GUJARAT ELECTRICITY REGULATORY COMMISSION

Tariff Order

Truing up for FY 2017-18,

Mid-Term Review of FY 2019-20 & FY 2020-21 and

Determination of Tariff for FY 2019-20

For

MPSEZ Utilities Private Ltd.

(MUPL)

Case No. 1772 of 2018

30th July, 2019

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(GERC)
GANDHINAGAR

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ABBREVIATIONS

A&G	Administrative and General Expenses
ARR	Aggregate Revenue Requirement
CAPEX	Capital Expenditure
CERC	Central Electricity Regulatory Commission
DISCOM	Distribution Company
EA	Electricity Act, 2003
FPPPA	Fuel and Power Purchase Price Adjustment
FY	Financial Year
GERC	Gujarat Electricity Regulatory Commission
GFA	Gross Fixed Asset
GoG	Government of Gujarat
HT	High Tension
kV	Kilo Volt
kVA	Kilo Volt Ampere
kVAh	Kilo Volt Ampere Hour
kWh	Kilo Watt Hour
LT	Low Tension
MTR	Mid-Term Review
MUs	Million Units
MW	Mega Watt
MYT	Multi-Year Tariff
O&M	Operations and Maintenance
PPA	Power Purchase Agreement
R&M	Repairs and Maintenance
SBI	State Bank of India
SLDC	State Load Despatch Centre

Before the Gujarat Electricity Regulatory Commission at Gandhinagar

Case No. 1772 of 2018

Date of Order: 30/07/2019

CORAM

Shri Anand Kumar, Chairman

Shri K. M. Shringarpure, Member

Shri P.J. Thakkar, Member

ORDER

1 Background and Brief History

1.1 Background

MPSEZ Utilities Private Limited (hereinafter referred to as "MUPL" or the "Petitioner"), a Distribution Licensee, has filed the present Petition under Section 62 of the Electricity Act, 2003, read in conjunction with the Gujarat Electricity Regulatory Commission (Multi-Year Tariff) Regulations, 2016, (hereinafter referred to as the GERC (MYT) Regulations, 2016), for the True-up of FY 2017-18, Mid-Term Review of FY 2019-20 and FY 2020-21 and determination of tariff for FY 2019-20 for its distribution business at Mundra Port and Special Economic Zone (SEZ) area in District Kutch on 15th December, 2018.

Gujarat Electricity Regulatory Commission (hereinafter referred to as GERC or the Commission) notified the GERC (MYT) Regulations, 2016 on 29th March, 2016 which is applicable for determination of tariff in all cases covered under the Regulations from 1st April, 2016 onwards. Regulations 17.2 (c) of the GERC (MYT) Regulations, 2016 provides for submission of detailed application comprising Truing up for FY 2017-18, modification of Aggregate Revenue Requirement (hereinafter referred to as ARR) for the remaining years of the Control Period, i.e., FY 2019-20 and FY 2020-21, with adequate justification, revenue from sale of power at existing tariffs and charges for the ensuing year, i.e., FY 2019-20, Revenue Gap or Revenue Surplus for the ensuing year for determination of tariff for FY 2019-20, to be carried out under the GERC (MYT) Regulations, 2016 and amendment thereof from time to time.

The Petition was registered on 27th December 2018 after technical validation and as provided under Regulation 29.1 of the GERC (MYT) Regulations, 2016, the Commission has proceeded with this Tariff Order.

1.2 MPSEZ Utilities Private Limited (MUPL)

The Petitioner, MPSEZ Utilities Private Limited (MUPL) is a 100% subsidiary Company of Adani Ports and Special Economic Zone Ltd. (APSEZL), formerly known as Mundra Port and Special Economic Zone Limited (MPSEZL).

MUPL, created to provide infrastructure facilities in the Special Economic Zone (SEZ), entered into a Co-Developer agreement with MPSEZL. The Ministry of Commerce and Industry, Government of India has approved MUPL as a Co-Developer to create infrastructure facilities in MPSEZL.

MUPL obtained the status of Distribution Licensee vide Government of India notification dated 3rd March, 2010. This was also endorsed by the Commission vide Order No. GERC/Legal 2010/0609 dated 6th April, 2010 allowing for distribution of electricity in Mundra SEZ area, Kutch. As such, MUPL is a Deemed Licensee for distribution of electricity in Mundra SEZ area.

The Commission issued Distribution Licence No. 6 of 2016 to MUPL in pursuance of Order dated 17th August, 2015 in suo-motu Petition No. 1446/2014.

