



ASSAM ELECTRICITY REGULATORY COMMISSION

FILE NO. AERC. 703/2018/Pt III/44

Petition No.: 02/2019

ORDER SHEET

25.06.2019

Before the Assam Electricity Regulatory Commission
ASEB Campus, Dwarandhar,
G. S. Road, Sixth Mile, Guwahati – 781 022.

Assam Electricity Grid Corporation Ltd. (AEGCL) ----- Petitioner
Assam Power Distribution Company Limited (APDCL) -----Respondent-1
Bidyut Grahak Mancha (BGM) -----Respondent-2

Date of Admissibility Hearing: 06.05.2019
Date of Final Hearing: 27.05.2019

Representative for Petitioner: Mr. G K Bhuyan, DGM (P&E), AEGCL
Mr. Suresh Kaimal, DGM (F&A), AEGCL
Mr. Debasish Paul, AM, AEGCL
Representative of Respondent-1 Mr. M Kalita, GM (Com. TRC)
Mr. Bibhu Medhi, AGM (TRC)
Mr. N Deb, AM(F&A)
Mrs. Bonita Das, AM (TRC)
Representative of Respondent-2 Mr. Subodh Sharma, BGM
Mr. K Talukdar, BGM

In the matter of

Review Petition No. 02 of 2019 for Review of AEGCL's Tariff Order dated March 1, 2019 regarding Truing up for FY 2017-18, Annual Performance Review for FY 2018-19 and Multi Year Tariff for the Control Period from FY 2019-20 to FY 2021-22

CORAM

Shri S. C. Das, Chairperson

ORDER June 25, 2019

1. Assam Electricity Grid Corporation Ltd. (herein after referred as "the Petitioner") has filed a Petition before the Commission on April 25, 2019 for review of its Tariff Order dated March 1, 2019 in petition no. 15/2018 regarding the Truing up for FY 2017-18, Annual Performance Review for FY 2018-19 and Multi Year Tariff for the Control Period from FY 2019-20 to FY 2021-22.

2. The Petitioner filed the Review Petition on April 25, 2019, which is within the specified time of 60 days from date of issue of the Order in Petition No. 15 of 2018, i.e., March 1, 2019. Hence, the Petition is admissible under the relevant provisions of AERC (Conduct of Business) Regulations, 2004. The petition was registered as petition no. 02/2019.
3. The Commission after hearing the petitioner vide order dated May 6, 2019 admitted the petition and directed to issue notices to all respondents who participated during finalisation of MYT Tariff Petitions of AEGCL.
4. AEGCL has made additional submission vide letter No. AEGCL/HQ/ACCTTS/2007/9 (Part II) 20 dated May 17, 2019 on the issues of computation of Net Normative Opening Loan for FY 2016-17 and computation of incentive on higher availability.
5. Bidyut Grahak Mancha (BGM) and Assam Power Distribution Company Limited (APDCL) submitted its comments on the Review Petition filed by the Petitioner.
6. The petitioner and respondents were heard by the Commission on 27.05.2019.
7. The petitioner re-iterated the submissions made in the Review Petition and requested the Commission to approve the prayers made in the Petition. APDCL and BGM also reiterated their submissions made before the Commission.
8. Having heard the Petitioner, APDCL and BGM, and considering the submissions on record, the issue-wise submissions of the Petitioner, APDCL and BGM and Commission's analysis and decision is discussed in the following paragraphs:

9. Issue 1 - Interest & Finance Charges – Computation of Net Normative Opening Loan for FY 2016-17 and FY 2017-18

AEGCL's Submission

The Petitioner objected the computation of Net Normative Opening Loan for FY 2016-17 and FY 2017-18 and prayed that the Interest & Finance Charges of Rs. 25.95 Crore for FY 2016-17 and Rs. 25.02 Crore for FY 2017-18 should be allowed. The Petitioner made the following submissions:

- i. The Commission has computed Interest and Finance Charges for FY 2017-18 by considering Opening Normative Loan for FY 2017-18 as Nil, whose computation details are not available in the Order dated March 1, 2019.
- ii. In computation of net normative loan during True up of FY 2016-17 in the Tariff Order for AEGCL dated March 19, 2018, the Commission had considered the cumulative repayment of Rs. 603.30 Crore, whose computation details were not available in the said Tariff Order.
- iii. Further, in Table 4-12 of the Tariff Order dated March 19, 2018, the Commission had considered cumulative repayment as equal to *“net depreciation, excluding the depreciation for assets funded through grants, approved by the Commission in True-up Orders”*. However, in para 4.1.9 of the Tariff Order dated March 1, 2019, while elaborating the 'cumulative repayment' for the same time period (up to 31st March 2016), the Commission clarified that *“the Commission has considered the cumulative repayment*

already allowed by the Commission in the Orders for Previous Years and did not consider the same as equivalent to the depreciation allowed in the Previous Years”.

