period of three years beginning from FY 2013-14 to FY 2015-16 on February 1, 2013. The Commission, after following the due procedure, issued the Tariff Order on November 21, 2013.

The Commission vide its Order dated November 21, 2014 carried out True up for FY 2011-12 and FY 2012-13, APR for FY 2013-14 and determination of ARR and Tariff of AEGCL for FY 2014-15.

1.3.7 In view of the above mentioned facts, the present Petition of AEGCL for True-up for FY 2013-14, APR for FY 2014-15 and ARR and tariff for FY 2015-16 has been processed accordingly.

1.4 PROCEDURAL HISTORY

1.4.1 As per the AERC Tariff Regulations, AEGCL is required to file the petition for determination of Annual Revenue Requirement and Transmission tariff latest by 1st December of every year.

1.4.2 AEGCL filed the Petition for approval of True-up for FY 2013-14, Annual Performance Review for FY 2014-15 and approval of Aggregate Revenue Requirement (ARR) for FY 2015-16 and its corresponding tariff adjustments on January 31, 2015.

1.5 ADMISSION OF THE PETITION AND HEARING PROCESS

1.5.1 The Commission conducted the preliminary analysis of the Petition submitted by AEGCL and found that the Petition was incomplete due to need of some material information. Therefore, the Commission sought additional clarifications on the Petition from AEGCL, as required from time to time. The key additional clarifications were sought on February 21, 2015, March 20, 2015 and April 08, 2015. Based on the additional information requirements, the Commission has also conducted discussions/meeting with AEGCL on February 27, 2015 and March 20, 2015. In response to the additional information sought by the Commission, AEGCL submitted the additional information from time to time. The key additional information were submitted by AEGCL on March 10, 2015 and March 27, 2015.

1.5.2 Based on the additional information requirements, discussions and technical validation sessions, AEGCL submitted the revised petition on April 07, 2015.

- 1.5.3 As such, the Commission admitted the Petition of AEGCL for True-up for FY 2013-14, Annual Performance Review of FY 2014-15 and approval of ARR for FY 2015-16 and its corresponding tariff adjustments (Petition No. 2/2015) on April 10, 2015. Additionally, after admission of the petition, AEGCL submitted further clarification related to the Petition on May 16, 2015, as sought by the Commission.
- 1.5.4 In accordance with Section 64(2) of the Electricity Act, 2003, the Commission directed AEGCL to publish its application in the abridged form and manner to ensure due public participation.
- 1.5.5 The copies of the Petition and other relevant documents were made available to consumers and other interested parties at the office of the Managing Director of AEGCL, and offices of the Deputy General Manager of each circle of APDCL. AEGCL was also directed to make the copy of the Petition available on its website. A copy of the Petition in downloadable format was made available on the website of AEGCL (www.aegcl.co.in) and also on the website of the Commission (www.aerc.nic.in). A Public Notice was issued by AEGCL inviting objections/suggestions from objectors on or before May 15, 2015 which was published in the following ten (10) newspapers on April 23, 2015.

Date	Name of Newspaper	Language
April 23, 2015	The Assam Tribune	English
	The Sentinel	English
	Asamiya Pratidin	Assamese
	Dainik Assam	Assamese
	Amar Asom	Assamese
	Dainik Janambhumi	Assamese
	Dainik Jugasankha	Bengali
	Samayik Prasanga	Bengali
	Purbanchal Prahari	Hindi
	Dainik Purvoday	Hindi

The time limit for submitting the objections/suggestions was stipulated in accordance with the AERC (Conduct of Business) Regulations, 2004, which is also in line with the time limit given by most of the State Electricity Regulatory Commissions in India, and the time allowed by the Commission in earlier tariff proceedings.

1.5.6 The Commission considered the objections received from various objectors and invited the objectors to take part in the Hearing process to present their objections to the Petition filed by AEGCL, in person before the Commission. Accordingly, the Commission scheduled a Hearing on the matter on June 04, 2015 at Guwahati, and notified the objectors personally/by Registered Post, stating the date and time of Hearing. Also, a comprehensive Notice was published in the following seven (7) newspapers on May 27, 2015 in Assamese and English language.

Date	Name of Newspaper	Language
27.05.2015	The Assam Tribune	English
	The Sentinel	English
	Amar Asom	Assamese
	Asamiya Pratidin	Assamese
	Dainik Janambhumi	Assamese
	Dainik Jugasankha	Bengali
	Purbanchal Prahari	Hindi

1.5.7 The Hearing was held at the Assam District Library Auditorium, Guwahati on June 04, 2015 as scheduled. All the written representations submitted to the Commission and the oral submissions made before the Commission during the Hearing and the responses of AEGCL have been carefully considered while issuing this Tariff Order. The major issues raised by different consumers and consumer groups along with the response of the Petitioner, and views of the Commission are elaborated in Chapter 3 of this Order.

1.6 STATE ADVISORY COMMITTEE MEETING

A meeting of the State Advisory Committee (constituted under Section 87 of the Act) was convened on May 08, 2015 at Assam Administrative Staff College, Khanapara, Guwahati. The Members of SAC were briefed on the Petitions of AEGCL. The suggestions made by the members of SAC have been duly taken into consideration by the Commission while finalizing the tariff order. The minutes of the meeting are appended to this Order as **Annexure - 1**.

2. Summary of AEGCL's Petition

The Assam Electricity Grid Corporation Limited (AEGCL) submitted the Petition on January 31, 2015 seeking True-up for FY 2013-14, APR for FY 2014-15, approval for ARR for FY 2015-16 and its corresponding tariff adjustments. The transmission charges are to be recovered from the Assam Power Distribution Company Limited (APDCL), IPPs and others who utilize the transmission system of AEGCL.

AEGCL has sought approval for revenue requirement of Rs. 467.70 Crore for FY 2013-14 towards True-up against Rs. 456.03 Crore approved by the Commission. AEGCL has also sought approval of Rs. 592.95 Crore for FY 2014-15 towards Annual Performance Review against Rs. 460.40 Crore approved by the Commission and has projected the Annual Revenue Requirement of Rs. 662.08 Crore for FY 2015-16.

AEGCL has projected the total Revenue Gap for FY 2013-14, FY 2014-15 and FY 2015-16 after including gains/losses due to controllable/uncontrollable factors at Rs. 11.67 Crore, Rs.130.43 Crore, and Rs. 87.12 Crore respectively, as presented in the table below. The revenue gap in FY 2015-16, does not include the revenue gap of FY 2013-14.

**Table 2.1: ARR & Revenue Gap for FY 2013-14 to FY 2015-16 as submitted by AEGCL
A. ARR of Transmission (Rs. Crore)**

(Table in Next Page)

	FY 2013-14 True Up		FY 2014-15 APR		FY 2015-16 ARR	
ARR Elements	Approved in MYT Order dated November 21, 2013	Proposed by AEGCL	Approved in Tariff Order dated November 21, 2014	Proposed by AEGCL	Approved in MYT Order dated November 21, 2013	Proposed by AEGCL
PGCIL Charges	212.51	209.30	216.30	258.69	257.14	284.56
O&M Expenses	115.22	136.12	141.66	151.19	134.72	168.03
Employee Cost	99.65	122.96	128.95	138.39	116.23	154.99
R&M Expenses	11.57	8.88	8.73	8.58	14.00	8.75
A&G Expenses	4.00	4.28	3.98	4.22	4.49	4.29
Interest & Finance Charges	40.65	25.60	14.05	21.13	85.66	35.18
Interest on Working Capital	14.52	14.80	14.92	18.99	18.53	21.19
Depreciation	13.91	40.25	13.80	42.60	10.37	34.86
Other Debits	0.00	0.35	0.00	0.00	0.00	0.21
SLDC Charges	-	2.31	-	2.44	--	2.65
BST for Pension Trust Fund	88.47	88.47	133.42	141.16	105.30	152.92
Net Prior Period Expenses	-	1.24	-	-	-	-
Less: Expenses Capitalised	-	-	-	-	-	-
Return on Equity	13.99	13.99	13.99	13.99	13.99	13.99
Provision for Tax	2.80		0.00		2.80	0.00
Total Expenditure	502.07	532.43	548.14	650.19	628.52	713.59
Less: Non Tariff Income	46.04	64.73	64.73	57.24	55.71	51.51
Net ARR	456.03	467.70	483.41	592.95	572.81	662.08
Gap for FY 2011-12 and FY 2012-13	-	-	23.01	-	-	-
Total ARR	456.03	467.70	460.40	592.95	572.81	662.08
Revenue from Operation		456.03		462.52		574.96
(Gap)/Surplus (-)	0.00	11.67	0.00	130.43	0.00	87.12
Add: Gap of True Up FY 2013-14						11.67
Net Gap		11.67		130.43		98.79

Note: AEGCL has not added the true-up amount for FY 2013-14, while claiming the ARR for FY 2015-16, and these amounts have been claimed separately; however, for completeness of the calculation, the same has been shown as above incorporating True Up amount

B. ARR of State Load Despatch Centre (SLDC) (Rs. Crore)

Particulars	FY 2013-14	FY 2014-15	FY 2015-16
Employee Expenses	1.44	1.45	1.63
Repair & Maintenance Expenses	0.78	0.73	0.75
Administrative and General Expenses	0.09	0.26	0.27
Total ARR	2.31	2.44	2.65

C. Salient features of AEGCL (including SLDC) Petition for FY 2013-14, FY 2014-15, and FY 2015-16

Particulars	FY 2013-14	FY 2014-15	FY 2015-16
Total Aggregate Revenue Requirement (Rs. Crore)	467.70	592.95	662.08
Anticipated Transmission (MU)	6277	7058	7646
Transmission Loss (%)	4.08	3.82	3.64
Average Transmission Charge (Rs./unit) [(a)/((b)*10)]	0.75	0.84	0.87
Transmission Charge For Long Term Open Access consumer (Rs/kW/month)	289.24	335.91	321.71
Transmission Charge For Short Term Open Access consumer (Rs/MW/day)	9509.24	11043.65	10576.78
SLDC charge Rs./MW/day	46.97	45.44	42.33

2.1 PRAYERS OF AEGCL

AEGCL, in its Petition No. 2/2015, had stated as under:

“18.2 The Hon’ble Commission is requested to approve above Annual Revenue Requirement and allow AEGCL to pass on the Revised Revenue Gap obtained after treating gains/losses for FY 2013-14.

“Based on the Annual Performance Review, AEGCL prays before the Commission to review and allow the Tariff of Rs. 592.95 Crore for FY 2014-15.”

“Based on the Annual Performance Review, AEGCL prays before the Commission to review and allow the Tariff of Rs. 662.08 Crore as Transmission Tariff for FY 2015-16.”

3.Summary of Objections Raised, Response of the AEGCL and Commission’s Comments

3.1.1 The Commission has received Six(6) numbers of objections/suggestions on the Petition filed by AEGCL, from the following objectors:

Sl. No.	Name of the Objector
1	All Assam SSI Association
2	Assam Bidyut Grahak Adhikar Parisad
3	Assam Branch of Indian Tea Association (ABITA), Guwahati
4	Cement Manufacturing Company Ltd.
5	Federation of Industry & Commerce of North Eastern Region(FINER)
6	Krishak Mukti Sangram Samiti & Gana Mukti Sangram

3.1.2 AEGCL has submitted its responses to the objections/ suggestions received from the above objectors.

3.1.3 It is observed that out of the above objections, All Assam SSI Association has submitted objections/suggestions on the Petitions filed by AEGCL although the objections are actually related to APDCL and not AEGCL. Therefore, these objections have not been considered in this Order.

3.1.4 The Commission considered the objections/ suggestions received and notified the objectors to take part in the Hearing process by presenting their views in person before the Commission, if they so desired.

3.1.5 The Commission held the Hearing at Assam District Library Auditorium, Guwahati on June 04, 2015.

3.1.6 The objector/s attended the Hearings and submitted their views/suggestions. All the written representations submitted to the Commission and the oral submissions made before the Commission in the Hearing and the responses of AEGCL have been carefully considered while issuing this Tariff Order.

3.1.7 The objections/suggestions made by the objectors and responses of the Petitioner

are briefly dealt with in this Chapter. The major issues raised by the objectors are discussed below along with the response of the Petitioner (AEGCL) and views of the Commission.

3.1.8 While all the objections/suggestions have been given due consideration by the Commission, only, major responses/objections received related to the ARR and Tariff Petition and also those raised during the course of Hearings have been grouped and addressed issue-wise, in order to avoid repetition.

Issue No. 1: True-up for FY 2013-14

Objections:

Assam Branch Indian Tea Association (ABITA) submitted that AEGCL has proposed true-up of FY 2013-14 based on Audited Statement of Accounts, however, in the Tariff Order for FY 2014-15, the Commission has already conducted a review of FY 2013-14 based on the provisional accounts and determined a surplus of Rs. 30.29 Crore. ABITA further submitted that the figures submitted by AEGCL as per Audited Statement of Account are not in variation with the provisional numbers submitted at the time of review of FY 2013-14 and AEGCL has not provided any justification for considering higher amounts of each parameter with respect to the reviewed figures by the Commission. ABITA therefore, requested the Commission that the additional gap as claimed by AEGCL should not be allowed.