The Ministry of Commerce and Industry, Department of Commerce, Government of India, vide Notification No. 3029(E) dated 21st September, 2016 has consolidated the Special Economic Zones mentioned in various notifications and re-notified total area of 8481.2784 hectares.

Accordingly, the Commission has amended the Distribution Licence No. 6 of 2016 of MUPL vide Order dated 3rd November, 2017 in Petition No. 1633 of 2017.

1.3 Commission's Order for Approval of final ARR for FY 2016-17 and Approval of Multi-Year ARR for FY 2016-17 to FY 2020-21

The Petitioner filed its petition for Truing up for 2015-16, Approval of Final ARR for 2016-17, Approval of Multi-Year ARR for FY 2016-17 to FY 2020-21 and Determination of tariff for 2017-18 on 14th December, 2016. The petition was registered on 17th December, 2016 (under Case No. 1631 of 2016).

The Commission vide Order dated 31st March, 2017 (hereinafter referred to as the MYT Order) approved the Truing up for FY 2015-16, Final ARR for 2016-17, Multi-Year ARR for FY 2016-17 to FY 2020-21 and determined the tariff for FY 2017-18.

1.4 Commission's Order for approval of True up of FY 2016-17 and Determination of tariff of FY 2018-19

The Petitioner filed its Petition for Truing up for FY 2016-17 and Determination of Tariff for FY 2018-19 on 15th December, 2017. The Petition was registered on 19th December, 2017 (under Case No. 1694 of 2017). The Commission vide Order dated 5th April, 2018 approved the Truing up for FY 2016-17 and determined the tariff for FY 2018-19.

1.5 Background of the present Petition

Regulation 16.2 (iii) of the GERC (MYT) Regulations, 2016 provides for the truing up of previous year's expenses and revenue based on audited accounts vis-à-vis the approved forecast and categorization of variation in performance as those caused by factors within the control of the applicant (controllable factors) and those caused by factors beyond the control of the applicant (uncontrollable factors).

Regulation 16.2 (vi) of the GERC (MYT) Regulations, 2016 provides for annual determination of tariff for the Generating Company, Transmission Licensee, SLDC, Distribution Wire Business and Retail Supply Business, for each financial year within the Control Period, based on the approved forecast and results of the truing up exercise.

Further, the second proviso to Regulation 16.2 (i) of the GERC (MYT) Regulations, 2016 provides for Mid-Term Review as under:

"…

Provided further that a Mid-term Review of the Aggregate Revenue Requirement shall be undertaken for the Generating Company, Transmission Licensee, SLDC and Distribution Licensee on an application that shall be filed by the utilities along with the Petition for truing-up for the second year of the Control Period and tariff determination for the fourth year of the Control Period;…".

1.6 Registration of the Current Petition and Public Hearing Process

MUPL has submitted the current Petition for truing up of FY 2017-18, Mid-Term Review of FY 2019-20 and FY 2020-21 and determination of tariff for FY 2019-20 on 15th December, 2018. After technical validation the Petition was registered on 27th December, 2018 (Case No. 1772 of 2018) and as provided under Regulation 29.1 of the GERC (MYT) Regulations, 2016, the Commission has proceeded with this Tariff Order.

In accordance with Section 64 of the Electricity Act, 2003, the Commission directed MUPL to publish its application in an abridged form in the newspapers to ensure due public participation.

The Public Notice, inviting objections / suggestions from the stakeholders on the Petition filed by it, was published in the following newspapers:

Table 1.1: List of Newspapers in which Public Notice was published

Sl. No.	Name of Newspaper	Language	Date of Publication
1	The Indian Express	English	01.01.2019
2	Kutchmitra	Gujarati	01.01.2019

The Petitioner also placed the Public Notice and the Petition on its website (www.adaniports.com) for inviting objections and suggestions on the Petition. The interested parties/stakeholders were asked to file their objections/suggestions on the Petition on or before 31st January, 2019.

The Commission also placed the Petition and additional details received from the Petitioner on its website (www.gercin.org) for information and study of all the stakeholders.

The Commission has not received any objections / suggestions from consumers / consumer organizations on the petition before or even after the due date of 31st January, 2019. Hence, no public hearing was conducted.