- iv. Accordingly, considering the repayment equal to 1/10th of the total outstanding loan, the cumulative repayment till FY 2016-17 works out to Rs. 215 Crore, and cannot be as high as Rs. 603.30 Crore as considered by the Commission in Table 4-12 of the Tariff Order dated March 19, 2018.
- v. The Petitioner is unable to compute the cumulative repayment as there is an ambiguity over the computation of “Cumulative repayment already allowed by the Hon’ble Commission in the Orders for Previous Years”. Non-consideration of cumulative repayment equal to “net depreciation, excluding the depreciation for assets funded through grants” is an error apparent and needs correction.
- vi. The Petitioner also prayed to the Commission to adopt the same principle for computation of Interest & Finance Charges for FY 2018-19 and Control Period (FY 2019-20 to FY 2021-22)

Further, the Petitioner submitted the following in its additional submission:

- i. For computing the cumulative repayment approved in each year, the Commission has considered the accumulated depreciation of Rs. 483.17 Crore as on April 1, 2005 (opening balance sheet of AEGCL) and added annual depreciation allowed for respective years. However, the funds/loan from State Government as on April 1, 2005 stands at Rs. 6.06 Crore as per opening balance sheet of AEGCL.
- ii. The amount of Rs. 483.17 Crore was never allowed to AEGCL as part of ARR and the same was never recovered through tariff by AEGCL. The consideration of loan repayment of Rs. 483.17 Crore as against Rs. 6.06 Crore was not correct.
- iii. Considering the repayment equal to depreciation, the cumulative repayment till FY 2015-16 works out to only Rs. 119.30 Crore. Also, the depreciation approved by the Commission is Nil for FY 2002-03, Rs. 7.02 Crore for FY 2003-04 and Rs. 8.15 Crore for FY 2004-05. Hence, Petitioner requests the Commission not to consider the amount of Rs. 483.17 Crore as loan repayment of AEGCL as on April 1, 2005.
- iv. In view of the above, the Petitioner submitted to consider the cumulative depreciation of Rs. 134.47 Crore till FY 2015-16 as cumulative repayment, as shown in the following Table:

Table 1: Cumulative depreciation as submitted by AEGCL

Sr. No.	Year	Depreciation approved after Truing up (Rs. Crore)	
		Considered by the Commission	AEGCL’s Submission
1	Till FY 2005-06	483.17	15.17
2	FY 2005-06	12.51	3.54
3	FY 2006-07	12.53	0.92
4	FY 2007-08	13.98	13.98
5	FY 2008-09	11.37	11.37
6	FY 2009-10	11.60	11.60
7	FY 2010-11	15.48	15.48
8	FY 2011-12	17.44	17.44
9	FY 2012-13	14.38	14.38
10	FY 2013-14	10.85	10.85
11	FY 2014-15	9.16	9.16
12	FY 2015-16	10.58	10.58
13	Grand Total	603.30	134.47

- v. The Petitioner further submitted that the depreciation used to calculate the cumulative repayment and normative loan needs to be on normative basis as per the provisions of the applicable Tariff Regulations instead of considering the same from the annual audited accounts. Consideration of accumulated depreciation as per the books of accounts (which was never allowed to be recovered through tariffs) is an error apparent on the face of record.

Respondents' Submission

APDCL submitted that this issue has already been addressed in the impugned Order, and the Petitioner's submissions do not qualify on merit for review.

BGM submitted that Review should be rejected for Interest and Finance Charges for FY 2016-17, as per Regulation 34 of AERC (Conduct of Business) Regulations, 2004. As regards Interest and Finance Charges for FY 2017-18, BGM submitted that computation for the same may be rechecked.

Commission's View

Regulation 35.2 of the MYT Regulations, 2015 specifies as under:

"35.2 The normative loan outstanding as on April 1, 2016, shall be worked out by deducting the cumulative repayment as admitted by the Commission up to March 31, 2016, from the gross normative loan."