FINER and Cement Manufacturing Company submitted that, in the Petition for true-up of FY 2013-14, AEGCL has considered all parameters as per the Audited Statement of Account without giving due consideration to controllable and uncontrollable parameters and have stated standard rationale for the increase in actual costs with respect to approved costs. The objector has given reference of several judgements of The Hon'ble Appellate Tribunal in this regard. Accordingly, the objector has requested the Hon'ble Commission not to accept the submission of true-up entirely based on Audited Statement of Account.

Response of AEGCL:

AEGCL submitted that the true-up of expenses have been claimed as per Audited Statement of Account of FY 2013-14 and the same was audited by Statutory Auditors and C&AG. Referring to section of Annual Performance Review (APR) of FY 2013-14 of Order dated November 21, 2015, AEGCL submitted that Commission had stated in the order itself that Revenue Surplus/Gap for FY 2013-14 will be considered only after trueing up based on Audited Statement of Accounts for FY 2013-14.

AEGCL further submitted that the parameter-wise justification has been provided in the Tariff petition.

Comments of the Commission:

The Commission has taken note of the objection in this regard. Performance review is done for the purpose of performance monitoring on the basis of actual performance while truing up is done on the basis of audited Statement of Accounts duly audited by Auditor General. The Commission has done the Truing-up after conducting prudence check of the data submitted by the AEGCL during the technical validation sessions and along with the petition as per the provisions of the AERC Tariff, Regulations, 2006. The component wise analysis is presented in the relevant chapter of this order.

Issue No. 2: Transmission Loss

Objections:

FINER and Cement manufacturing company has submitted that Transmission loss is higher than approved figure even after incurring huge capital expenditure. The objector has requested the Hon'ble Commission to direct AEGCL to conduct proper system study and energy audit for correct measurement of Transmission Loss and requested the Hon'ble Commission to consider all these factors during the approval of Transmission Loss.

Response of AEGCL:

AEGCL submitted that the Transmission loss has increased in FY 2013-14 due to handling of more energy in the existing system and increase of load demand. AEGCL mentioned that there are number of Substations in over loaded condition which also attribute to more loss. AEGCL further mentioned that after completion of the ongoing augmentation projects (for overloaded Substations), the transmission loss will get reduced. AEGCL also stated that it is conducting system study while implementing any transmission projects.

Comments of the Commission:

The Losses has been approved as per targets set in MYT Order dated November 21, 2013.

Issue No. 3: Operation and Maintenance Expenses

Objections:

ABITA submitted that during review for FY 2013-14, the Commission had approved employee cost of Rs. 118.93 Crore, which was 23.4% higher than approved

employee cost of Rs. 99.65 Crore for FY 2013-14 in MYT. ABITA further submitted that as the actual employee cost approved by the Commission for FY 2013-14 in MYT order was already based on actual cost of FY 2012-13 escalated @ 8.42%, the AEGCL's proposal of such high employee cost of Rs. 122.96 Crore should not be approved. The objector stated that similar to FY 2013-14, the employee cost of FY 2014-15 and FY 2015-16 claimed by AEGCL are on higher side and the same should be allowed as per MYT Order dated November 21, 2013. ABITA also submitted that similar to Employee Expenses, for A&G and R&M expenses, the amount claimed is higher and shall be allowed as per MYT Order dated November 21, 2013 only.

Both FINER and Cement Manufacturing Company Ltd. has submitted that, AEGCL has not submitted any details on the basis for considering escalation rate of 12% for employee cost. The objector further stated that as per AERC Tariff Regulation, 2006, *the norms for O&M expenses shall be fixed on the basis of circuit kilometres of transmission lines, transformation capacity and number of bays in substations till complete data regarding length of transmission lines, transformation capacity and substation bays is available, the Operations and Maintenance budget will be set based on the Commission's assessment of the estimates submitted by the licensee.* Accordingly, objectors have requested the Commission to direct AEGCL to submit data pertaining to circuit kilometres of transmission lines, transformation capacity and number of bays in substations for determining O&M cost of FY 2014-15 and FY 2015-16. They stressed on the need for judicious R&M expenditure and submitted that AEGCL is not spending enough on R&M as compared to high expenditure on employee expense.

Response of AEGCL:

AEGCL submitted that the O&M expense for FY 2013-14 is based on the Audited Statement of Accounts of FY 2013-14. Regarding the Employee Cost for FY 2014-15, AEGCL submitted that the actual salary paid during 10 months plus estimate for the month of February & March 2015, has been considered. Further, regarding Employee Cost for FY 2015-16, AEGCL submitted that the Employee cost has been estimated considering the trend of past year's employee cost, increase in dearness allowance, its merger and its impact on other allowances such as field allowances, PF etc. AEGCL also mentioned that impact of regular increments as well as promotion and new recruitments has also been considered for projecting Employee Cost for FY 2015-16.

Comments of the Commission:

The Commission has noted the objections in this regard. The Commission has allowed the actual O&M expenses for FY 2013-14, after prudence check in accordance with the AERC Tariff Regulations, 2006. The Commission has approved the O&M cost for FY 2014-15 and FY 2015-16 by considering appropriate growth over the approved value. The computations in this regard have been elaborated in respective chapters of this Order.

Issue No. 4: Other Debits

Objections:

ABITA submitted that the other debits claimed by AEGCL are not explained and also do not form a component of the ARR as per the Tariff Regulations. As per the Audited Statement of Account, the other debits primarily comprise of Miscellaneous Losses written off and write off of deferred revenue expenditure, which do not form part of ARR of the transmission utility. Therefore, other Debits should be excluded while determining the trued up ARR of FY 2013-14.

Response of AEGCL:

AEGCL submitted that other debits is based on the Audited Statement of Account of FY 2013-14 and should be considered by Hon'ble Commission while allowing True-up claims.

Comments of the Commission:

The Commission has carried out prudence check of the claims of AEGCL for Other debits. The details are provided in the relevant section..

Issue No. 5: Prior Period Charges/Credits

Objections:

ABITA submitted that as per the Audited Statement of Account of FY 2013-14, there are prior period charges/credits, which comprise of prior period expenses and income. While prior period expenses are controllable, the prior period income received/booked in the Audited Statement of Account needs to be accounted in the relevant year. ABITA further submitted that, AEGCL has not included prior period income amounting to Rs. 1.24 Crore in the truing up exercise for FY 2013-14 and requested the Commission to consider the same and adjust the trued up ARR of FY 2013-14.

Response of AEGCL:

AEGCL submitted that the reply is same to the reply submitted in review petition of

FY 2014-15 in this regard.

Comments of the Commission:

The Commission has analysed each head of prior period expense and prior period income and has considered the same under the truing up for FY 2013-14, as appropriate. The computations in this regard have been elaborated in Respective chapter of this Order.

Issue No. 6: Interest on Term-Loans

Objections:

ABITA submitted that the Commission, in the review for FY 2013-14, had disallowed the penal interest and interest on GPF as the Trust was not created as per the statutory requirement nor was the fund invested in any authorized securities, however, AEGCL has again included the same claim in the petition. ABITA submitted that the interest on GPF and penal interest should be disallowed for FY 2013-14. ABITA further submitted that the actual loan schedule for FY 2014-15 has not been provided without which it is difficult to examine the interest and finance charges.

Both FINER and Cement Manufacturing Company Ltd. has stated that AEGCL has claimed penal interest for default in payment for FY 2014-15 & FY 2015-16, even though in the MYT Order dated November 21, 2013 the same has been disallowed. They further referred to AERC tariff regulations for disallowing penal interest.

Response of AEGCL:

AEGCL submitted that, they have claimed the penal interest because advance Against Depreciation has not been allowed by the Honourable AERC for repayment of loan as per Regulation 14(d) of Determination Tariff Regulations, 2006.

Comments of the Commission:

The Commission has taken note of the objection and AEGCL's reply. The Commission has approved the interest and finance charges in accordance with AERC Tariff Regulations, 2006, and has disallowed the penal interest and interest on GPF. The details in this regard have been elaborated in respective chapter of this Order.

Issue No. 7: Interest on Working Capital

Objections:

Both FINER and Cement Manufacturing Company Ltd. has stated that SBI has stopped issuing PLR since August 2011 and hence linkage may be made to advance

rate or base rate.

Response of AEGCL:

No comments

Comments of the Commission:

The Commission has taken note of the objection. The Commission has approved the interest on working capital in accordance with AERC Tariff Regulations, 2006. The details have been elaborated in respective chapter of this Order.

Issue No. 8: Depreciation

Objections:

ABITA, FINER and Cement Manufacturing Company Ltd have submitted that depreciation as claimed by AEGCL is not aligned to the methodology followed by the Commission in the previous Orders. The objectors submitted that AEGCL has not reduced the amount of depreciation towards grants and therefore, the depreciation proposed is high.

Response of AEGCL:

AEGCL submitted that grant provided by Government of Assam to AEGCL are in the form of promoter's contribution and as per paragraph 5.2(i) of Accounting Standard (AS) 12, notified by the Ministry of Corporate Affairs, "Many government grants are in the nature of promoter's contribution, i.e., they are given with reference to the total investment in an undertaking or by way of contribution towards its total capital outlay and no repayment is ordinarily expected in the case of such grants. These should, therefore, be credited directly to shareholders' funds".

AEGCL further submitted that the Shareholders' funds include Equity Share Capital, Preference Share Capital, Reserves and Surplus etc. Since AEGCL creates its assets out of Debt and Shareholders' funds, it is eligible for claiming depreciation on its assets created out of both Debt and Shareholders' funds.

Comments of the Commission:

The Commission has taken note of the objection and AEGCL's reply. The Commission does not agree with the submissions of AEGCL for treatment of grants and it has followed the principles laid down in AERC Tariff Regulations, 2006 and the practices followed by CERC/other SERCs in this regard. The Commission has approved depreciation in accordance with AERC Tariff Regulations, 2006. The details in this regard have been elaborated in respective chapter of this Order.

Issue No. 9: PGCIL Charges and BST

Objections:

ABITA has submitted that AEGCL has claimed higher PGCIL charges for FY 2014-15 and FY 2015-16 as compared to FY 2013-14. They have further pointed out that as there is no such additional purchase from CSGS, there should not be such excessive increase and proposed for allowing 10% increase over FY 2013-14.

Both FINER and Cement Manufacturing Company Ltd. have referred CERC Tariff regulation 2014 and mentioned that the PGCIL charges are expected to reduce with reference to the same

ABITA has proposed for allocation of BST as per Tariff Order.

Both FINER and Cement Manufacturing Company Ltd. have submitted that AEGCL should pursue with Govt. of Assam to ensure funding to the pension trust, so that consumers are not burdened.

Assam Bidyut Grahak Adhikar Parisad has submitted that pension fund investment trust is not properly managed and lot of money has been disbursed at low interest rate leading to loss.

Response of AEGCL:

AEGCL has submitted that, Transmission charges to PGCIL for the FY 2014-15 has been projected considering actual bill received up to January 2015 and projection made for the month of January & March 2015. AEGCL submitted that a 10% escalation for FY 2015-16 has been assumed on the basis of increase in energy to be handled by PGCIL and some addition in GFA of PGCIL. For BST charges, AEGCL submitted that BST is calculated at the rate of 20 Paise per Unit on Energy handled as per the Commission's Tariff Order dated November 21, 2014.

Comments of the Commission:

For FY 2013-14, PGCIL charges have been allowed on the basis of actual as per Audited Statement of Account, for FY 2014-15 and FY 2015-16, PGCIL charges are projected as per actual charges of FY 2014-15 and energy projected to be transmitted through PGCIL network, as elaborated in respective chapter of this Order.

With regard to BST, the same is calculated @ 20 Paise per Unit on Energy handled.

Issue No. 10: Transmission charges

Objections:

Both FINER and Cement Manufacturing Company Ltd. has stated that transmission charges claimed are higher than approved rate in MYT and also the current transmission charges of AEGCL is much higher than other states like Uttarakhand, Haryana, Punjab and Chhattisgarh. The objectors suggested that AEGCL should make effort to reduce the operation cost to reduce transmission tariff.

Response of AEGCL:

AEGCL has stated that transmission charges are as per the energy handled by them. AEGCL further submitted that they have initiated steps for reduction of operational cost.

Comments of the Commission:

The Commission has done proper prudence check of each cost and income head for arriving on ARR requirements. Charges have been calculated based on ARR in accordance with AERC Tariff Regulations, 2006. It may be noted that in case of Assam, the transmission ARR includes the PGCIL charges for inter-state transmission and BST. Therefore, the transmission charges in Assam are not comparable with other states. The computations in this regard have been elaborated in respective chapter of this Order.

Issue No. 11: Capital Expenditure

Objections:

ABITA submitted that AEGCL has not provided any details of the capital works, which is planned to be implemented or taken up during FY 2015-16, in order to ascertain the performance with respect to implementation of the approved capital expenditure and capitalization. In the absence of such details, the review of parameters like depreciation, interest on term loans, etc., is futile, as these components are directly linked to the capitalization of assets during a particular year.

Both FINER and Cement Manufacturing Company Ltd. has stated that the Hon'ble Commission should direct AEGCL to submit, transmission plan and cost benefit analysis of each of the expense item. Both the objector have also submitted that AEGCL should submit proof that capital expenditure allowed in past have been properly incurred and the Capital expenditure should be allowed based on submitted physical completion certificate and Financial completion certificate along with the asset register by AEGCL.

Response of AEGCL:

AEGCL submitted that Proposal for any project has been made by AEGCL only after system study and AEGCL has submitted the updated Fixed Assets Register as on March 31, 2014

Comments of the Commission:

The Commission has carried out proper prudence check of the investment plan, while approving the ARR of FY 2015-16.