1.7 Contents of this Order

The Order is divided into **nine Chapters** as detailed under: -

1. The **first Chapter** provides a brief background regarding the Petitioner, the Petition on hand and details of the Public Hearing process and approach adopted in this Order.
2. The **second Chapter** outlines the summary of MUPL's Petition.
3. The **third Chapter** focuses on the details of truing up for FY 2017-18.
4. The **fourth Chapter** deals with the determination of revised ARR for FY 2019-20 and FY 2020-21.
5. The **fifth Chapter** deals with determination of tariff for FY 2019-20.
6. The **sixth Chapter** deals with compliance of directives and issue of fresh directives.
7. The **seventh Chapter** deals with FPPPA charges.
8. The **eighth Chapter** outlines the Wheeling Charges and Cross-Subsidy Surcharge.
9. The **ninth Chapter** deals with tariff philosophy and tariff proposals.

1.8 Approach of this Order

The GERC (MYT) Regulations, 2016 provides for Truing up of the previous year and determination of tariff for the ensuing year. The Commission has approved the ARR for five years of the Control Period from FY 2016-17 to FY 2021-22 in the MYT Order dated 31st March, 2017.

The GERC (MYT) Regulations, 2016 also provides for modification of the ARR for the remaining years of the Control Period, at the time of Mid-Term Review (MTR).

MUPL has approached the Commission with the present Petition for Truing Up of FY 2017-18, Mid-Term review of FY 2019-20 and FY 2020-21 and determination of tariff for FY 2019-20.

The Commission has undertaken Truing up for FY 2017-18, based on the submissions of the Petitioner and the annual accounts for FY 2017-18. The Commission has undertaken the computation of gains and losses for FY 2017-18, based on the audited annual accounts and final ARR for FY 2017-18 approved vide Order dated 31st March, 2017.

While truing up for FY 2017-18 the Commission has been primarily guided by the following principles:

- Controllable parameters have been considered at the level approved as per the MYT Order dated 31st March, 2017, unless the Commission considers that there are valid reasons for revision of the same.
- Uncontrollable parameters have been revised, based on the actual performance observed.
- The Truing up for the FY 2017-18 has been considered, based on the GERC (MYT) Regulations, 2016.

For the Mid-Term Review of ARR for FY 2019-20 and FY 2020-21, the Commission has considered the GERC (MYT) Regulations, 2016 and its amendments thereof as the base.

MUPL has sought the modification of the ARR for FY 2019-20 and FY 2020-21 based on the revised estimates of various ARR elements along with justifications in this Petition. The Commission while reviewing the said proposal for modification of the ARR, has finalized the approved ARR for the remaining years of Control Period.

Determination of Tariff for FY 2019-20 have been considered as per the GERC (MYT) Regulations, 2016 and amendments thereof as the base.

2 Summary of MUPL's Petition

2.1 Introduction

MUPL submitted the current Petition, seeking approval of True-up for ARR for FY 2017-18 and Mid-Term Review of ARR for FY 2019-20 and FY 2020-21. The Petitioner has also submitted the tariff proposal for FY 2019-20, based on the Revenue Gap for FY 2017-18 and revised ARR for FY 2019-20.

2.2 Actuals for FY 2017-18 submitted by MUPL

The details of expenses under various heads of ARR are given in the Table below:

Table 2-1: Actual Claimed by MUPL for FY 2017-18 (Rs. Crore)

Particulars	Approved in the MYT Order	Actual as per MUPL
Power Purchase Cost	168.54	131.42
O&M Expenses	9.59	7.93
Interest on Loans	3.25	3.02
Interest on Security Deposit	0.16	0.12
Interest on Working Capital	1.91	1.28
Depreciation	3.45	2.91
Bad Debts Written off	-	-
Contingency Reserve	-	-
Return on Equity	2.95	2.93
Income Tax	0.00	2.77
Less: Non-Tariff Income	0.45	2.72
Annual Revenue Requirement	**189.39**	**149.66**

2.3 Sharing of Gains and Losses for FY 2017-18

The sharing of gains and losses as projected by MUPL is depicted below:

Table 2-2: Summary of sharing of Gains and Losses (Rs. Crore)

Particulars	Approved in the MYT Order	Actual as per MUPL	Over/(Under) Recovery	Controllable	Uncontrollable
Power Purchase Cost	168.54	131.42	37.12	-	37.12
O&M Expenses	9.59	7.93	1.66	-	1.66
Interest on Loans	3.25	3.02	0.23	-	0.23
Interest on Security Deposit	0.16	0.12	0.04	-	0.04
Interest on Working Capital	1.91	1.28	0.63	-	0.63
Depreciation	3.45	2.91	0.54	-	0.54
Bad Debts Written off	-	-	-	-	-
Contingency Reserve	-	-	-	-	-
Return on Equity	2.95	2.93	0.01	-	0.01
Income Tax	0.00	2.77	(2.77)	-	(2.77)
Less: Non-Tariff Income	0.45	2.72	(2.27)	-	(2.27)
ARR	**189.39**	**149.66**	**39.73**	-	**39.73**