Accordingly, the Commission in Order dated March 31, 2017 and March 19, 2018 has considered the cumulative repayment of Rs. 603.30 Crore equal to net depreciation, excluding the depreciation for assets funded through grants, approved by the Commission in True-up Orders. After considering the cumulative repayment of loan in respective years, the net normative opening loan for FY 2016-17 worked out to be negative, and was hence, considered as Nil. The computation of Rs. 603.30 Crore is detailed as under:

Table 2: Cumulative depreciation as considered by the Commission

Financial Years	Depreciation	Depreciation on Grants	Net Depreciation allowed
FY 2013-14	23.64	12.79	10.85
FY 2012-13	32.34	17.96	14.38
FY 2011-12	30.27	12.83	17.44
FY 2010-11	23.42	7.94	15.48
FY 2009-10	17.38	5.79	11.59
FY 2008-09	16.28	4.91	11.37
FY 2007-08	15.58	1.60	13.98
FY 2006-07	12.53	-	12.53
FY 2005-06	12.51	-	12.51
Accumulated depreciation till FY 2004-05	483.17	-	483.17
Total	667.12	63.82	603.30

As regards Opening Normative loan for FY 2017-18, the Commission has considered the same as equal to the Closing Net Normative Loan for FY 2016-17, which was nil. The Interest and Finance Charges for FY 2017-18 and FY 2018-19 have been worked out in accordance with MYT Regulations, 2015.

Further, the Commission in the impugned Order has ruled as under:

“4.1.8 As per the AERC MYT Regulations, 2015, Depreciation was considered as normative repayment of loans, and interest expenses were allowed on a normative basis only from the Years starting from FY 2016-17.

*Hence, in the true-up for FY 2016-17, the Commission considered the cumulative repayment already allowed by the Commission in the Orders for previous Years and **did not consider the same as equivalent to the depreciation allowed in previous Years.** As a result, the net normative opening loan for FY 2016-17 was negative, and was considered as ‘Nil’. Thus, there is no error in the Interest and Finance Charges allowed in the true-up for FY 2016-17.*

Accordingly, AEGCL’s prayer in this regard is dismissed.” (emphasis added)

The above ruling is an error apparent on the face of record and needs to be corrected, as the impugned Order states that the Commission did not consider repayment equivalent to the depreciation allowed in previous years, which is incorrect. However, it is pertinent to mention that the Commission has taken the correct approach for consideration of cumulative repayment equal to net depreciation allowed in respective years at the time of truing up, as the same depreciation was supposed to be used for repayment of outstanding loan.

The approach of the Petitioner for consideration of cumulative repayment equal to 1/10th of outstanding loan is not correct, as depreciation allowed by the Commission in respective years is much higher.

The Commission notes that it has computed net normative loan as on April 1, 2016 in its Order dated March 31, 2017 while approving the ARR for FY 2016-17 to FY 2018-19. Further, the Commission has undertaken truing up for FY 2016-17 in its Order dated March 19, 2018. After issuance of both Orders, AEGCL was silent. However, in this Review Petition, AEGCL has submitted the additional information regarding the details of opening balance sheet and outstanding actual loans. Strictly speaking, these facts cannot be agitated in review, which has very limited scope and relief can be granted only in case of error apparent on the face of the record or on account of new and important evidence that could not have been submitted by the Petitioner earlier. However, in the present case, there is no apparent error on the face of the record, and neither is there any evidence that could not have been submitted earlier. At the same time, if there is merit in AEGCL’s submissions even at this late stage, it would be unfair to deny relief to AEGCL for all times to come. There is no scope to consider the True Up allowed in 2016-17 as it is time barred. However, the Commission has considered the additional data and facts submitted by AEGCL as part of the Review Petition, for reconsidering the matter once again but only for the True Up of 2017-18. **This is a special consideration granted by the Commission in view of change in norms for computation of net normative loan by considering the repayment in any year as equal to the depreciation allowed for year and should not be considered as a precedent.**