Issue No. 12: Non Tariff Income

Objections:

ABITA has submitted that AEGCL has projected Non tariff income for 2015-16 as Rs. 51.51 Crore., against Rs. 64.73 Crore. in Audited Statement of Account of FY 2013-14, which is under reporting.

FINER and Cement Manufacturing Company Ltd. have submitted that there are certain receipts from CTU as wheeling charges for wheeling of power to other North Eastern states, which will be accrued in FY 2014-15 and FY 2015-16. They have also submitted that, AEGCL has taken lower amount of income for investment to increase revenue deficit and has claimed high Tariff.

Response of AEGCL:

AEGCL has submitted that, Non-Tariff income had been projected at lower level in the Tariff Petition (i.e., Rs. 51.51 Crore), considering the downward trend in interest income on account of withdrawal of fixed deposits for capital expenditure.

Comments of the Commission:

The Commission has approved the non tariff income after prudence check. Any variation in actual income will be adjusted at the time of True-up.

Issue No. 13: Determination of Transmission Charge for Open Access

Objections:

Both FINER and Cement Manufacturing Company Ltd. have submitted that Transmission charges calculated by AEGCL is not supported by Open access regulation notified by the Commission

Response of AEGCL:

AEGCL has submitted that the calculation is as per the energy handled by AEGCL and guidelines issued by the Honourable AERC.

Comments of the Commission:

The Commission has taken note of the objection. The Commission has approved the open access charges in accordance with AERC Tariff Regulations, 2006.

Issue No. 14: Internal Financial Control

Objections:

Assam Bidyut Grahak Adhikar Parishad has submitted that several flaws in Audited Statement of Account have been discovered by CAG in the Audited Statement of Account of FY 2012-13 and FY 2013-14. They further submitted that management of pension fund investment trust is not properly managed and lot of money has been invested at low interest rate leading to loss.

Response of AEGCL:

AEGCL has submitted that with respect to CAG comments on Audited Statement of Account of FY 2012-13 the same has been rectified in the subsequent accounts. However with respect to comments of CAG in Audited Statement of Account of FY 2013-14, same will be treated as prior period income and expense in next Audited Statement of Account.

AEGCL further submitted that with respect to management of pension fund, AEGCL is following guidelines of Ministry of finance, Government of India for investment. AEGCL has invested the amount for Pension Fund in Government of Assam bonds.

Comments of the Commission:

The Commission has taken note of the objection. The Commission has done prudence check of prior period expense of FY 2013-14 related to period prior to FY 2013-14 while truing up and similarly will do the prudence check of audited prior period income and expense in subsequent order.

4. Truing up for FY 2013-14

4.1 METHODOLOGY FOR TRUING UP

4.1.1 The Assam Electricity Grid Corporation Limited (AEGCL) submitted the Petition on January 31, 2015 seeking True-up for FY 2013-14, APR for FY 2014-15, approval for revised ARR for FY 2015-16 and its corresponding tariff adjustments. The transmission charges are to be recovered from the APDCL, IPPs and others who utilize the transmission system.

4.1.2 The Commission approves the cost parameters through approval of the Annual Revenue Requirement at the beginning of the year, keeping in view the data available at that point of time. The cost approvals for each of the items are based on projection of expenses and revenue before beginning of the year and hence, the projections might vary over the course of the year.

4.1.3 The actual cost/values for certain elements/parameters may vary as against the approved cost during the year due to various controllable and uncontrollable factors. The licensee may end up with higher or lower expenditure, as the case may be, at the end of the year as against the approved cost. In case of actual fixed costs being higher than the approved fixed costs, there is no mechanism during the year to recover the additional fixed costs over and above the approved fixed costs as the tariff for the licensee cannot be amended more than once in a financial year as per Regulation 5.1 of the AERC Tariff Regulations, 2006, the abstract of which is provided below:

“No tariff or part of any tariff may ordinarily be amended, more frequently than once in any financial year, except in respect of any changes expressly permitted under the terms of any fuel surcharge formula as may be specified in terms of subsection (4) of section 62 of the Act specified in Regulation 9 of these Regulations”

4.1.4 Under the truing up mechanism, AEGCL has analysed the difference between actual expenditure and the expenditure approved by the Commission for FY 2013-14 and has requested for recovery of the actual expenditure through truing up.

- 4.1.5 The Commission analyses the actual expenditure for the previous year/years based on the Audited Statement of Accounts of the licensee and allows/disallows the recovery of the actual expenditure through the present year's tariff, subject to prudence check.
- 4.1.6 Based on above methodology, AEGCL has submitted truing up Petition for FY 2013-14, supported by Audited Statement of Accounts.
- 4.1.7 The Commission has approved the ARR and Tariff for FY 2013-14 in the MYT Order dated November 23, 2013, based on the costs and revenue estimated by AEGCL.
- 4.1.8 In this order, the Commission has carried out the truing up for FY 2013-14 based on the submissions of the Petitioner, in accordance with AERC Tariff Regulations, 2006 and prudence check.

4.2 TRUING UP FOR FY 2013-14

4.2.1 Revenue from operations

AEGCL has claimed Rs. 456.03 Crore towards revenue from operations for FY 2013-14. The same amount is reflected in the Audited Statement of Accounts of AEGCL for FY 2013-14.

Accordingly, the Commission approves the actual revenue of Rs. 456.03 Crore in the Truing up for FY 2013-14.

4.2.2 Non-Tariff Income

The Commission had approved the non-tariff income at Rs. 46.04 Crore in the MYT Order dated November 21, 2013, whereas AEGCL has submitted for non-tariff income of Rs. 64.73 Crore for FY 2013-14 which is as per the Audited Statement of Account.

Accordingly, the Commission approves the Non-Tariff Income at Rs. 64.73 Crore in the truing up for FY 2013-14.

4.2.3 PGCIL Charges

The Commission had approved PGCIL network charges at Rs. 212.51 Crore in the MYT Order dated November 21, 2013, against which AEGCL has claimed PGCIL

network charges of Rs. 209.30 Crore.

The PGCIL charges are to be paid in accordance with the Orders issued by the CERC. The actual expenditure incurred by AEGCL towards PGCIL charges as per the Audited Statement of Account is Rs. 209.30 Crore.

Therefore, the Commission approves PGCIL charges at Rs. 209.30 Crore in the truing up for FY 2013-14.

4.2.4 O&M Expenses

(1) Employee Cost

The Commission had approved Rs. 99.65 Crore towards employee cost in the MYT Order dated November 21, 2013, whereas AEGCL has claimed Rs. 124.40 Crore towards employee cost for FY 2013-14 (including SLDC Employee cost of Rs.1.44 Crore). AEGCL has submitted that the increase in employee cost is mainly due to increase in Dearness Allowances. AEGCL also submitted that impact is due to new recruitments at different level to address the problem of mass aging of entire workforce to take up the operation and maintenance of new assets created and likely to be created in coming days.

Therefore, the Commission accepts AEGCL's submission and justification and approves Rs. 124.40 Crore towards employee cost in the truing up for FY 2013-14, which is inclusive of Rs. 1.44 Crore for SLDC Employee Cost.

(2) Repairs and Maintenance Expenses

The Commission had approved Rs. 11.57 Crore towards R&M expenses in the Tariff Order for FY 2013-14, whereas AEGCL has claimed Rs. 9.66 Crore towards R&M expenses for FY 2013-14 (including SLDC R&M Expense of Rs.0.78 Crore). AEGCL has submitted that assets of AEGCL are old and require regular maintenance to ensure uninterrupted operations. AEGCL has also stated that they have been trying their best to ensure uninterrupted operations of the system and accordingly has been undertaking necessary expenditure for R&M activities regularly.

Hence, the Commission after prudence check, approves the R&M expenses of Rs. 9.66 Crore in the truing up for FY 2013-14, which is inclusive of Rs. 0.78 Crore towards SLDC R&M Expense.

(3) Administrative and General Expenses

The Commission had approved Rs. 4.00 Crore towards A&G expense in the Tariff Order for FY 2013-14 whereas AEGCL has claimed A&G expenses of Rs. 4.37 Crore for FY 2013-14 (including SLDC A&G Expense of Rs. 0.09 Crore).

It is observed that the actual A&G expense incurred by AEGCL as per the Audited Statement of Account is Rs. 4.37 Crore.

The Commission after carrying out prudence check of the proposed A&G expenses approves the net A&G expenses of Rs. 4.35 Crore in the truing up for FY 2013-14, which is inclusive of A & G Expense of Rs. 0.09 Crore for SLDC.

4.2.5 Interest and Finance Charges

The Commission had approved Rs. 40.65 Crore towards Interest and Finance Charges in the MYT Order dated November 21, 2013, whereas AEGCL has claimed Rs. 25.60 Crore towards interest and finance charges as per Audited Statement of Accounts.

In response to the Commission's query, AEGCL has submitted the source-wise details of loan drawn during the year and loan repaid during the year, closing balance of loan, applicable interest rate and interest expenses for FY 2013-14. The Commission has examined the source-wise interest expenditure incurred as per Audited Statement of Accounts for FY 2013-14.

For Government of Assam loan, Commission has considered the Closing Balance of loan as approved in Tariff Order dated November 21, 2014 and applied interest rate of 10% as proposed by AEGCL. The payment of penal interest and interest on General Provident Fund has not been approved, in accordance with the approach followed by the Commission in the previous Tariff Orders. Further while allowing Interest capitalised, Commission has reduced the Interest Capitalised in proportion of allowed and claimed interest.

Accordingly, Rs. 12.59 Crore is allowed as Interest and Finance Charge for truing up of FY 2013-14. The break-up of approved Interest and Finance Charge is shown in the Table below:

Table 4.1: Approved Interest and Finance Charges for FY 2013-14 (Rs. Crore)

Particulars	FY 2013-14
Interest on State Government Loans	21.30
Add: Finance Charges	0.07
Less: Interest Capitalised	8.78
Total	12.59

4.2.6 Interest on Working Capital

The Commission had approved Rs. 14.52 Crore towards normative interest on working capital in the MYT Order dated November 21, 2013, whereas AEGCL has claimed Rs.14.80 Crore towards Interest on Working Capital for FY 2013-14, at the interest rate of 14.50%.

As per the AERC Tariff Regulation 2006, applicable interest rate should be the Prime Lending Rate of State Bank of India as applicable on 1st April of the financial year for which Tariff is being determined. Accordingly, the Commission has trued up the normative interest on working capital based on the approved O&M Expenses, Receivables, etc., and at the SBI PLR of 14.45%, as detailed in Table below:

Table 4.2: Approved Interest on Working Capital for FY 2013-14 (Rs. Crore)

Particulars	FY 2013-14
O&M Expense for one month	11.53
Maintenance Spares @ 1% GFA	12.01
Two months receivables	76.01
Total Working Capital	99.55
Interest @ 14.45%	14.39

Accordingly, the Commission approves Rs. 14.39 Crore towards Interest on Working Capital in the truing up for FY 2013-14.

4.2.7 Depreciation

The Commission had approved Rs. 13.91 Crore towards depreciation in the MYT Order dated November 21, 2013. AEGCL had submitted Rs. 40.25 Crore towards depreciation for FY 2013-14.

The Commission has considered the opening GFA for FY 2013-14 as per the closing GFA value approved in True up of FY 2012-13 vide Tariff Order dated November 21,

2014. As per Regulation 14 of the AERC Tariff Regulations, 2006, the total depreciation during the life of the asset shall not exceed 90% of the original cost of GFA. The Commission has adjusted the depreciation amount contributed by assets exceeding 90% of the value while calculating the depreciation for FY 2013-14. Further, as specified in Regulation 14 of the AERC Tariff Regulations, 2006, depreciation on the assets created using consumer contribution or capital subsidy/grant, etc., is excluded.

The depreciation approved in the truing up for FY 2013-14 is given in the Tables below:

Table 4.3: Depreciation approved for FY 2013-14 (Rs. Crore)

Particulars	GFA 01.04.2013	Addition during 2013-14	Rate of depreciation	Depreciation FY 2013-14
Land & Rights	18.25	2.92		0.00
Building	18.48	0.53	1.80%	0.32
Hydraulic	2.65	0.00	2.57%	0.07
Other Civil Works	7.65	0.86	1.80%	0.15
Plant & Machinery	508.01	42.73	3.60%	16.34
Lines & Cable Net work	638.20	12.78	2.57%	6.29
Vehicles	4.17	0.00	18.00%	0.32
Furniture & Fixtures	2.36	0.16	6.00%	0.04
Office Equipment	1.61	0.28	6.00%	0.11
Grand Total	1201.38	60.26		23.64
Average Depreciation Rate			1.95%	

Particular	Amount (Rs. Cr)
Grant as on 31.03.2013	950.99
Grant as on 31.03.2014	1262.79
Average Grant	1106.89
90% of the Assets funded by Grants/subsidies	996.20
GFA (excluding Land & Rights)	1183.13
CWIP	615.03
Total	1798.16
Cumulative grants pertaining to GFA (apportioned in the ratio of GFA and CWIP)	655.47
Depreciation calculated as per the Regulation on the GFA	23.64
Weighted average rate of depreciation	1.95%
Depreciation to be deducted on the assets built on the grants component	12.79
Depreciation approved	10.85

The Commission accordingly approves Depreciation of Rs. 10.85 Crore in the

truing up for FY 2013-14.