2.4 Mid-Term Review of ARR for FY 2019-20 and FY 2020-21

MUPL, in its Petition, has furnished the revised ARR for FY 2019-20 and FY 2020-21 as shown below:

Table 2-3: Summary of ARR for FY 2019-20 and FY 2020-21 as projected by MUPL (Rs. Crore)

Particulars	2019-20		2020-21	
	Approved in the MYT Order	Revised Estimate	Approved in the MYT Order	Revised Estimate
Power Purchase Cost	260.45	182.35	273.82	189.65
O&M Expenses	10.72	10.25	11.33	10.84
Interest on Loans	2.68	2.54	2.51	2.88
Interest on Security Deposit	0.20	0.11	0.20	0.11
Interest on Working Capital	3.03	1.72	3.14	1.80

Particulars	2019-20		2020-21	
	Approved in the MYT Order	Revised Estimate	Approved in the MYT Order	Revised Estimate
Depreciation	3.88	2.16	4.12	2.70
Bad Debts Written off	-	-	-	-
Contingency Reserve	-	-	-	-
Return on Equity	3.10	2.99	3.26	3.31
Income Tax	-	2.77	-	2.77
Less: Non-Tariff Income	0.45	2.90	0.45	2.92
Aggregate Revenue Requirement	**283.61**	**202.00**	**297.94**	**211.14**

2.5 Summary of ARR, Revenue at Existing Tariff and Proposed Revenue Gap

The Table below summarises the proposed ARR claimed by MUPL for Truing up, revenue from sale of power from existing tariff and the revenue gap estimated for FY 2017-18.

Table 2-4: True-up ARR claimed by MUPL for FY 2017-18 (Rs. Crore)

Particulars	Legend	2017-18
ARR as per the MYT Order	(a)	189.39
Gains/(Losses) due to Uncontrollable Factors	(b)	39.73
Gains/(Losses) due to Controllable Factors	(c)	0.00
Trued-up ARR	**d=a-(b+c)**	**149.66**

The Table below summarises the Revenue Gap/(Surplus) for MUPL for FY 2017-18.

Table 2-5: Revenue Gap/(Surplus) for FY 2017-18 (Rs. Crore)

Particulars	Actual
Trued-up Aggregate Revenue Requirement	149.66
Less: Revenue from Sale of power	152.50

Particulars	Actual
Net Revenue Gap/(Surplus) for FY 2017-18	(2.85)

MUPL has considered carrying cost for FY 2016-17 and FY 2017-18 on the consolidated Revenue Gap of Rs. 5.42 Crore of FY 2015-16 at interest rate of 11.65% as per the GERC (MYT) Regulations, 2016. The Table below summarizes the resultant Gap/(Surplus), carrying cost and consolidated Gap/(Surplus) for FY 2017-18:

Table 2-6 Derivation of consolidated Revenue Gap/(Surplus) submitted by MUPL for FY 2017-18 (Rs. Crore)

Particulars	Actual Claimed
Net Revenue gap/(surplus) for FY 2017-18	(2.85)
Add: Gap/(Surplus) for FY 2015-16	5.42
Add: Carrying Cost on gap of FY 2015-16 for FY 2016-17 & FY 2017-18	1.26
Consolidated Revenue Gap/(Surplus) for FY 2017-18	3.84

2.6 ARR, Revenue at existing tariff, Revenue Gap and Tariff Proposal for FY 2019-20

Based on the projected ARR for FY 2019-20, the estimated Revenue Gap for FY 2019-20 at existing tariff is shown in the following Table:

Table 2-7: Revenue Gap/(Surplus) of MUPL for FY 2019-20 (Rs. Crore)

Particulars	Claimed by MUPL
ARR for FY 2019-20	202.00
Add: Consolidated Revenue Gap for FY 2017-18	3.84
Add: Carrying cost on consolidated gap of FY 2017-18 for FY 2018-19 & FY 2019-20	0.61
Revenue from existing tariff for FY 2019-20	191.95
Revenue Gap/(Surplus) to be recovered through tariff in FY 2019-20	**14.50**