It is to be noted that Depreciation has been approved based on Gross Fixed Assets. Also, Interest on Long Term Loan and Return on Equity have been approved on debt and equity component utilized for funding of such assets. Hence, for computation of normative loan, the Commission has considered the funding of Gross Fixed Assets. The Commission has computed

gross normative loan by deducting grants/consumer contribution and equity from Gross Fixed Assets as on April 1, 2017. Further, cumulative repayment has been deducted from such gross normative loan to arrive at net normative loan as on April 1, 2017. The methodology adopted by the Commission for computation of net normative loan is correct and in accordance with the MYT Regulations, 2015. Further, the Commission has considered that depreciation is used for repayment of such loan, which is in accordance with the MYT Regulations, 2015. The Commission has admitted the Gross Fixed Assets as on April 1, 2017 and depreciation has been allowed on such assets. These assets also include the Gross Fixed Assets mentioned in the opening Balance Sheet of AEGCL. Hence, funding of such assets either through grants/consumer contribution, equity and loan has to be considered.

The Petitioner has mentioned that the funds/loan from State Government as on April 1, 2005 stands at Rs. 6.06 Crore as per the opening Balance Sheet of AEGCL. However, such loan of Rs. 6.06 Crore is net loan outstanding, whereas, the Commission has considered the gross loan, which was used for funding of capitalised assets as on April 1, 2005.

The Commission notes the submission of AEGCL that cumulative depreciation of Rs. 483.17 Crore was never allowed by the Commission through its Tariff Orders. However, this cumulative depreciation was supposed to be utilized for repayment of loan. The Commission has computed the gross normative loan as on April 1, 2005, to verify whether there is mismatch in normative funding of gross fixed assets in opening balance sheet, as shown in the following Table:

Table 3: Net Normative Loan as on April 1, 2005

Sr. No.	Particulars	As on April 1, 2005
1	Gross Fixed Assets (a)	502.32
2	Gross Fixed Assets excluding Land (b)	500.46
3	Opening CWIP (c)	120.03
4	Grant (CWIP + Assets) (d)	-
5	Grant towards GFA (e=d*b/(b+c))	-
6	Equity (f)	99.88
7	Gross Normative Loan (g=a-e-f)	402.44
8	Less: Cumulative repayment (net depreciation, excluding the depreciation for assets funded through grants, approved by the Commission in True-up Orders) (h)	483.17
9	Net Normative loan (i=g-h)	(80.73)

From the above, it is observed that Net normative loan is negative as on April 1, 2005. **Therefore, the Commission considers the net normative loan as Zero as on April 1, 2005.**

It is also noted that the cumulative depreciation has been considered up to FY 2013-14 only, even though truing up for FY 2014-15, FY 2015-16 and FY 2016-17 have been carried out. Hence, the cumulative depreciation up to FY 2016-17 is required to be considered. Accordingly, the revised cumulative depreciation from April 1, 2005 to April 1, 2017 after rectification is computed in the following Table:

Table 3: Cumulative depreciation till April 1, 2017 approved by the Commission

Financial Years	Net Depreciation allowed (Rs. Crore)
FY 2016-17	19.64
FY 2015-16	10.58
FY 2014-15	9.16
FY 2013-14	10.85

Financial Years	Net Depreciation allowed (Rs. Crore)
FY 2012-13	14.38
FY 2011-12	17.44
FY 2010-11	15.48
FY 2009-10	11.59
FY 2008-09	11.37
FY 2007-08	13.98
FY 2006-07	0.92
FY 2005-06	3.54
Total	138.94

For computation of net normative loan as on April 1, 2017, the Commission has considered addition of fixed assets after April 1, 2005 till April 1, 2017 and its funding through debt, equity and grants. In view of the above, the Commission has re-computed the net normative loan as on April 1, 2017 as shown in the following Table:

Table 4: Net Normative Loan as on April 1, 2017 (Rs. Crore)