4.2.8 Other Debits

Based on Audited Statement of Accounts, AEGCL has claimed expenditure of Rs.0.35 Crore towards other debits for FY 2013-14. The Commission had not approved such expenditure in the MYT Order dated November 21, 2013.

Since, all prudent revenue expenditure has been allowed under respective heads, the Commission has not allowed the Other Debits claimed by AEGCL.

4.2.9 BST for Pension Fund (Special Charges for Terminal Benefits)

In the MYT Order dated November 21, 2013, the Commission had approved special charges on Bulk Supply Tariff at 15 Paise per unit on transmission charges amounting to Rs. 88.47 Crore for FY 2013-14. AEGCL has claimed Rs. 88.47 Crore as BST for Pension Fund as per the Audited Statement of Accounts for FY 2013-14.

The Commission approves the BST for Pension Fund (Special Charges for Terminal Benefits) at Rs. 88.47 Crore as claimed by AEGCL for FY 2013-14.

4.2.10 Net Prior Period Expenses/Credits

AEGCL has claimed Rs. 1.24 Crore as prior period expenses under the true up exercise. However, the Commission has analyzed each head of prior period expenses/ credits as reported in the Audited Statement of Accounts for FY 2013-14 and after prudence check, has allowed Rs. 0.30 Crore as Net prior period expense for Truing up of FY 2013-14 as shown in the table below,

Table 4.4: Prior Period Expense/Credit for Truing up of FY 2013-14 (Rs. Crore)

Net Prior period Expenses/Income	Claimed by AEGCL in True-up	Actuals as per Statement of Accounts	Truing – Up
Transformer Oil related expenses/losses relating to prior period	0.01	0.01	0.01
Employee cost relating to prior period	0.04	0.04	0.04
Depreciation under provided in prior period	0.33	0.33	0.00
Other expenses relating to prior period	5.39	5.39	5.37
Interest and other finance charges relating to prior period	0.56	0.56	0.00
Total Expenses	6.33	6.33	5.42
Other income relating to prior period	5.09	5.09	5.12
Net Prior period Expenses/Income()	1.24	1.24	0.30

As can be seen from the Table above, prior period Employee Expenses and other expenses (after adjustment of capitalisation of interest on loan during FY 2012-13) and prior period income has been considered by the Commission.

The excess provisions for Depreciation and Interest & Finance charges have not been considered by the Commission under the true-up, as these expenses are of controllable nature.

Therefore, the Commission has allowed Rs. 0.30 Crore as Net prior period expense for Truing up of FY 2013-14.

4.2.11 Return on Equity

The Commission approves Rs. 13.99 Crore as Return on Equity (RoE) for truing up of FY 2013-14 in accordance with AERC Tariff Regulations, 2006, as claimed by AEGCL, as there has been no Equity addition during the year.

4.2.12 Income Tax

The Commission had approved Rs. 2.80 Crore as provision for tax in the MYT Order dated November 21, 2013. AEGCL has not claimed any amount towards Income Tax as per the Audited Statement of Accounts for FY 2013-14.

Therefore, the Commission approves the Income Tax as Nil in the truing up for FY 2013-14 as per Audited Statement of Accounts for FY 2013-14.

4.2.13 Total ARR after Truing up for FY 2013-14

Considering the above heads of expense and revenue as per the Audited Statement of Accounts for FY 2013-14 and after due prudence check, the Net Revenue Requirement of AEGCL for FY 2013-14 is approved as Rs. 423.57 Crore after the truing up for FY 2013-14 with a Revenue Surplus of Rs. 32.46 Crore, as shown in the Table below:

Table 4.5: ARR approved in the Truing up for FY 2013-14 (Rs. Crore.)

ARR Elements	Approved in MYT Order dated November 21, 2013	Proposed by AEGCL	Approved in True Up
PGCIL Charges	212.51	209.30	209.30
O&M Expenses	115.22	138.43*	138.41
Employee Cost	99.65	124.40	124.40
R&M Expenses	11.57	9.66	9.66
A&G Expenses	4.00	4.37	4.35
Interest & Finance Charges	40.65	25.60	12.59
Interest on Working Capital	14.52	14.80	14.39
Depreciation	13.91	40.25	10.85
Other Debits	0.00	0.35	0.00
BST for Pension Trust Fund	88.47	88.47	88.47
Net Prior Period Expenses		1.24	0.30
Less: Other Expenses Capitalized	-	-	-
Return on Equity	13.99	13.99	13.99
Provision for Tax	2.80	0.00	0.00
Total Expenditure	502.07	532.42	488.30
Less: Non Tariff Income/ Other Income	46.04	64.73	64.73
Net ARR	456.03	467.70	423.57
Revenue from Operations	456.03	456.03	456.03
Revenue (Gap)/Surplus	0	(11.67)	32.46

* Including Rs. 2.31 Crore of SLDC Cost

The Revenue Surplus of Rs. 32.46 Crore approved in the truing up for FY 2013-14, is considered in the ARR for FY 2015-16.

5. Annual Performance Review for FY 2014-15

5.1 METHODOLOGY FOR PERFORMANCE REVIEW

The Tariff Order for FY 2014-15 was issued by the Commission on November 21, 2014. It is important for the Commission to review the technical as well as financial performance of the AEGCL vis-à-vis the last Tariff Order issued by the Commission. It is also pertinent and desirable that the Commission reviews its own estimation and directives to ensure better and effective implementation of its next Tariff Order.

The Performance Review exercise examines the actual performance of AEGCL for FY 2014-15 with the approved estimates in the Tariff Order dated November 21, 2014 for FY 2014-15. The exercise also attempts to gauge the effectiveness of the Tariff Order by evaluating the extent of implementation of the directives in the Tariff Order. These aspects are discussed in the following paragraphs.

As FY 2014-15 is already over, AEGCL has submitted the actual performance parameters for FY 2014-15, which have been considered by the Commission in the Annual Performance Review for FY 2014-15 (hereinafter referred as APR for FY 2014-15).

5.1.1 Revenue from operations

The Commission had approved a sum of Rs. 460.40 Crore in the Tariff Order dated November 21, 2014 towards revenue from operations for FY 2014-15. AEGCL has claimed Rs. 462.52 Crore towards revenue from operations for FY 2014-15.

The Commission considered the Revenue from Operation of Rs. 462.52 Crore for APR of FY 2014-15, as proposed by AEGCL. However, Commission shall true-up revenue from operation for FY 2014-15 based on the prudence check of Audited Statement of Accounts for FY 2014-15.

5.1.2 Non-Tariff Income

The Commission had approved the Non-Tariff Income at Rs. 64.73 Crore in the Tariff Order dated November 21, 2014, whereas AEGCL has claimed Non-Tariff Income at Rs. 57.24 Crore for FY 2014-15.

In response to a query of the Commission, AEGCL has submitted that interest

income has reduced because of withdrawal of fixed deposits for capital expenditure, leading to reduction in Other Income (Non-Tariff Income).

Commission has considered Non Tariff Income of Rs. 57.24 Crore for APR of FY 2014-15. However, the Commission shall true-up Non-Tariff income for FY 2014-15 based on the prudence check of Audited Statement of Accounts of FY 2014-15. .

5.1.3 PGCIL Charges

The Commission had approved PGCIL network charges at Rs. 216.30 Crore in the Tariff Order dated November 21, 2014, whereas AEGCL has claimed PGCIL network charges at Rs. 258.69 Crore for FY 2014-15.

In response to a query from the Commission, AEGCL has submitted the documentary evidence of bills raised by PGCIL for 10 months i.e. till January, 2015.

Based on the submitted bills, the Commission has provisionally arrived on an amount of Rs. 222.17 Crore as PGCIL charges for FY 2014-15. However, Commission shall true-up PGCIL charges for FY 2014-15 based on the prudence check of Audited Statement of Accounts for FY 2014-15.

5.1.4 O&M Expenses

For considering the year-on-year inflation for projecting O&M expenses in FY 2014-15, the Commission has considered CPI as the inflation index for Employees Expenses and WPI as the inflation index for A&G Expenses and R&M expenses. The Commission considers these methods to be reasonable for projecting the O&M Expenses in FY 2014-15. The CPI and WPI for FY 2014-15 are shown below:

Table 5.1: Escalation rate for O&M expenses

Month	WPI			CPI		
	FY 14	FY 15	FY 16	FY 14	FY 15	FY 16
April	171	181		226	242	
May	171	182		228	244	
June	173	183		231	246	
July	176	185		235	252	
August	179	186		237	253	
September	181	185		238	253	
October	181	184		241	253	
November	182	181		243	253	
December	180	179		239	253	
January	179	177		237	254	
February	180	176		238	253	
March	180.3	176		239	254	
Average	178	181		236	251	
Weighted Average of Inflation		2.00%	2.00%		6.29%	6.29%

(1) Employee Cost

The Commission had approved Rs. 128.95 Crore towards Employee Cost in the Tariff Order dated November 21, 2014, whereas AEGCL has claimed Rs. 138.39 Crore towards employee cost for FY 2014-15.

AEGCL has submitted that the employee cost has been estimated considering trend of past year's employee cost, increase in dearness allowance, its merger and its impact on other allowances such as HRA, field allowances, PF etc. Additionally, increase in salary due to regular increments as well as promotion and new recruitments has also been considered. They have also stated that while arriving at Employee Cost for the FY 2014-15, actual salary paid during 10 months plus estimate for the month of February & March 2015 has been considered. As the provisional account of AEGCL has not been prepared during this exercise, the Commission has arrived at a provisional figure of Rs. 130.77 Crore, based on approved Employee Expense for FY 2013-14 and the CPI of 6.29%. Also, it is observed that AEGCL has claimed SLDC expenses separately for FY 2014-15. Thus, the Employee Expenses of SLDC function is not included in the above-stated Employee Expenses. The Employee Expense of SLDC function is detailed in Para 5.1.8.

Accordingly, the Commission provisionally approves Rs. 130.77 Crore towards employee cost in the APR of FY 2014-15. The Commission shall true-up

Employee expenses for FY 2014-15 based on the prudence check of Audited Statement of Account.

(2) Repairs and Maintenance Expenses

The Commission had approved Rs. 8.73 Crore towards R&M expenses in the Tariff Order dated November 21, 2014, whereas AEGCL has claimed Rs. 8.58 Crore towards R&M expenses for FY 2014-15. It is observed that AEGCL has claimed SLDC expenses separately for FY 2014-15. Thus, the R&M expenses of SLDC function are not included in the above-stated R&M expenses. The R & M Expense of SLDC function is detailed in Para 5.1.8. AEGCL has submitted that R & M Expenses are directly related to age of the assets and its wear and tear during the period. Further, sometimes there were needs to undertake emergency repairs.

After prudent check, it is observed that the AEGCL's proposal of R & M Expense is in line with the escalation based on WPI. Therefore, Commission considers Rs. 8.58 Crore of R & M Expense as proposed by AEGCL.

Accordingly, the Commission provisionally approves R&M expenses of Rs. 8.58 Crore in the APR of FY 2014-15. However, the Commission shall true-up R&M expenses for FY 2014-15 based on the prudence check of Audited Statement of Account.

(3) Administrative and General Expenses

The Commission had approved Rs. 3.98 Crore towards A&G expense in the Tariff Order dated November 21, 2014. As against the same, AEGCL has claimed Rs. 4.22 Crore for FY 2014-15. It is observed that AEGCL has claimed SLDC expenses separately for FY 2014-15. Thus, the A&G expenses of SLDC function are not included in the above-stated A&G expenses.

The Commission has arrived at a provisional figure of Rs. 4.18 Crore based on approved A&G cost for FY 2013-14 and the escalation factor of 2% based on the WPI. Also, it is observed that AEGCL has claimed SLDC expenses separately for FY 2014-15, thus, the A&G Expenses of SLDC function are not included in the above-stated A&G Expenses. The A & G Expense of SLDC function is detailed in Para 5.1.8.

Accordingly, the Commission provisionally approves A&G expense of Rs. 4.18 Crore in the APR of FY 2014-15. However, the Commission shall true-up A&G

expenses for FY 2014-15 based on the prudence check of Audited Statement of Account.

5.1.5 Interest and Finance Charges

The Commission had approved Rs. 14.05 Crore towards Interest and Finance Charges in the Tariff Order dated November 21, 2014, whereas AEGCL has claimed Rs. 21.13 Crore towards Interest and Finance Charges for FY 2014-15.

In response to a query from the Commission, AEGCL has submitted source-wise details of opening balance of loan, loan drawn during the year and loan repaid during the year, closing balance of loan, applicable interest rate and interest expenses for FY 2014-15. However, AEGCL has also included penal interest and interest on General provident fund under Interest and Finance Charge claimed in this petition, which has been disapproved keeping the consistent approach with the previous orders. For Government loans, the closing balance as per approved trued-up value for FY 2013-14, has been taken as opening balance for APR of FY 2014-15. The interest rate capitalised has been proportionately adjusted.

As the provisional account of AEGCL has not been prepared during this exercise, the Commission has arrived on a provisional figure for APR for FY 2014-15 based on the table give below.

Table 5.2: Approved Interest and Finance Charges for FY 2014-15 (Rs. Crore)

Particulars	APR FY 2014-15
Total Interest on Loans	25.74
Add: Other Finance Charges	0.07
Less: Interest Capitalised	17.68
Total	8.13

Accordingly, the Commission provisionally approves Interest and Finance Charges of Rs. 8.13 Crore in the APR of FY 2014-15. However, the Commission shall true-up Interest and Finance expense for FY 2014-15 based on the prudence check of Audited Statement of Accounts.