2.7 MUPL's Prayers to the Commission

1. Admit Petition for truing up of FY 2017-18, tariff determination for FY 2019-20 and Mid-term Review of FY 2019-20 and FY 2020-21.
2. Approve revenue gap of FY 2017-18 and allow petitioner to recover this gap through increase in tariff as per the GERC (MYT) Regulations, 2016
3. Approve consolidated revenue gap of FY 2017-18 along with carrying cost.
4. Approve sharing of gains/losses as proposed for FY 2017-18.
5. Approve Wheeling ARR and corresponding charges for wheeling of power with effect from 1st April,2019.
6. Approve Cross-Subsidy Surcharge filed by the Petitioner.
7. Approve Tariff Schedule as proposed by the Petitioner.
8. Allow additions/alternations/changes modifications to the application at future date.
9. Allow any other relief, order or direction, which the Commission deems fit to be issued.
10. Condone any inadvertent omissions/errors/shortcomings and permit the Petitioner to add/change/modify/alter this filing and make further submissions as may be required at a future date.

3 Truing up for FY 2017-18

3.1 Introduction

This Chapter deals with the truing up of FY 2017-18 for MUPL.

The Commission has studied and analysed each component of the ARR for FY 2017-18 in the following paragraphs.

3.2 Energy Sales to Consumers

Petitioner's Submission

The Sales Projections were based on the information available from unit holders and prospective customers on the date of submission of MYT Petition, which was approved by the Commission in its Order dated 31st March,2017.

The actual sales registered were 283.98 MUs as against projections of 389.14 MUs for FY 2017-18. The deviation in energy sales is mainly because of variation in demand of the customers. The Petitioner further submitted that due to overall economic slowdown, the growth in the demand and sales was lower than the sales approved in the MYT Order.

Further, the deviation in energy sales is mainly because of variation in demand of the customers. The Petitioner requested the Commission to true-up the actual sales submitted in the Petition.

The actual energy sales for FY 2017-18 along with the sales approved by the Commission in MYT Order dated 31st March, 2017 in Case No.1631 of 2016 as given in the Table below:

Table 3.1: Energy Sales submitted by MUPL for FY 2017-18 (MUs)

Particulars	Approved in the MYT Order	Actual Claimed
Energy Sales	389.14	283.98

Commission Analysis

The actual energy sales in MUPL area in FY 2017-18 was 283.98 MUs against 389.14 MUs approved in the MYT Order, i.e., lower by 105.16 MUs.

The sales as submitted by the Petitioner has been verified, compared and confirmed with the sale of energy furnished in the monthly return under Form A specified in Rule 6(1) (A) filed by MUPL with the Chief Electrical Inspector and Collector of Electricity Duty. The sales have also been verified and confirmed from the financial statement submitted by the Petitioner along with the Petition.

The actual category-wise sales in FY 2017-18 are shown in the Table below:

Table 3.2: Energy Sales submitted by MUPL for FY 2017-18 (Mus)

Category	Approved in the MYT Order	Actual Claimed
HTMD-I	386.12	280.30
HTMD-II	0.00	0.06
Commercial (Non-Demand)	0.01	0.02
Commercial (Demand)	2.42	3.02
Streetlights	0.59	0.46
Temporary	0.00	0.12
Total	**389.14**	**283.98**

The Commission approves the energy sales as mentioned in Table 3.2 for MUPL totalling to 283.98 MUs for truing up for FY 2017-18.

3.3 Distribution Losses

Petitioner's Submission

In FY 2017-18, the actual Distribution Losses were 3.39% against approved Distribution Losses of 4.00%, as shown in the Table below:

Table 3.3: Distribution Losses for FY 2017-18 as submitted by MUPL (%)

Particulars	Approved in the MYT Order	Actual Claimed
Distribution Losses (%)	4.00%	3.39%

The Petitioner submitted that the Commission has classified Distribution Losses as controllable as per Regulation 22.2 (c) of the GERC (MYT) Regulations, 2016. MUPL submitted that it has considered Distribution Losses as uncontrollable, since the network is yet to be optimally loaded.

Commission Analysis

The distribution network in the licence area of MUPL is yet to be fully established and the consumer load is also yet to be stabilized, hence, the actual Distribution Losses of MUPL are required to be considered as uncontrollable.

Hence, the Commission accepts MUPL's submission and approves the actual Distribution Losses of 3.39% for FY 2017-18.