Sr. No.	Particulars	Approved in this Order
1	GFA as on April 1, 2017 (a)	1,628.68
2	GFA excluding land as on April 1, 2017 (b)	1,599.81
3	CWIP as on April 1, 2017 (c)	1,013.50
4	GFA + CWIP as on April 1, 2017 (d=b+c)	2,613.31
5	GFA as on April 1, 2005 (e)	502.32
6	GFA excluding land as on April 1, 2005 (f)	500.46
7	CWIP as on April 1, 2005 (g)	120.03
8	GFA + CWIP as on April 1, 2005 (h=f+g)	620.49
9	GFA +CWIP for period from April 1, 2005 to April 1, 2017 (i=d-h)	1,992.82
10	Grants as on April 1, 2017 (j)	1,681.99
11	Grants as on April 1, 2005 (k)	-
12	Addition of Grants from April 1, 2005 to April 1, 2016 (l=j-k)	1,681.99
13	Grants towards GFA from April 1, 2005 to April 1, 2017 [m=l*{(b-f)/(d-h)}]	927.88
12	Equity as on April 1, 2017 (n)	99.93
13	Equity as on April 1, 2005 (o)	99.88
14	Equity addition from April 1, 2005 to April 1, 2017 (p=n-o)	0.05
15	Gross Normative Loan as on April 1, 2017 [q=(a-e)-m-p]	198.43
16	Cumulative depreciation as on April 1, 2017 (r)	138.94
17	Net Normative Loan as on April 1, 2017 {t=q-r}	59.49
18	Net Normative Loan as on April 1, 2017	59.49

Therefore, the Commission admits the review in this regard and revised the Net normative loan as on April 1, 2017. The impact of the same has been discussed subsequently in this Order.

10. Issue 2 - Computation of Incentive on Higher Availability

The Petitioner submitted that the incentive on Higher Availability of Rs. 5.70 Crore should be allowed for FY 2017-18, after considering the Aggregate Revenue Requirement with previous year's gaps. In this regard, the Petitioner made the following submission:

- i. The Commission has computed Incentive by only considering the Standalone ARR of FY 2017-18. The Commission, while computing the Transmission Charges, has not considered the previous year's Gap allowed in the Tariff Order dated March 31, 2017 to be recovered in FY 2017-18.

- ii. The Commission has considered Annual Transmission Charges as Rs. 742.15 Crore instead of Annual Transmission Charges approved for FY 2017-18 at Rs. 1194.99 Crore.
- iii. The previous year's Gap approved by the Commission in Table 46 of the Tariff Order dated 31 March, 2017 to be recovered in FY 2017-18 is as under:

Table 5: Past revenue gaps approved by the Commission (Rs. Crore)

Sr. No.	Particulars	FY 2017-18
1	Revenue Gap/(Surplus) after Truing up for FY 2014-15 along with carrying cost (Rs. Crore)	7.43
2	Revenue Gap/(Surplus) after Truing up for FY 2015-16 along with carrying cost (Rs. Crore)	169.15
3	Revenue Gap/(Surplus) for FY 2016-17 (Rs. Crore)	143.35

- iv. The Petitioner submitted that this is an error apparent and requested the Commission to approve the incentive as Rs. 5.70 Crore as against Rs. 3.55 Crore approved in the Order.

Further, the Petitioner submitted as under in its additional submission:

- i. As per the Tariff Order, AEGCL submitted the bill to APDCL for FY 2017-18 based on approved net ARR of Rs. 1194.99 Crore. Regulation 71.2 of AERC MYT Regulations, 2015 specifies that transmission charges inclusive of incentive payable for a calendar month shall be computed by considering Annual Fixed Cost for that year.
- ii. The Comptroller and Auditor General of India (CAG) has made observation on the incentive bill raised to APDCL. CAG observed that *"during the year 2017-18, while accounting incentive bills considered transmission availability on annual basis and the incentive recoverable from APDCL shall be Rs. 5.71 Crs"*. While computing the incentive of Rs. 5.71 Crore, CAG has considered the approved net ARR of Rs. 1194.99 Crore.
- iii. In view of this, the Petitioner submitted that the computation of incentive needs to be done on the basis of approved net ARR and not just on standalone ARR.

Respondents' Submission

APDCL submitted that MYT Regulations, 2015 provided for the admissibility of Incentive for Higher Availability on AFC specified for the year. The components mentioned in AFC/ARR in the said Regulations do not provide for any past period adjustments therein.

BGM submitted that in the impugned Order, the incentive is provided on performance for a particular year in terms of energy handling, but not on cost of total transmission charges for a particular year. The revenue gaps of the past years should not be considered for computation of Incentive for Higher Availability for FY 2017-18. Therefore, the Incentive on Higher Availability of Rs. 3.55 Crore approved for FY 2017-18 in the impugned Order should not be amended.