5.1.6 Interest on Working Capital

The Commission had approved Rs. 14.92 Crore towards interest on working capital in the Tariff Order dated November 21, 2014, whereas AEGCL has claimed Rs.18.99 Crore towards Interest on Working Capital for FY 2014-15 at the rate of 14.75%. In

response to a query from the Commission, AEGCL has submitted detailed computation of interest on working capital for FY 2014-15.

As per the AERC Tariff Regulation 2006, applicable interest rate should be the Prime Lending Rate of State Bank of India as applicable on 1st April of the financial year for which Tariff is being determined. The Commission has arrived on a provisional figure Rs. 15.03 Crore for APR for FY 2014-15 based on the provisionally approved ARR components applicable for calculating working capital with SBP PLR of 14.75%.

Table 5.3: Approved Interest on Working Capital for FY 2014-15 (Rs. Crore)

Particulars	FY 2014-15
O&M Expense for one month	12.16
Maintenance Spares @ 1% GFA	12.62
Two months receivables	77.09
Total Working Capital	101.87
Interest on working capital @ 14.75%	15.03

Therefore, the Commission provisionally approves Rs. 15.03 Crore towards interest on working capital in the Annual Performance Review for FY 2014-15. However, the Commission shall true-up interest on working capital for FY 2014-15 based on the prudence check of Audited Statement of Accounts.

5.1.7 Depreciation

The Commission had approved Rs. 13.80 Crore towards depreciation in the Tariff Order dated November 21, 2014. In response to a query from the Commission, AEGCL has submitted that computation of depreciation for FY 2014-15 is as per the AERC Tariff Regulations, 2006. Consequently, AEGCL has claimed Rs. 42.60 Crore towards depreciation for FY 2014-15.

The Commission has considered the opening GFA for FY 2014-15 as per the closing GFA value approved in True up of FY 2013-14 above. The additions of the assets have been taken as per the value proposed by AEGCL.

As per Regulation 14 of the AERC Tariff Regulations, 2006, the total depreciation during the life of the asset shall not exceed 90% of the original cost of GFA. The Commission has reversed the depreciation amount contributed by assets exceeding 90% of the value while calculating the depreciation for FY 2014-15.

Further, as specified in Regulation 14 of the AERC Tariff Regulations, 2006, depreciation on the assets created using consumer contribution or capital subsidy/grant, etc., is excluded.

Table 5.4: Depreciation approved for FY 2014-15 (Rs. Crore)

Particulars	GFA 01.04.2014	Addition during 2014-15	Rate of depreciation	Depreciation FY 2014-15
Land & Rights	21.17	178.38		0.00
Building	19.01	7.80	1.80%	0.11
Hydraulic	2.65	0.00	2.57%	0.07
Other Civil Works	8.51	250.75	1.80%	2.41
Plant & Machinery	550.74	12.00	3.60%	17.33
Lines & Cable Net work	650.98	0.00	2.57%	6.45
Vehicles	4.17	0.00	18.00%	0.27
Furniture & Fixtures	2.52	0.00	6.00%	0.05
Office Equipment	1.89	0.00	6.00%	0.10
Grand Total	1261.64	448.93		26.79
Average Depreciation Rate			1.95%	

Particulars	Amount (Rs Crore)
Grant as on 31.03.2014	1262.79
Grant as on 31.03.2015	1356.91
Average Grant	1309.85
90% of the Assets funded by Grants/subsidies	1178.87
GFA (excluding Land & Rights)	1240.47
CWIP	618.18
Total	1858.65
Cumulative grants pertaining to GFA (apportioned in the ratio of GFA and CWIP)	786.78
Depreciation calculated as per the Regulation on the GFA	26.79
Weighted average rate of depreciation	1.95%
Depreciation to be deducted on the assets built on the grants component	15.32
Depreciation approved	11.47

The Commission, accordingly, provisionally approves depreciation of Rs. 11.47 Crore in the Annual Performance Review for FY 2014-15. However, the Commission shall true-up depreciation for FY 2014-15 based on the prudence check of Audited Statement of Account.

5.1.8 SLDC Charges

In Tariff Order dated November 21, 2014, the Commission has approved SLDC charges of Rs 2.12 Crore. AEGCL, in this petition, has claimed SLDC charge of Rs 2.44 Crore.

Accordingly the Commission has provisionally approved SLDC charges Rs 2.44 Crore for APR of FY 2014-15.

Table 5.5: SLDC Charges

Particulars	Proposed by AEGCL	APR FY 2014-15
Employee Cost	1.45	1.45
Repair & Maintenance	0.73	0.73
A&G Expenses	0.26	0.26
Total	2.44	2.44

5.1.9 Other Debits

No amount had been approved in the Tariff Order dated November 21, 2014, for Other Debits. For FY 2014-15, AEGCL has not claimed any amount as Other Debit. **The Commission also considered Other Debit as Nil for APR of FY 2014-15.**

5.1.10 BST for Pension Fund (Special Charges for Terminal Benefits)

The Commission had approved special charges on Bulk Supply Tariff at 20 paise per unit on transmission charges amounting to Rs. 133.42 Crore for FY 2014-15 vide Tariff Order dated November 21, 2014. AEGCL has claimed Rs 141.46 Crore as Special Charges for Terminal Benefits for FY 2014-15. The Commission has calculated net energy handled by AEGCL for FY 2014-15 and provisionally considers Rs. 134.54 Crore under this head, based on the estimated Energy Handled for APR of FY 2014-15.

Accordingly Commission provisionally approves Rs. 134.54 as BST for Pension Trust Fund. However, the Commission shall true-up the same for FY 2014-15 based on the prudence check of Audited Statement of Accounts for FY 2014-15.

5.1.11 Net Prior Period Expenses/Credits

No amount has been approved in the Tariff Order dated November 21, 2014 under this head. For FY 2014-15, AEGCL has not claimed any amount as Net Prior Period Expense/ Credits. **The Commission considered Net Prior Period Expense/**

Credits as Nil for FY 2014-15.

5.1.12 Return on Equity

The Commission considers Rs. 13.99 Crore as provided in the Tariff Order dated November 21, 2014, in accordance with AERC Tariff Regulations, 2006, as claimed by AEGCL, as there is no equity addition during the year.

5.1.13 Provision for Tax

No amount has been approved in the Tariff Order dated November 21, 2014 under this head. For FY 2014-15, AEGCL has not claimed any amount as Provision for Tax.

The Commission also considered Provision for Tax as Nil for FY 2014-15.

5.1.14 Total ARR after Annual Performance Review for FY 2014-15

Considering the above heads of expense and revenue and after provisional approval as elaborated above, the net revenue requirement of AEGCL for FY 2014-15 is provisionally approved as Rs.494.06 Crore, as shown in the Table below:

(Table in Next Page)

Table 5.6: ARR approved in the Annual Performance Review for FY 2014-15 (Rs. Crore)

ARR Elements	Approved in Tariff Order dated November 21, 2014	Proposed by AEGCL	APR FY 2014-15
PGCIL Charges	216.30	258.69	222.17
O&M Expenses	141.66	151.19	143.53
Employee Cost	128.95	138.39	130.77
R&M Expenses	8.73	8.58	8.58
A&G Expenses	3.98	4.22	4.18
Interest & Finance Charges	14.05	21.13	8.13
Interest on Working Capital	14.92	18.99	15.03
Depreciation	13.80	42.60	11.47
Other Debits	0.00	0.00	0.00
SLDC Charges	-	2.44	2.44
BST for Pension Trust Fund	133.42	141.16	134.54
Net Prior Period Expenses	-	-	-
Less: Other Expenses Capitalized	-	-	-
Return on Equity	13.99	13.99	13.99
Provision for Tax	0.00	-	0.00
Total Expenditure	548.14	650.19	551.30
Less: Non Tariff Income/ Other Income	64.73	57.24	57.24
Net ARR	483.41	592.95	494.06
Add : (Gap)/Surplus for FY 2011-12 and FY 2012-13	(23.01)	-	-
Total ARR	460.40	592.95	494.06
Revenue at Existing Tariff	460.4	462.52	462.52

The review shows the revenue requirement of Rs. 494.06 Crore for FY 2014-15. It is only indicative in the absence of Audited Statement of Accounts for FY 2014-15. However Commission shall conduct True-Up of FY 2014-15 and determine Revenue Surplus/Gap, after the Audited Statement of Accounts of FY 2014-15 are made available.

6. Determination of ARR and Tariff for FY 2015-16

6.1 INTRODUCTION

This chapter deals with the determination of revised Aggregate Revenue Requirement for FY 2015-16 and corresponding tariff adjustments for FY 2015-16. The Commission has considered the ARR approved in the MYT Order dated November 21, 2013 for FY 2015-16 and the adjustment on account of true up for FY 2013-14 while determining the revenue (gap)/surplus for FY 2015-16. This chapter also deals with determination of Transmission Tariff of AEGCL for FY 2015-16.

6.2 APPROVED ARR FOR FY 2015-16 VIDE MYT ORDER DATED NOVEMBER 21, 2013

The ARR for FY 2015-16 as approved by the Commission in the MYT Order dated November 21, 2013, is summarised in Table below.

Table 6.1: Approved ARR for FY 2015-16 (Rs. Crore)

FY 2015-16 ARR	
ARR Elements	Approved in MYT Order dated November 21, 2013
PGCIL Charges	257.14
O&M Expenses	134.72
Employee Cost	116.23
R&M Expenses	14.00
A&G Expenses	4.49
Interest & Finance Charges	85.66
Interest on Working Capital	18.53
Depreciation	10.37
Other Debits	0.00
SLDC Charges	-
BST for Pension Trust Fund	105.30
Net Prior Period Expenses	-
Less: Other Expenses Capitalised	-
Return on Equity	13.99

FY 2015-16 ARR	
ARR Elements	Approved in MYT Order dated November 21, 2013
Provision for Tax	2.80
Total Expenditure	628.52
Less: Non-Tariff Income/ Other Income	55.71
Net ARR	572.81

6.3 OPERATION AND MAINTENANCE EXPENSES

O&M expenses comprise of the following heads:

- Employee expenses
- Repairs and Maintenance (R&M) expenses
- Administration and General (A&G) expenses

For considering the year-on-year inflation for projecting O&M expenses in FY 2015-16, the Commission has considered CPI as the inflation index for Employees Expenses and WPI as the inflation index for A&G Expenses and R&M expenses. The Commission considers these methods to be reasonable for projecting the O&M Expenses in FY 2015-16. The CPI and WPI for FY 2014-15 are shown below:

Table 6.2: Escalation rate for O&M expenses

Month	WPI			CPI		
	FY 14	FY 15	FY 16	FY 14	FY 15	FY 16
April	171	181		226	242	
May	171	182		228	244	
June	173	183		231	246	
July	176	185		235	252	
August	179	186		237	253	
September	181	185		238	253	
October	181	184		241	253	
November	182	181		243	253	
December	180	179		239	253	
January	179	177		237	254	
February	180	176		238	253	
March	180.3	176		239	254	
Average	178	181		236	251	
Weighted Average of Inflation		2.00%	2.00%		6.29%	6.29%

The claims of AEGCL under various heads of O&M expenses are discussed below:

(1) EMPLOYEE COST

The Commission had approved employee cost of Rs. 116.23 Crore towards employee cost for FY 2015-16 in the MYT Order dated November 21, 2013. AEGCL has submitted revised employee cost of Rs. 154.99 Crore for FY 2015-16 (exclusive of Employee Cost for SLDC). AEGCL has submitted that employee cost has been estimated considering trend of past year's employee cost, increase in dearness allowance, its merger and its impact on other allowances such as HRA, field allowances, PF etc. Additionally, increase in salary due to regular increments as well as promotion and new recruitments has also been considered. AEGCL has also stated that while arriving at Employee Cost for the FY 2015-16, actual salary paid during 10 months plus estimate for the month of February & March 2015 has been considered. The arrived out figure of Rs. 138.39 Crore has been escalated by 12% on account of increase in dearness allowance and annual increments.

AEGCL has requested the Commission to approve the projected Employee Expenses of Rs. 154.99 Crore for FY 2015-16

Commission's Analysis

The Commission, in this Order, has approved the Employee Expenses for FY 2015-16 by escalating the trued up Employee Expenses for FY 2013-14 by the CPI indices (6.29%) for FY 2014-15 and FY 2015-16. It is observed that AEGCL has claimed SLDC expenses separately for FY 2015-16, thus, the Employee Expenses of SLDC function are not included in the above-stated Employee Expenses. The Employee Expense of SLDC function is detailed in Para 6.15.

Accordingly, the Commission approves the Employee Cost of Rs. 138.90 Crore for FY 2015-16.

(2) REPAIR AND MAINTENANCE (R&M) EXPENSES

The Commission had approved Rs. 14.00 Crore towards R&M expense in the MYT Order dated November 21, 2013. AEGCL has estimated R&M expenses of Rs. 8.75 Crore for FY 2015-16 (exclusive of R & M Expense for SLDC). AEGCL has submitted that R & M expenses are directly related to age of the assets, its wear and tear during the period. Considering past trends, it is estimated that the expenditure for the year FY 2015-16 will increase due to presence of vintage assets which require periodical and higher repairs. Further, there is sometimes need to undertake emergency repairs which have not been provided for in the projections. Thus, these expenses are uncontrollable in nature.