3.4 Energy Requirement

Petitioner's Submission

The actual energy requirement for MUPL is based on the actual Energy Sales, Transmission Losses, and Distribution Losses, as shown in the Table below:

Table 3.4: Energy Requirement for FY 2017-18 for MUPL (MUs)

Particulars	Approved in the MYT Order	Actual Claimed
Energy Sales	389.14	283.98
Distribution Losses (in %)	4.00%	3.39%
Distribution Losses	16.21	9.96
Energy input at Distribution Level	405.35	293.93
Transmission Losses	1.78	-
Energy Requirement (MUs)	**407.13**	**293.93**

Commission's Analysis

The actual energy requirement submitted by the Petitioner for FY 2017-18 along with energy requirement as per the MYT Order dated 31st March, 2017 has been examined and verified by the Commission. The Commission observed that there is a reduction of 113.20 MUs in the energy requirement for MUPL against the quantum of 407.13 MUs approved in the MYT Order.

The actual energy requirement is lower than that approved in the MYT Order, due to lower actual sales, Distribution Losses and Transmission Losses. As regards consideration of Nil

Transmission Losses, the Petitioner submitted in its reply to the Commission's query that it is directly connected with APMuL through dedicated transmission line, which is in turn connected to both Intra-State and Inter-State transmission networks and therefore, no STU charges and losses were claimed by SLDC/STU during FY 2017-18. The actual energy requirement being the sum of energy sales and Transmission Losses & Distribution Losses, works out to 293.93 MUs for FY 2017-18.

The Commission accordingly approves the energy requirement at 293.93 MUs for truing up of FY 2017-18 as given in Table 3.4.

3.5 Energy Availability

Petitioner's Submission

The Petitioner has submitted the source-wise energy purchased for FY 2017-18, as shown in the Table below:

Table 3.5: Net Energy Availability for FY 2017-18 as submitted by MUPL (MUs)

Particulars	Approved in the MYT Order	Actual Claimed
Long-Term PPA	360.93	251.53
Bilateral and Others	-	42.41
RPO-Solar*	12.21	-
RPO-Wind*	31.96	-
RPO-Others*	2.04	-
Total Energy Available	**407.14**	**293.94**

Note: * Purchased Renewable Energy Certificates

Commission's Analysis

For satisfaction of its base load power requirement, MUPL has entered into a medium-term Power Purchase Arrangement (PPA) with Adani Power Ltd. with contracted capacity of 50 MW for FY 2017-18, which has been approved by the Commission. The balance energy requirement shown under the Bilateral and Others has been met through Unscheduled Interchange (UI), which has been verified through SLDC reports, and also energy purchased from Indian Energy Exchange (IEX). The Commission notes that MUPL has purchased

Renewable Energy Certificates (RECs) for compliance of its Renewable Power Purchase Obligation (RPO).

The Commission, accordingly, approves the sources of power purchase and energy units purchased as shown in the Table below:

Table 3.6: Approved Energy Availability for FY 2017-18 for MUPL (MUs)

S. No	Particulars	Approved in the MYT Order	Actual Claimed	Approved in truing up
1	Long-Term PPA	360.93	251.53	251.53
2	Bilateral and others	-		
3	Purchase from IEX		42.41	18.91
4	UI			23.50
5	RPO-Solar	12.21	-	-
6	RPO-Wind	31.96	-	-
7	RPO-Others	2.04	-	-
8	**Total Energy Available**	**407.14**	**293.94**	**293.94**

3.6 Power Purchase Cost

Petitioner's Submission

MUPL has submitted the actual and approved power purchase cost for FY 2017-18 as shown in the Table below:

Table 3.7: Power Purchase Cost claimed by MUPL for FY 2017-18 (Rs. Crore)

Particulars	Approved in the MYT Order	Actual claimed
Long-Term PPA	145.96	115.33
Bilateral and Others	-	12.20
RPO-Solar*	7.16	-
RPO-Wind*	13.39	-
RPO-Others*	1.44	-
Renewable Energy Certificates	-	3.75
Other (Reactive, SLDC& Transmission Charges)	0.59	0.14

Particulars	Approved in the MYT Order	Actual claimed
Total	**168.54**	**131.42**

MUPL has submitted the following justification for the power purchase cost incurred:

- The variation in power purchase cost is on account of variation in sales and variation in actual cost with respect to base rate during the year, which is uncontrollable.
- MUPL stated that it has partially fulfilled its RPO for FY 2017-18 due to the Stay of the Hon'ble Supreme Court on trading of Solar RECs on the IEX. The Petitioner has purchased RECs of Rs. 3.75 Crore during FY 2017-18.
- The Petitioner has also made provision of Rs. 1.04 Crore for shortfall of RPO during FY 2017-18, considering statutory liability. However, the Petitioner has not considered this cost for truing up of FY 2017-18, which shall be considered in the year when it is actually spent.