Commission's View

The Incentive for higher availability during a year has to be calculated by considering the standalone ARR for FY 2017-18, as the Revenue Gap of any past year already includes incentive and sharing of gains and losses for that year, if any. Further, the incentive is being calculated on revised standalone ARR. The Revenue Gap of such year has been computed after addition of such incentive and sharing of gains and losses to standalone ARR. Hence, if

Incentive is allowed on Revenue Gap, then there would be double accounting and incentive would be allowed on incentive, which is not the objective of providing incentive on achievement of operation performance. Also, Incentive is allowed on the basis of actual performance of Transmission Availability for such year, which is not linked to recovery of past year Revenue Gap.

Regulation 71.2 of AERC MYT Regulations, 2015 allows the Transmission Licensee to recover the net ARR inclusive of past Revenue Gap/(Surplus) along with incentive on monthly basis. However, this does not mean that incentive is to be allowed on past Revenue Gap.

For FY 2014-15 and FY 2015-16, which were governed by Tariff Regulations, 2006, incentive for higher Transmission Availability was not applicable. Further, the Revenue Gap/(Surplus) for FY 2016-17 already includes the incentive for higher availability approved in the true-up of FY 2016-17 as per MYT Regulations, 2015. In the true-up of FY 2016-17 also, the Commission had computed the Incentive on Higher Availability by considering the revised standalone ARR of Rs. 865.60 Crore approved after truing up. The Commission has adopted the same methodology while approving the Incentive for Higher Availability in true up of FY 2017-18. Therefore, the Commission finds no merit in the contentions made by the Petitioner regarding computation of Incentive for higher availability.

The Commission notes that CAG has made an observation regarding incentive on Transmission Availability. The Commission is the statutory authority for computation of Incentive on transmission availability, and the CAG's observations cannot be cited by AEGCL to seek revised computation of incentive on Transmission Availability.

Hence, there is no error apparent in computation of incentive for higher availability for FY 2017-18 in the impugned MYT Order, and the Review is not admissible on this issue.

However, after considering the impact of Issue No. 1, the Commission has computed the incentive on higher transmission availability as Rs. 3.58 Crore.

11. Issue 3 - Addition of Normative Loan Capital for FY 2017-18

The Petitioner submitted that actual addition of normative loan capital for FY 2017-18 of Rs. 11.95 Crore should be allowed. In Table 18 of the Order, the Commission has considered the addition of Normative Loan Capital for FY 2017-18 as 'nil'. However, the actual addition of normative loan capital for FY 2017-18 is 11.95 Crore, which was furnished by AEGCL as reply to AERC Query 2. (a) (i) of Data Gaps-Set II. However, the same has not been considered by the Commission, which is an error apparent on the face of the record and needs correction.

Respondents' Submission

APDCL submitted that in Para 5.10.3 of the impugned Order, the Commission has mentioned that the addition of loan has been considered equal to debt portion of capitalized works as approved by the Commission therein. In Table-17 of the impugned Order, the Capitalisation during FY 2017-18 is given as Rs, 55.93 Crore.

BGM submitted that AEGCL, in response to ABITA's objection, has clarified that in the previous Tariff Order, there was some gap which has been rectified in the current petition. The net normative loan for FY 2018-19 is Rs. 232.13 Crore, is in conformity with such correction.

Commission's View

In Table 18 of the impugned MYT Order dated March 1, 2019, the Commission has approved the addition of normative loan during the year as under:

"Table 18: Approved Interest on loan Capital for FY 2017-18 (Rs. Crore)

Particulars	Approved after Truing up
Net Normative Opening Loan	-
Addition of normative loan during the year	-
Normative Repayment during the year	19.84
Net Normative Closing Loan	-
Interest Rate	10.19%
Interest Expenses on Loan	-
Finance Charges	-

... .." **(emphasis added)**

However, it is observed that AEGCL has subsequently revised funding of Capitalisation of Rs. 53.15 Crore as Rs. 41.20 Crore through grant and Rs. 11.95 Crore through Debt. Hence, the Review is admissible and addition of normative loan of Rs. 11.95 crore needs to be considered. Also, the opening net normative loan has been considered as discussed in the ruling on Issue No. 1. Accordingly, addition of normative loan for FY 2017-18 has been modified as under:

Table 6: Revised Interest on Loan capital for FY 2017-18 as approved by the Commission

Particulars	Approved in this Order
Net Normative Opening Loan	59.49
Addition of normative loan during the year	11.95
Normative Repayment during the year	19.84
Net Normative Closing Loan	51.60
Interest Rate	10.19%
Interest on Loan capital	5.66