Commission's Analysis

After prudent check, it is observed that the AEGCL's proposal of R & M Expense for FY 2015-16, is in line with the escalation based on WPI. Therefore, Commission considers Rs. 8.75 Crore of R & M Expense as proposed by AEGCL.

It is observed that AEGCL has claimed SLDC expenses separately for FY 2015-16, thus, the R&M expenses of SLDC function are not included in the above-stated R&M expenses. The R & M Expense of SLDC function is detailed in Para 6.15.

Accordingly, the Commission approves the R&M expenses of Rs. 8.75 Crore for FY 2015-16.

(3) ADMINISTRATION AND GENERAL (A&G) EXPENSES

The Commission had approved A&G expenses of Rs. 4.49 Crore for FY 2015-16 in the MYT Order dated November 21, 2013. AEGCL has estimated A&G expenses of Rs. 4.29 Crore (exclusive of A & G Expense for SLDC). AEGCL has submitted that administration expenses mainly comprises of rents, telephone and other communication expenses, professional charges, conveyance and traveling expenses etc. It has been estimated that A&G expenses will increase approximately @ 2% annually.

Commission's Analysis

The Commission, in this Order, has approved the A&G Expenses for FY 2015-16 by escalating the trued up A&G Expenses for FY 2013-14 by the WPI indices (2%) for FY 2014-15 and FY 2015-16. It is observed that AEGCL has claimed SLDC expenses separately for FY 2015-16, thus, the A&G expenses of SLDC function are not included in the above-stated A&G expenses. The A & G Expense of SLDC function is detailed in Para 6.15.

Accordingly, Commission approves the A&G expense of Rs. 4.26 Crore for FY 2015-16.

6.4 CAPITAL INVESTMENT

The Commission had approved grants of Rs. 386.85 Crore and loans of Rs. 42.98 amounting to total capital investment of Rs. 429.83 Crore in the MYT Order dated November 21, 2013. AEGCL submitted that for FY 2015-16, it has projected to incur a Capital Expenditure of Rs. 581.14 Crore. AEGCL has submitted that the funding of Capital Expenditure is envisaged through various sources categorized under the headings Grants and Loans. AEGCL also submitted the breakup of funding for the

projected Capital Expenditure during FY 2015-16 as shown in the Table below:

Table 6.3: Funding for Capital Expenditure as projected by AEGCL (Rs. Crore)

Particulars	Loan	Grant	Total
Investment	111.75	469.39	581.14

Commission's Analysis

The Commission after prudence check has considered a total of Rs. 581.14 Crore as capital investment for FY 2015-16 in the ratio of Grant and loan, as proposed by AEGCL in its investment plan.

6.5 CAPITALISATION

The Commission had approved Capital Work-In-Progress (CWIP) of Rs. 1613.86 Crore for FY 2015-16 in the MYT Order dated November 21, 2013. AEGCL has submitted closing balance of CWIP Rs. 479.86 Crore for FY 2014-15. By considering the closing balance of CWIP for FY 2014-15 and approved investment during FY 2015-16, the Commission has calculated the approved closing CWIP of FY 2015-16 as per the table given below.

Table 6.4: CWIP and capitalisation approved for FY 2015-16 (Rs. Crore)

FY 2015-16	
Opening CWIP	479.86
Investments	581.14
Interest Capitalization in Interest on Long - Term Loans	17.17
Total Investments	1078.17
Less: Expenditure capitalized (Transferred to GFA)	200.00
Closing WIP	878.17

6.6 DEPRECIATION

The Commission had approved depreciation of Rs. 10.37 Crore for FY 2015-16 in the MYT Order dated November 21, 2013. AEGCL estimated depreciation of Rs. 34.86 for FY 2015-16. AEGCL has submitted that depreciation has been computed as per AERC Tariff Regulations, 2006.

Commission's Analysis

The Commission has considered the opening GFA for FY 2015-16 as per the closing GFA value approved in APR of FY 2014-15 provided above. The additions of the

assets have been taken as per the value proposed by AEGCL. As per Regulation 14 of the AERC Tariff Regulations, 2006, the total depreciation during the life of the asset shall not exceed 90% of the original cost of GFA. The Commission has reversed the depreciation amount contributed by assets exceeding 90% of the value while calculating the depreciation for FY 2015-16.

Further, as specified in Regulation 14 of the AERC Tariff Regulations, 2006, depreciation on the assets created using consumer contribution or capital subsidy/grant, etc., is excluded.

The Commission has approved depreciation for FY 2015-16 in accordance with AERC Tariff Regulations, 2006, as given in the Tables below:

Table 6.5: Depreciation approved for FY 2015-16 (Rs. Crore)

Particulars	GFA 01.04.2015	Addition during 2015-16	Rate of depreciation	Depreciation FY 2015-16
Land & Rights	199.55	10.00		0.00
Building	26.81	2.50	1.80%	0.20
Hydraulic	2.65	0.00	2.57%	0.07
Other Civil Works	259.26	0.85	1.80%	4.67
Plant & Machinery	562.74	137.00	3.60%	20.01
Lines & Cable Net work	650.98	49.65	2.57%	7.09
Vehicles	4.17	0.00	18.00%	0.21
Furniture & Fixtures	2.52	0.00	6.00%	0.05
Office Equipment	1.89	0.00	6.00%	0.07
Grand Total	1710.57	200.00		32.37
Average Depreciation Rate			2.02%	

Particulars	Amount (Rs. Cr)
Grant as on 31.03.2015	1356.91
Grant as on 31.03.2016	1826.30
Average Grant	1591.61
90% of the Assets funded by Grants/subsidies	1432.44
GFA (excluding Land & Rights)	1511.02
CWIP	679.02
Total	2190.04
Cumulative grants apportioned in the ratio of GFA and CWIP	988.32
	444.13
Depreciation calculated as per the Regulation on the GFA	32.37
Weighted average rate of depreciation	2.02%
Depreciation to be deducted on the assets built on the grants component	19.92

Particulars	Amount (Rs. Cr)
Depreciation approved	12.45

Accordingly, the Commission approves depreciation for FY 2015-16 as Rs. 12.45 Crore.

6.7 INTEREST AND FINANCE CHARGES

The Commission had approved interest and finance charges of Rs. 85.66 Crore for FY 2015-16 in the MYT Order dated November 21, 2013. AEGCL has estimated interest and finance charges at Rs. 35.18 Crore for FY 2015-16. AEGCL has provided source-wise estimated details of opening loan, loan drawn during the year and loan repaid during the year, closing balance of loan, applicable interest rate, and interest expense for FY 2015-16.

Commission's Analysis

The Commission has considered the closing balance of Government of Assam loan provisionally considered in APR for FY 2014-15, as the opening balance of loan for FY 2015-16, and the interest on Government of Assam loan has been considered as per the submission of AEGCL. Also repayment of the loan has been considered as per the submission of AEGCL. Payment on penal interest and interest on GPF has not been approved in accordance with the approach adopted in previous Tariff Orders. The interest rate capitalised has been proportionately adjusted.. The other finance charges are approved as projected by AEGCL. The interest and finance charges are approved as shown in the Table below:

Table 6.6 : Approved Interest and Finance Charges (Rs. Crore)

Particulars	Approved
Total Interest on Loans	32.26
Add: Other Finance Charges	0.07
Less: Interest Capitalised	14.35
Total	17.98

Accordingly, Commission approves Rs 17.98 Crore as Interest and Finance Charges for FY 2015-16.

6.8 INTEREST ON WORKING CAPITAL

The Commission had approved interest on working capital of Rs. 18.53 Crore for FY 2015-16 in the MYT Order dated November 21, 2013. AEGCL has submitted expense of Rs. 21.19 Crore towards interest on working capital. AEGCL has submitted that for interest computation, it has considered the short-term Prime Lending Rate (PLR) of SBI, which is 14.75%. AEGCL has claimed Interest on Working Capital as shown below:

Table 6.7: Projected Interest on Working Capital (Rs. Crore)

Particulars	FY 2015-16
One month O&M Expenses	14.22
Maintenance spares @1% GFA	19.11
Two months receivables	110.35
Total Working Capital	143.68
Interest rate	14.75%
Interest on Working Capital	21.19

Commission's Analysis

The Commission has approved the normative interest on working capital for FY 2015-16 in accordance with AERC Tariff Regulations, 2006. As per the AERC Tariff Regulation 2006, applicable interest rate should be the Prime Lending Rate of State Bank of India as applicable on 1st April of the financial year for which Tariff is being determined. The interest on working capital has been examined and approved after considering SBI PLR of 14.75%, as shown in the Table below.

Table 6.8: Approved Interest on Working Capital (Rs. Crore)

Particulars	Approved
O&M Expenses for One Month	12.88
Spares @ 1% of GFA	17.11
2 Months' Receivables	89.65
Total Working Capital	119.64
Rate of Interest @ SBI PLR	14.75%
Interest on Working Capital	17.65

Accordingly, Commission approves Rs. 17.65 Crore as Interest on Working Capital for FY 2015-16.

6.9 RETURN ON EQUITY

As there is no Equity infusion during FY 2015-16, in accordance with AERC Tariff Regulations, 2006, **the Commission retains the Return on Equity of Rs. 13.99 Crore as approved in the MYT Order dated November 21, 2013, for FY 2015-16 and as claimed by AEGCL.**

6.10 PROVISION FOR INCOME TAX

The Commission had approved Rs. 2.80 Crore for FY 2015-16. AEGCL has not submitted provision for income tax for FY 2015-16. **The Commission also considered Provision for Tax as Nil for FY 2015-16.**

6.11 OTHER DEBITS

AEGCL has considered other debits for Misc. losses and write off of Rs. 0.21 Crore for FY 2015-16. As all prudent revenue expenses have been allowed under respective heads, **the Commission has approved other debits as Nil for FY 2015-16.**

6.12 BST FOR PENSION FUND (SPECIAL CHARGES FOR TERMINAL BENEFITS)

The Commission had approved special charges on Bulk Supply Tariff of Rs. 105.30 Crore for FY 2015-16 in the MYT Order dated November 21, 2013, @ 15 Paise per unit of energy wheeled by AEGCL. AEGCL has proposed special charges on Bulk Supply Tariff of Rs 152.92 Crore for FY 2015-16, for the purpose of funding the Pension Fund, @ 20 Paise per unit on the energy wheeled by AEGCL.

Commission's Analysis

Commission has considered BST @ 20 paise per unit of energy wheeled, as approved in the Tariff Order dated November 21, 2014 .

Accordingly, the Commission approves the BST for Pension Fund at Rs. 154.92 Crore for FY 2015-16.

6.13 PGCIL CHARGES

The Commission had approved PGCIL charges of Rs. 257.14 Crore for FY 2015-16 in the MYT Order dated November 21, 2013. AEGCL has estimated Rs. 284.56

Crore towards Transmission Charges payable to PGCIL for FY 2015-16.

Commission Analysis

For approval of PGCIL Charge for FY 2015-16, Commission has first arrived at the per unit PGCIL Charges for FY 2014-15 based on actual data submitted by AEGCL. The Commission has arrived at the PGCIL Charge for FY 2015-16, considering per unit PGCIL Charge of FY 2014-15 and the approved energy flow through PGCIL network during FY 2015-16.

Accordingly, Commission approves PGCIL Charges of Rs. 254.55 Crore for FY 2015-16.

6.14 NON-TARIFF INCOME

The Commission had approved Non-Tariff income of Rs. 55.71 Crore for FY 2015-16 in the MYT Order dated November 21, 2013. AEGCL has estimated Rs. 51.51 Crore towards Non-Tariff income for FY 2015-16. AEGCL has submitted the details of Non-Tariff income as detailed in the Table below:

Table 6.9: Non-Tariff income (Rs. Crore)

Particulars	FY 2015-16
Income from Investments	18.83
Miscellaneous Receipts	32.68
Total	51.51

Commission's Analysis

In response to query about declining trend of Non-Tariff Income, raised by Commission, AEGCL submitted that because of withdrawal of fixed deposits for capital expenditure the Interest Income is declining.

The Commission has noted the reply of AEGCL. However, in absence of detailed data/information to project non-tariff income accurately, The Commission retains the Non-Tariff Income approved in the MYT Order dated November 21, 2013 for FY 2015-16.

Accordingly, the Commission approves the Non-Tariff Income at Rs. 55.71 Crore for FY 2015-16. Any deviation on actual non-tariff income will be trued up

accordingly.

6.15 SLDC CHARGES

The expenses considered are mainly meant to recover SLDC's R&M expenses, Employee Expenses, and A&G expenses. AEGCL has claimed Rs. 2.65 Crore as against Rs. 2.15 Crore in MYT Order dated November 21, 2013. **The Commission, in this order, approves the SLDC charges at Rs. 2.65 Crore for FY 2015-16.**

Table 6.10: SLDC Charges (Rs. Crore)

Particulars	Proposed by AEGCL	FY 2015-16
Employee Cost	1.63	1.63
Repair & Maintenance	0.75	0.75
A&G Expenses	0.27	0.27
Total	2.65	2.65

SLDC charges approved at Rs. 2.65 Crore for FY 2015-16 is allocated to APDCL as a single user.