MUPL submitted that the Commission has classified power purchase cost as uncontrollable as per Regulation 22.1 (c) of the GERC (MYT) Regulations, 2016. Thus, the Power purchase cost is as an uncontrollable item.

Commission Analysis

The Commission has analysed the power purchase cost in detail in terms of various sources of power, energy units procured and source-wise cost.

The Commission reviewed the audited accounts where the power purchase cost has been mentioned as Rs. 129.81 Crore while MUPL has considered the net power purchase cost as Rs. 131.42 Crore. As regards the deviation, the Petitioner submitted that the financial statements have shown total power purchase cost of Rs. 129.81 Crore, which is consolidated figure of actual power purchase cost of Rs. 131.42 Crore, rebate of Rs. (2.64) Crore on early payments of power, and provision of Rs. 1.04 Crore against shortfall of RPO for FY 2017-18. As per Regulation 97.2 (n) of the GERC (MYT) Regulations, 2016, prompt payment rebate has been considered as Non-Tariff Income and therefore, the same has been excluded from total power purchase cost. Moreover, the Petitioner has made provision of Rs. 1.04 Crore against shortfall of RPO targets for FY 2017-18, but the same has not been considered for truing up of FY 2017-18.

The Petitioner has procured short-term power from IEX at the rate of Rs. 4.33 per kWh as submitted in Form F2.

For fulfilling its RPO Obligations, the Petitioner has purchased Solar and Non-Solar RECs, which were submitted and verified by the Commission. The Commission notes that MUPL has incurred Rs. 0.04 Crore and Rs. 3.71 Crore for the purchase of Solar and Non-Solar REC, respectively. The Commission has approved the power purchase cost for FY 2017-18 as given in the Table below:

Table 3.8: Approved Power Purchase Cost for MUPL for FY 2017-18 (Rs. Crore)

Particulars	Approved in the MYT Order	Actual Claimed	Approved in Truing up
Long-Term PPA	145.96	115.33	115.33
Bilateral and Others	-		
Purchase from IEX		12.20	8.18
UI			4.02
RPO-Solar	7.16	-	-
RPO-Wind	13.39	-	-
RPO-Others	1.44	-	-
Renewable Energy Certificates	-	3.75	3.75
Other (Reactive, SLDC& Transmission Charges)	0.59	0.14	0.14
Total	**168.54**	**131.42**	**131.42**

Considering the approved power purchase cost of Rs. 131.42 Crore for the approved energy procurement of 293.94 MUs, the per unit power purchase cost works out to Rs. 4.47/kWh.

As per the GERC (MYT) Regulations, 2016 variation in the price of fuel and/ or price of power purchase are uncontrollable factors. Accordingly, the Commission approves the gains / (losses) as shown in the Table below:

Table 3.9: Gains/(Losses) on account of Power Purchase Cost in the Truing up for FY 2017-18 (Rs. Crore)

Particulars	Approved in the MYT order	Approved in Truing up	Deviation	Gains/(Losses) due to Uncontrollable factors
Power Purchase cost	168.54	131.42	37.12	37.12

3.7 Operation & Maintenance Expenses

Petitioner's submission

The actual O&M expenses vis-à-vis approved O&M expenses as given in the Table below:

Table 3.10: O&M Expenses claimed by MUPL for FY 2017-18 (Rs. Crore)

Particulars	Approved in the MYT Order	Actual Claimed
Operation & Maintenance Expenses	9.59	7.93

The actual total O&M Expenses as per the audited accounts are Rs. 7.93 crore for FY 2017-18 as compared to the approved Expenses of Rs. 9.59 Crore. The Petitioner has submitted that O&M Expenses depend upon addition of new sub-stations and distribution system with development of SEZ area and addition of new SEZ units. Moreover, there are various challenges related to Repair & Maintenance (R&M) of electrical network/system in coastal area like saline weather condition for system exposed to air and high-water table for network below ground level. These are uncontrollable factors, which lead to deviations in O&M Expenses.

MUPL requested the Commission to approve the O&M Expenses of Rs. 7.93 Crore for FY 2017-18, and consider the O&M Expenses as uncontrollable.

Commission Analysis

The Commission has verified the O&M Expenses from the audited accounts. In reply to the Commission's query w.r.t sale of surplus inventory of Rs. 51,60,000/-, MUPL vide its reply dated 16th May 2019 clarified that the amount of Rs. 51,60,000/- has not been considered as Non-Tariff Income due to sale of inventory, which was lying in its books at a cost of Rs. 56,63,147/-. MUPL added that the said amount was inadvertently considered in O&M

Expenses of FY 2017-18 while truing up, which needs to be excluded. Hence, the O&M Expenses of MUPL will get reduced by Rs 56,63,147/- in FY 2017-18 Truing up.