Hence, there is an error apparent on the face of the record for consideration of addition of normative loan for FY 2017-18, and the Review in this regard is allowed. The Interest on Loan capital has been approved as Rs. 5.66 Crore for FY 2017-18

12. Issue 4 - A&G Expenses – Disallowance of SBI CPPC Charges for Control Period

The Petitioner submitted that SBI CPPC Charges should be allowed as a part of A&G Expenses for the Control Period. The Petitioner made the following submissions:

- i. In Paragraph 8.4.21 of the impugned Order, the Commission has ruled that SBI CPPC charges for handling the Pension Fund as proposed by the Petitioner, cannot be considered as a part of A&G Expenses.
- ii. The Assam State Electricity Board Employees' Pension Fund Investment Trust Regulation' 1994 (revised), which came into force from April 1, 2005, mandates the Companies to fund pensions and gratuities and also specifies the set of rules and practices for timely payment of pensions and gratuities to eligible retirees or beneficiaries.
- iii. As per the Regulation 6.2 of the Assam State Electricity Board Employees' Pension Fund

Investment Trust Regulation' 1994, SBI CPPC Charges is operating expenditure for AEGCL as shown below:

"The Managing Trustee will be responsible for appointing appropriately qualified and skilled staff to assist in the day-to-day management and administration of the Trust. These staff members will be employees of AEGCL and will be accounted for as part of the operating expenditure of AEGCL. All such staff members appointed are to be approved by the Board of Trustees prior to appointment."

- iv. The Petitioner is the nodal point for Pension Trust for the Assam Power Sector entities, i.e., APDCL, AEGCL and APGCL, and is obliged to pay the requisite amount to State Bank of India for handling the pension trust on behalf of Assam Power Sector entities.
- v. The Petitioner does not have any other source to fund the same, and has to claim the same under A&G expenses in ARR being operating expenditure as per above Regulations.

Respondents' Submission

APDCL submitted that SBI CPPC charges for handling the Pension Fund should be allowed. APDCL further submitted the following benefits of adopting the pension payment mechanism:

- i. Ease of submission of life certificate locally by all beneficiaries.
- ii. Proper maintenance of records
- iii. Probable shifting of manpower engaged in similar works to other works.

APDCL further submitted that the cost for SBI CPPC charges for handling Pension fund will not have any significant impact on the retail tariff.

BGM submitted that SBI CPPC Charges for handling of Pension Fund claimed by AEGCL is justified and should be allowed.

Commission's View

The Commission has approved the normative A&G Expenses for the Control Period for FY 2019-20 to FY 2021-22. The Commission in para 8.4.21 of the Order has already ruled that SBI CPPC Charges cannot be considered as part of A & G Expenses and should be charged to the Pension Fund. This is a conscious decision of the Commission and there is no error apparent on the face of the record. A Review Petition cannot be an Appeal in disguise.

Hence, there is no error apparent for consideration of A&G Expenses for FY 2019-20 to FY 2021-22, and the Review is not admissible on this issue.

13. Issue 5 - Transmission Loss Trajectory for FY 2019-20 to FY 2021-22

The Petitioner submitted that Transmission Loss trajectory for the Control Period has been stipulated stringently. The Petitioner made the following submissions:

- i. While deciding the transmission loss trajectory for the Control Period from FY 2019-20 to FY 2021-22 in the Impugned Order dated March 1, 2019, the Commission has considered the reduction of 0.05% in each year over the transmission loss level approved for FY 2018-19 in the last Tariff Order dated March 19, 2018, as shown in the Table below:

Table 7 Transmission Loss Trajectory

Sr. No.	Particulars	FY 2019-20	FY 2020-21	FY 2021-22
1	Petitioner's submission	3.44%	3.44%	3.44%
2	Approved	3.39%	3.34%	3.29%

- ii. The Petitioner has initiated massive expansion and augmentation of its transmission network. Based on the inferences of the system studies, the Petitioner plans to take up necessary measures for reactive compensation. However, unless capacitive compensation is provided by APDCL at their end (as much as possible nearer to the load), the Petitioner alone cannot contribute a lot for improvement of bus voltage.
- iii. In this transitional phase, if stringent conditions are imposed on the Petitioner, it will be difficult to comply with such stipulation and manage its transmission system. This phase will take at least 4-5 years for results to manifest.