6.16 TRANSMISSION LOSS

The Commission had approved transmission loss of 3.64% for FY 2015-16 in the MYT Order dated November 21, 2013. AEGCL has projected the transmission loss for FY 2015-16, as detailed in the Table below:

Table 6.11: Transmission Loss

Particulars	FY 2015-16
Energy Injected (MU)	7935
Energy Sent Out (MU)	7646
Transmission Loss (MU)	289
Transmission Loss (%)	3.64%

Commission's Analysis

AEGCL has submitted that they have achieved a significant reduction in transmission losses, during recent years. These efforts shall continue and will be enhanced. However, loss reduction is a slow process and becomes increasingly difficult as the

loss levels come down beyond a certain level. The Commission has observed that proposed loss figure of AEGCL is similar to that has been approved in MYT order dated November 21, 2013.

The Commission, therefore, approves the transmission loss level at 3.64% for FY 2015-16.

6.17 ENERGY HANDLED

The Commission had approved energy handled by AEGCL at 7020 MU for FY 2015-16 vide MYT Order dated November 21, 2013. The details of energy projected to be handled by AEGCL and approved energy balance of AEGCL by the Commission, for FY 2015-16, are given in the Table below:

Table 6.12: Energy Handled by AEGCL

Particulars	FY 2015-16	
	AEGCL Petition	Approved
Energy Handled (MU)	7935	8039
Transmission Loss (%)	3.64%	3.64%
Transmission Loss (MU)	289	293
Energy Available to APDCL at interface (MU)	7646	7746

Accordingly, Commission approved 8039 MU as Energy to be handled by AEGCL during FY 2015-16.

6.18 ARR FOR FY 2015-16

As discussed in earlier paragraphs, the Commission has examined the estimates and projections of each ARR component submitted by AEGCL and approved the expenses in accordance with the AERC Tariff Regulations, 2006. The summary of the ARR as filed by the Petitioner and as approved by the Commission after considering the Revenue (Gap)/Surplus on account of true-up for FY 2013-14 are given in the Table below:

Table 6.13: Approved ARR for FY 2015-16 (Rs. Crore)

ARR Elements	Approved in MYT Order dated November 21, 2013	Proposed by AEGCL	Approved
PGCIL Charges	257.14	284.56	254.55
O&M Expenses	134.72	168.03	151.91
Employee Cost	116.23	154.99	138.90
R&M Expenses	14.00	8.75	8.75
A&G Expenses	4.49	4.29	4.26
Interest & Finance Charges	85.66	35.18	17.98
Interest on Working Capital	18.53	21.19	17.65
Depreciation	10.37	34.86	12.45
Other Debits	0.00	0.21	0.00
SLDC Charges	-	2.65	2.65
BST for Pension Trust Fund	105.30	152.92	154.92
Net Prior Period Expenses	-	-	-
Less: Other Expenses Capitalized	-	-	-
Return on Equity	13.99	13.99	13.99
Provision for Tax	2.80	0.00	0.00
Total Expenditure	628.52	713.59	626.09
Less: Non-Tariff Income/ Other Income	55.71	51.51	55.71
Net ARR	572.81	662.08	570.38
Add: True-Up for FY 2013-14			-32.46
Total ARR	572.81	662.08	537.92
Energy Supplied to APDCL (MU)	7020	7646	7746
Per Unit Charges (Rs.)	0.82	0.87	0.69

Thus, the Commission has approved the consolidated revenue requirement for AEGCL for FY 2015-16, after considering the revenue gap for True-Up of FY 2013-14, as Rs. 537.92 Crore.

6.19 TRANSMISSION CHARGES

The Transmission Charges payable by APDCL and other users of AEGCL transmission system are arrived at based on ARR of AEGCL and the energy handled by the transmission system.

After determination of the final ARR of AEGCL on account of transmission network, the next step is to finalize the transmission tariff for intra-State transmission of power. The actual transmission activities comprise of transmission of power from CSGS by Central Transmission Utility (CTU) network to AEGCL network, and a number of the State Transmission Utility (STU) transmission lines are also engaged in transmission of CSGS power to other constituents of the region. The STU network is not contiguous to transmit power independently within the geographical area of the State due to peculiar locations of some areas of the State. Due to the constraints mentioned above, STU network is not in a position to deliver power independently to all its delivery points of APDCL. While determining the transmission tariff of the State, both for long-term and short-term open access consumers, the Commission considered it appropriate to consider the net CTU Transmission Charges as approved by CERC. Based on similar considerations, the charges payable to NERLDC as approved by the CERC shall be considered while fixing SLDC charges for both long-term and short-term open access consumers for intra-State consumers.

1. The monthly Transmission Charges (TC) payable by APDCL or the long term open access consumers shall be as determined below:

TC=Approved Transmission ARR/ (12 * TCC)

Where;

TC=Transmission Charges in Rs./kW/month

TCC= Total gross contracted capacity in kW of the transmission system by APDCL including long-term open access consumers.

Net Transmission ARR, as approved for FY 2015-16, is Rs. 537.92 Crore

AEGCL proposed 1715 MW as peak load for FY 2015-16. However, as per discussion on power scenario, during 19th SAC meeting held on May 8, 2015, it was deliberated that maximum contracted capacity is 1471 MW. Therefore, the Commission has considered maximum contracted capacity as 1471 MW as against AEGCL's proposal of 1715 MW, for FY 2015-16.

TC = Rs. 304.73 /kW/month

In line with MYT Order dated November 21, 2013 for FY 2015-16, the Commission approves the transmission charges in terms of Rupees per Unit.

The energy supplied by AEGCL to APDCL for FY 2015-16 is considered as 7746 MU. As such, Transmission charges for APDCL for FY 2015-16 will be Rs. 0.69 per unit.

2. For short-term open access customers, the transmission charges shall be as follows:

Short Term Rate (ST-Rate) per day = Net Transmission ARR / Annual

Maximum peak * 365

= Rs. 10018.64 per MW per day

Note:

- 1) The Commission has considered Annual Maximum Peak for FY 2015-16 as 1471 MW.
- 2) Any recovery on account of short-term open access charges shall be adjusted to net ARR of the transmission system after meeting all contingency expenditure in connection with open access transactions.

6.20 SLDC CHARGES APPLICABLE TO USERS

The expenses considered are mainly meant to recover SLDC's R&M expenses, Employee Expenses, and A&G expenses. **The Commission approves the SLDC charges at Rs. 2.65 Crore for FY 2015-16.**

SLDC charges approved at Rs. 2.65 Crore for FY 2015-16 is allocated to APDCL as a single user.

However, **the SLDC charges to be charged for any other user are as given below:**

- 1) Approved SLDC charge for FY 2015-16 is Rs. **2.65** Crore.

Assumed Total Capacity handled by SLDC for FY 2015-16 is 1471 MW.

Approved SLDC charges are Rs. 49.36 per MW per day.

- 2) Any recovery on account of short-term open access charges shall be adjusted to the SLDC charges approved after meeting all contingency expenditure in connection with open access transactions.

6.21 RECOVERY OF TRANSMISSION CHARGES (TC)

1. AEGCL shall recover the full transmission charges approved by the Commission at the target availability of Transmission system as per Regulations 89(2) and 86(b) of AERC Tariff Regulations, 2006. The payment of transmission charges below the target availability shall be on pro-rata basis.
2. Availability shall be computed in accordance with the relevant provisions of the Regulations. SLDC shall verify the availability figures submitted by AEGCL for claiming the fixed charges.

6.22 EFFECTUATION OF TRANSMISSION TARIFF

1. The approved rate of transmission charges shall be effective from August1, 2015 and shall continue until replaced by another Order by the Commission.
2. The approved net ARR of AEGCL for FY 2015-16 has already been accounted for in APDCL's ARR approved for FY 2015-16.

7 Compliance of Directives & New Directives

The Commission has issued certain directives to AEGCL with an objective of attaining operational efficiency and streamlining the flow of information, which would be beneficial to the sector and the Petitioner, both in the short-term and long-term. This Chapter deals with the compliance status and the Commission's views thereon as well as the summary of new directions for compliance and implementation by AEGCL.

7.1 COMPLIANCE OF OLD DIRECTIVES

The Commission's comments on the status of compliance to the directives are given below:

Directive-1: Submission of Actuarial Valuation of employers' contribution to terminal liabilities

As directed in the Tariff Order for FY 2010-11 to FY 2012-13, AEGCL should submit the study report on actuarial valuation for the purpose of estimating employers' contribution towards pension and gratuity.

Compliance:

AEGCL has submitted that the Actuarial valuation has been done as on September 30, 2012. AEGCL further submitted that the Actuarial valuation report has been given to Govt. of Assam for funding and a copy of report is submitted to the Hon'ble Commission.

Commission's comments:

The Commission has noted the compliance. AEGCL is directed to expedite the funding from the Government.

Directive-2: Computation of Depreciation in accordance with AERC Tariff Regulations

While projecting the depreciation in the ARR of the tariff Petition, AEGCL should strictly follow the depreciation rates in the AERC Tariff Regulations, 2006 instead of following the Companies Act.

Compliance:

AEGCL has submitted that AEGCL has already complied with this directive in last order.

Commission's comments:

It has been observed that AEGCL does not submit the calculations of depreciation strictly in accordance with the AERC Tariff Regulations, 2006, and claims depreciation on assets funded through grants also. The Commission directs AEGCL to ensure that in subsequent Petitions, the depreciation is computed strictly in accordance with the AERC Tariff Regulations, 2006.

Directive 3: Plan for reduction of transmission losses

AEGCL should submit a medium/long-term plan for reducing the transmission losses in line with the industry norms. The plan and implementation programme should be submitted to the Commission at the earliest.

Compliance:

AEGCL has submitted that at present different projects under State Govt., NEC, NLCPR and EAP are going on which will strengthen the 220 kV Transmission Network as well as 220/132 kV Transformation system due to construction of new lines and capacity addition and augmenting of Sub-station. AEGCL further submitted that most of the projects are in advance stage of completion which in turn is expected to further bring down the Transmission losses of the System. AEGCL has further submitted that progress report of the Major Projects in this reference is enclosed for Hon'ble Commission's notice.

Commission's comments:

The Commission has noted the reduction of transmission losses by AEGCL and directs AEGCL to continue to adopt measures towards reduction of losses.

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Directive-2: Filing of complete Petitions within the scheduled dates

It has been observed that the Petitions are not being filed on time, and even after filing of the Petitions, the necessary data and clarifications are not submitted on time, leading to delays in the tariff determination process. The Commission directs AEGCL to ensure that the Petitions are filed on time, and all the necessary data and clarifications are submitted along with the Petition itself.

Compliance

AEGCL has already complied with this directive in subsequent petitions.

Commission's Comments

Noted, AEGCL is directed to file the petition within the time stipulated by the Commission. Also, it is observed that the petitions submitted by AEGCL are not complete in nature and some of the deficiencies are repetitive in nature. AEGCL is hereby directed to ensure submission of correct & complete petitions along with proper justifications to enable proper and faster checking of the petitions. AEGCL is also directed to submit the MS Excel model along with detailed computation & assumptions for each parameter.

7.2 NEW DIRECTIVE

Directive-1: Discrepancy in transmission loss in the petitions of AEGCL and APDCL, it is directed that AEGCL and APDCL should coordinate and ensure that such discrepancies do not occur in future filings. In this regard, AEGCL is directed to conduct a study for accurate calculation and verification of transmission losses.

Sd/-
(D. Chakravarty)
Member, AERC

Sd/-
(N. K. Das)
Chairperson, AERC

Annexure-1

Minutes of the 19th meeting of the State Advisory Committee held on 8th May, 2015, at Administrative Staff College Khanapara, Guwahati

The 19th meeting of the State Advisory Committee was held at 10.30 am on 8th May, 2015, at Administrative Staff College Khanapara, Guwahati.

The list of members and officers present is appended at **Annexure – 1**.

At the very outset, the Secretary, AERC, welcomed all the Members of the State Advisory Committee, Special Invitees and officers present, to the 19th Meeting of the Committee, which had been recently reconstituted vide circular dated 20.04.2015 as per Section 87 of The Electricity Act, 2003. He stated that the State Advisory Committee is an important body with an objective to advise the Commission on important issues such as:

- Major questions of policy;
- Matters relating to quality, continuity and extent of service provided by the licensees;
- Compliance by Licensees with the conditions and requirements of their licence;
- Protection of Consumer Interest; and
- Electricity supply and overall Standards of Performance by utilities.

He then requested the Chairperson, AERC, Shri Naba Kumar Das, IAS (Retd.) to preside over the meeting.

The Chairperson, AERC, on behalf of the Commission, extended a hearty welcome to all the Members of the State Advisory Committee.

The Chairperson informed the members that Power Point presentations would be made by the representatives of the power utilities on the overall power scenario of the State and also on the petitions submitted by each of the three utilities for revision of tariff. He requested the members to take this opportunity to raise various issues and problems being faced by the consumers and offer suggestions so that effective strategies could be worked out to improve the power position in the State. The agenda items were taken up for discussions in seriatim which are briefly recorded below.

1. Agenda No. 1: Confirmation of the Minutes of the 18th meeting of the State Advisory Committee (SAC) held on 12-08-2014

The Minutes of the 18th Meeting of the Committee was already circulated among the Members and Special Invitees. Hence, it was taken as read. No comment was received on the Minutes. With the approval of the members, the Minutes of the 18th meeting of the SAC were confirmed.

2. Agenda No. 2: Action taken on the Minutes of the 18th Meeting of SAC.

The action taken report was submitted to the members, which are summarized as below.

- 2.1. Peak power Tariff in consumer categories is not presently covered under the TOD Tariff. The Commission had advised APDCL to submit the required information. On receipt of the same the Commission would be in a position to take a decision.