Respondents' Submission

BGM submitted that transmission losses for AEGCL are unlikely to rise if the system expansion is properly done to cater to the rising energy demand. AEGCL's contention that system augmentation schemes will require 4-5 years for completion and that 0.05% loss reduction per year is stringent has no merit. Rather, AEGCL should be asked to submit the list of such loss reduction schemes along with time frame for its execution.

Commission's View

As regards Transmission Loss Trajectory for AEGCL for the Control Period, in Para 8.2.2 and 8.2.3 of the MYT Order dated March 1, 2019, the Commission has stated as under:

"8.2.2 The Commission in the MYT Order dated March 31, 2017, had approved the Transmission Loss trajectory after considering reduction of 0.05% each year. AEGCL has planned several Capital Projects towards system strengthening and loss reduction, etc., which have been approved by the Commission. Hence, the Commission while approving the Transmission Loss trajectory for the Control Period from FY 2019-20 to FY2021-22, has adopted the same principle of reduction of 0.05% in each year, over the Transmission Loss level approved for FY 2018-19 in the Tariff Order dated March 19, 2018.

8.2.3 Accordingly, the Commission has approved the loss trajectory below:

Table 54: Transmission Losses Approved for FY 2019-20 to 2021-22

Sl.	Particulars	FY 19-20	FY 20-21	FY 21-22
1	Transmission Loss	3.39%	3.34%	3.29%

Further, it is pertinent to note that several Capital Projects towards system strengthening and loss reduction have been approved for the Petitioner. Therefore, the constant Transmission Loss proposed by the Petitioner for all three years of the Control Period at 3.44%, without any loss reduction targets cannot be justified. This is a conscious decision of the Commission, duly recorded in the impugned Order, and there is no error apparent on the face of the record. A Review Petition cannot be an Appeal in disguise.

Hence, there is no error apparent in stipulation of transmission loss trajectory for FY 2019-20 to FY 2021-22, and the Review is not admissible on this issue.

14. Impact of Review Order

On account of change in Net normative loan for FY 2017-18, The revised ARR and revenue gap for FY 2017-18 has been computed as under:

Table 8: ARR approved after Truing up for FY 2017-18 (Rs. Crore)

Sl. No.	Particulars	Approved in Order dated March 1, 2019	Approved in this Order
1	Aggregate Revenue Requirement	935.78	941.44
2	Less: Non-Tariff Income/ Other Income	193.63	193.63
3	Add: Incentive on Higher Availability	3.55	3.58
4	Add: Sharing of (Gains)/Losses	(5.58)	(5.58)
5	Net Aggregate Revenue Requirement	740.12	745.81
6	Add: past Revenue Gaps	357.24	357.24
7	Less: Revenue with Approved Tariff	1,194.99	1,194.99
8	Revenue Gap /(Surplus) for FY 17-18	(97.63)	(91.94)

The Commission has considered the recovery of total Holding cost, i.e., Rs. 22.28 crore on Revenue Surplus of Rs. 91.94 Crore for FY 2017-18 as computed above. The total Surplus including Holding cost is calculated as Rs 114.22 Crore.

The Commission approves the cumulative Revenue Surplus of AEGCL as Rs 114.22 Crore.

This Surplus is to be refunded to APDCL in twelve monthly instalments of Rs. 9.519 Crore in FY 2019-20 as adjustment to the monthly bills. The Commission earlier approved the amount of Rs. 10.107 Crore as monthly adjustments. The necessary adjustment for the period from April 2019 to June 2019 shall be done by AEGCL in the bill of July 2019.

Further, the Commission had approved Annual Transmission Charges of Rs. 360.84 Crore for FY 2019-20 in its Tariff Order dated March 1, 2019. After considering the impact of this review Order, the Commission approves the Annual Transmission Charges of Rs. 366.03 Crore for FY 2019-20. The necessary adjustment for the period from April 2019 to June 2019 shall be done by AEGCL in the bill of July 2019.

The Transmission Charges for Open Access Consumers shall be as under with effect from July 1, 2019:

Transmission Charges for MTOA/LTOA: Rs. 4,752.73 per MW per day.

For short-term Open Access customers, the Transmission Charges: Rs. 0.37/kWh.

With the above observations and decisions on the issue submitted for review, the Review Petition filed by the Petitioner stands disposed of.

Sd/-
(S. C. Das)
Chairperson, AERC