- 2.2. Regarding the Regulation of Peak Power Management it was informed that the Commission have issued the AERC DSM (Demand Supply Management) Regulations, 2012. Commission now will be take up framing the peak power Regulations.
- 2.3. It was appraised that the two Regulations of AERC viz. (I) Co-generation and Generation of Electricity from Renewable Sources of Energy and (II) AERC Grid Interactive Solar PV systems have been finalized and have been sent for publication in the Assam Gazette.
- 2.4. The amendments to AERC (Terms & Conditions for Determination of Tariff) Regulations, 2006 were notified in the Assam Gazette on 06.01.2015.
- 2.5. Chairperson, AERC requested Mr. K.V Eapen Chairman (APDCL, AEGCL and APGCL) to present a brief about the Power Availability Scenario up to the year 2019. Who shared the following stated below:

<i>Plant Name</i>	<i>Maximum Availability (MW)</i>	<i>Date Of Commissioning</i>
OTPC Palatana(Unit I)	120	January 2014
Farakka super Thermal Power Station	75	September 2014 to August 2016
OTPC Palatana (Merchant Power)	35 (Merchant power)	Agreement made
Damodar Valley Corporation	75	May 2015 to July 2015
Nikachhu hydro Power station	118	July 2019
TOTAL	423	

3. Agenda No. 2: Present power scenario of the State.

A presentation was made by Mr M.K Adhikari GM, (APDCL) on Present power scenario of the State of Assam.

- 4.1. During the presentation Mr. Bimal Phukan desired to know about the methodology of calculation of demand by APDCL .APDCL appraised that physical demand recorded in the system is considered to calculate demand. Mr. Bimal Phukan objected to the same stating that during summer months (4-5months) load shedding occurs across the state therefore the system will not record the actual demand. APDCL confirmed that they consider substation wise recorded data for those days of the month when no load shedding was carried out. However, Mr. Phukan not being satisfied with the reply mentioned that the demand data is a suppressed demand data and he

apprehended that if this demand is considered by Central Government for allocation of power then Assam will get lower allocation of power than actual requirement.

- 4.2. Mr. Anup Gogoi mentioned that per capita per month consumption of Assam is very low compared to other states of India. He opined that this may be due to the demand reflected is not the actual demand .Actual demand may be 3000 MW as compared to assessed demand of 1100 to 1450 MW.
- 4.3. Chairperson AERC mentioned that per capita consumption appears to be very low; there is a need to analyze/ asses the actual requirement to meet demand.
- 4.4. Mr. Nitin Sabikhi Manager, IEX enquired about the base load of the system, APDCL replied that the base load of the system is minimum of 600 MW throughout the day and 750 to 800 MW during day time.
- 4.5. Mr Bimal Phukan desired to know about the methodology for allocation of CSGS power. APDCL replied that Gadgil-Mukherjeeformula is used for allocation of both hydro as well as thermal power. The new revised Gadgil-Mukherjee formula as approved by National Development Council (NDC) is given in the following table. Criteria for inter-state allocation of Plan Assistance

Criteria	Weight (%)
Population	55
Per capita Income	25
Fiscal Management	5
Special Problems	15
Total	100

He further enquired about the availability of Meghalaya power and the cost. APDCL replied that Meghalaya power is available since 1988 at a rate mutually decided. Presently, in some areas of Mankachar and Goalpara District of Assam power from Meghalaya is received at 11KV level.

- 4.6. Mr. Bimal Phukan asked about Commissioning date of Lakwa Thermal Power Station (LTPS) and also desired to know about the projects those came up after 1978.Mr. KV Eapen replied that LTPS was Commissioned in 1978. Mr.P. Bujarbaruah, MD (APGCL) replied that presently Namrup Replacement power Plant (NRPP) and Lakua Replacement Power Plant (LRPP) are under implementation.
- 4.7. Mr. Anup Gogoi desired to know about the present power prices in the exchange. Mr. Nitin Sabikhi, Manager IEX replied that for the last six months exchange prices are very low, the RTC price was `2.5 /unit and night price was less than ` 2 /Unit for North East Region. With the present trend of growth in Generation capacity (8to 9%) versus

growth in Demand (4%). It is expected that there will be surplus scenario in next few years and exchange prices likely to fall further.

He opined that Assam may think of replacing purchase of costlier power with exchange power, which may lead to saving of substantial amount of power purchase cost. He informed that States such as Haryana, Punjab Rajasthan are already using the method of replacing costly power with cheap power from the Exchange.

- 4.8. Mr. Abhijit Barooah desired to know about the internal system of APDCL to take quick commercial decision on power purchase. Mr. KV Eapen replied that Commercial department of APDCL is responsible for handling power purchase. Mr. Adhikari GM (TRC), APDCL highlighted that on a daily basis (block wise) demand supply position is assessed and decision taken regarding the power purchase. At present APDCL meets 80% of demand from firm allocation /Contracted supply, 5 to 10% from exchange and 5% through deviation settlement mechanism.

5. Agenda No. 4: Tariff Proposals for FY 2015-16

- **Mr. SM Kalita CGM (F & A), APGCL made a presentation on APGCL Tariff Proposals for FY 2015-16.**

- 5.1. Mr. Bimal phukan Member SAC enquired as to whether there was any break down of the generating stations. APGCL replied that the details break down have been submitted.
- 5.2. Mr. phukan further pointed out that the proposed Generation Tariff at ` 4.92 is higher compared to the exchange price of under ` 4.00. He requested APGCL to review this issue.
- 5.3. It was suggested that the long-term viability of the small gas based projects be reviewed as a cluster of small projects may result in high O &M expenses.
- 5.4. Mr. Abhijit Barooah mentioned that the average auxiliary consumption of the stations are very high. APGCL appraised that there are three main reasons of high auxiliary consumption
- a) Because of low availability of gas machines are run on low load (40-50%) condition. Though, some of the Auxiliary Units need to be run all the time irrespective of loading resulting in higher auxiliary consumption.
 - b) Being old the Station Heat Rates are high for the existing stations. Besides, use of low CV gas compared to design there is requirement of higher volume of gas which results in higher auxiliary consumption.

6. Mr. S.K. Saha CGM (F & A) AEGCL made a presentation on AEGCL Tariff Proposals for FY 2015-16.

- 6.1. Mr. Bimal phukan enquired about the capacity that can be handled by AEGCL. AEGCL replied that an average of 716 MW and 806 MW were handled during 2013-14 and 2014-15 respectively.
- 6.2. Mr. Nitin Sabikhi Manager IEX desired to know about the Import capacity of AEGCL. AEGCL replied that the import capacity is 1100 MW.

7. Mr. Manoj Adhikari GM, APDCL made a presentation on APDCL Tariff Proposals for FY 2015-16.

- 7.1. Mr. Abhijit Barooah opined that a provision should be there to penalize the utility for not meeting the norms set in Regulations. He further mentioned that with the present status of revenue gap there is a need for Government to provide a onetime fund to bring a clean slate. He enquired about the methodology of fixing the Tariff for different categories of customers. APDCL replied that Tariff for different categories of customers is proposed keeping in mind the guidelines of National Tariff Policy to maintain the cross subsidy level within $\pm 20\%$.
- 7.2. Mr. Bimal phukan suggested that the buying and selling of power through the exchange be carried out in a prudent manner so that the maximum benefit can be derived out of the process. Should the need arise; personnel can be specially trained for the purpose.

8. Agenda No. 5: Draft AERC (Terms & Conditions for Determination of Multi Year Tariff) Regulations, 2015

- 8.1. A brief presentation was made by Mr. Amit Goenka (Deloitte Touche Tohmatsu India Pvt. Ltd.) on Multi Year Tariff Regulation. Mr. Saurabh Agarwal enquired about the mechanism of sharing of Gain/loss in the regulations. It was replied that the Mechanism proposed is as per model FOR Regulations. Mr. Saurabh Agarwal further enquired as to why the incentive structure has been changed (Earlier 25 paisa which becomes 50 paisa w.e.f 1st April 2016). Mr. Amit Goenka (Deloitte Touche Tohmatsu India Pvt. Ltd) clarified that it totally depends upon the new Regulation. Mr. Agarwal enquired as to why AT & C Loss is not kept as an Efficiency Parameter. Mr. Goenka replied that as there is ambiguity in formula for AT & C loss, distribution loss is kept as one of the efficiency parameters.

9. Agenda No. 6: Draft AERC (Payment of Fees etc.) Regulations, 2015.

- A brief presentation was made by Mr. Sanjeeb Tamuli, Consultant AERC on the Draft AERC (Payment of Fees etc.) Regulations, 2015 which was considered and approved by the SAC.

10. Agenda No. 7: Draft AERC (Smart Grid) Regulations, 2015.

- A brief presentation was made by Mr. D.K Sarmah, Joint Director (Tariff) AERC on the Draft AERC (Smart Grid.) Regulations, 2015 which was considered and approved by the SAC.

11. Agenda No. 8 :Any other mater

- 11.1. Mr. Dilip Kumr Baruah expressed that the Tariff has to go up due to prevailing conditions however; there is a scope for moderation.
- 11.2. He requested to ensure 24x7 power supply and suggested the following which may help control the Tariff.

- a) Efforts should be made to Minimize cost.
- b) Under utilisation of capacity should be avoided as far as possible by taking preventive measures.
- c) Execution of work should be expedited.
- d) There should be policies on procurement and inventory control of Stocks. Physical verification should be carried out at times. In substations equipments are idle for 5 to 30 years.
- e) A proper investment policy should be made by the Companies.
- f) Also a disaster management cell should be set up by all the Companies.
- g) Audit report should be made available in the public domain.

11.3. He further enquired as to how many consumer complaints have been received and whether any compensation was paid to the consumers when the complaint was not settled in a given time.

Chairperson AERC advised that the suggestions put forward should be included in the business plans of utilities.

12. Comments from Chairperson AERC:

Chairperson AERC mentioned that Tariff Proposals are subjected to due scrutiny and wherever it is found that the expenditure are not justified, AERC do not allow them in the permissible Tariff .Consequently, every year there is a difference between amount claimed and amount allowed. Chairperson, AERC appreciated the suggestions offered by Mr.Dilip Kumar Baruah on better management of Inventory and also advised the utilities to take appropriate action.

Regarding Consumer Awareness, Chairperson AERC mentioned that Administrative staff college of India (ASCI) Hyderabad has been Commissioned to do a study on "Effectiveness of Consumer Grievances Redressal Mechanism and Compliance of S.O.P by APDCL." They will also examine whether the SOPs issued by the Commission are being followed by APDCL. Effectiveness of the consumer redressal forum also will be evaluated. He also appraised the members about the proposed modification in the structure of the Consumer Redressal Forum.

13. No other matter came up for discussion. The meeting ended with a Vote of Thanks to and from the chair.

Sd/-
(Naba Kumar Das)
Chairperson
Assam Electricity Regulatory Commission

Annexure – 1

**List of members present in the meeting of the State
Advisory Committee held on 8th May, 2015**

1. Shri Naba Kumar Das, IAS(Retd.), Chairperson, AERC
2. Dr. Rajani Kanta Gogoi, Member, AERC
3. Shri D.Chakravarty, Member, AERC necessary
4. Shri V.K Pipersenia, Additional Chief Secretary,GOA
5. Shri V.B Pyarelal, Additional Chief Secretary,GOA
6. Shri K.V. Eapen, Chairman, APDCL, AEGCL & APGCL
7. Shri R.L. Barua, MD, APDCL
8. Shri P. Bujarbaruah, MD, APGCL
9. Shri G.K.Das, MD, AEGCL
10. Shri Arup Kumar Dutta, President, AASIA.
11. Dr. Shree Birendra Kumar Das, President, Grahak Suraksha Sanstha, Guwahati.
12. Shri Bharat Saikia, Secretary, Grahak Suraksha Sanstha, Guwahati
13. Shri Anuj Kumar Baruah, AASSIA, President,Bamunimaidam, I/E Guwahati
14. Shri Saurabh Agarwala, FINER, Member
15. Shri Ranjit Kumar Barua ABITA,GS Road
16. Smt. Utpala Saikia, Deputy Secretary, Power Deptt., Dispur.
17. Shri Kulendra Talukdar, Joint Secretary Agriculture, Dispur.
18. Shri Akhil Sarma Under Secretary Finance Deptt, Dispur.
19. Shri Nitin Sabikhi, Manager IEX, New-Delhi.
20. Shri Abhinandan Goswami, R.M IEX, New-Delhi
21. Shri Bimal Phukan, Public
22. Shri Anup Gogoi, Prof Deptt. EEE IITG
23. Shri Dilip Kumar Baruah, Former Principal Cotton College
24. Shri Abhijit Barooah, CII North East
25. Smt.Joyshree Das Verma, Chairperson FICCI

Officers of AERC

1. Shri SK Roy (ACS, Retd.) Secretary AERC
2. Shri A.k..Barthakur, Senior Consultant,AERC
3. Shri D.K. Sarmah, Joint Director, AERC
4. Shri T. Mahanta, Deputy Director (Engg) AERC
5. Shri A. Purkayastha, Deputy Director (Finance) AERC
6. Ms. Panchamitra Sarma, Consultant (Finance, Database and Consumer Advocacy Cell) AERC.
7. Shri N.K. Deka, Consultant (Technical), AERC
8. Shri Sanjeeb Tamuli, Consultant AERC
9. Shri Jayjeet Bezbaruah, Consultant,AERC