Further, the Petitioner, in its reply to the Commission's query, clarified that the expense of Rs. 10.50 Lakh against Charity and Donations has not been included in the A&G Expenses claimed in the Petition.

Accordingly, the O&M Expenses approved after true-up for FY 2017-18 are given in the Table below:

Table 3.11: Operation and Maintenance Expenses approved by the Commission for FY 2017-18 (Rs. Crore)

S. No	Particulars	Approved in the MYT Order	Actual Claimed	Approved in Truing up
1	Employee Expenses	3.27	2.04	2.04
2	Repairs and Maintenance Expenses	1.84	1.65	1.09
3	Administration and General Expenses	4.48	4.23	4.23
	Total O&M Expenses	**9.59**	**7.93**	**7.36**

The Commission, accordingly approves the O&M Expenses of Rs. 7.36 Crore, for Truing up for FY 2017-18.

Further, as per the GERC (MYT) Regulations, 2016, the variation in O&M Expenses is to be considered as controllable except the change in law and wage revision. However, as per the judgement dated 09th May, 2019 of the Hon'ble APTEL in Appeal No. 256 of 2016 in the matter related to TPL-D (Dahej), the Commission decides to accept MUPL's submission that O&M Expenses should be considered as uncontrollable along the lines of Distribution Losses, as the SEZ is yet to stabilize.

Accordingly, the Gains/(Losses) on account of O&M Expenses in Truing up of FY 2017-18 is approved by the Commission as given in the Table below:

Table 3.12: Gains/(Losses) on account of O&M Expenses in the Truing up for FY 2017-18 (Rs. Crore)

Particulars	Approved in the MYT Order	Approved in Truing up	Deviation	Gains/(Losses) due to Uncontrollable Factors
O&M Expenses	9.59	7.36	2.23	2.23

3.8 Capital Expenditure, Capitalization and funding of Capex

Petitioner's submission

The Petitioner has incurred gross capital expenditure of Rs 3.08 Crore against the capital expenditure of Rs. 10.49 Crore for FY 2017-18 approved as per the MYT Order dated 31st March, 2017.

The Petitioner has stated that it has capitalized Rs. 2.74 Crore against capitalization of Rs. 2.31 Crore for FY 2017-18 approved as per the MYT Order dated 31st March, 2017.The amount of capitalization had been approved by the Commission vide Tariff Order dated 31st March, 2017 based on historical data of 2nd Control Period and therefore, it requested the Commission to approve the actual capitalization.

The actual capitalization in FY 2017-18 against that approved by the Commission is tabulated below:

Table 3.13: Capitalization claimed by MUPL for FY 2017-18 (Rs. Lakh)

Sl. No.	Particulars	Approved in the MYT Order	Actual Claimed
A	EHV (220 kV & 66 kV)		
	EHV transmission line	-	-
	EHV transmission cable	-	-
	EHV substation	7.00	85.00
	Land Cost	-	-
	Civil cost	-	-
	Total	**7.00**	**85.00**
B	**HT (33kV & 11 kV) & Network**		
	33 kV HT cable network	-	-
	11 kV HT cable network	59.00	105.00
	33/11 kV HT substation	7.00	-
	Land Cost	-	-
	Civil cost	3.00	-
	Total	**69.00**	**105.00**
C	**Others**		
	Automation & SCADA	82.00	55.00
	Testing and measuring equipment	-	1.00
	IT	36.00	-

Sl. No.	Particulars	Approved in the MYT Order	Actual Claimed
	Meters and AMR	-	-
	Miscellaneous	24.00	29.00
	Building & Other civil work	13.00	
	Total	**155.00**	**85.00**
D	**Grand Total**	**231.00**	**274.00**
	Less: SLC	163.00	393.00
E	**Net Capitalization**	**68.00**	**-**

Commission Analysis

The Commission observed that the Petitioner has claimed capital expenditure of Rs. 3.08 Crore, as against Rs. 10.49 Crore approved by the Commission in the MYT Order dated 31st March, 2017. The Commission has verified from the annual accounts that the Petitioner has incurred capital expenditure of Rs. 3.08 Crore during FY 2017-18.

The Commission sought the details of scheme-wise breakup of actual capital expenditure and capitalisation with details of Opening CWIP as on 1st April, 2017 and Closing CWIP as on 31st March, 2018, which MUPL has duly submitted.

The Commission has noticed a significant variation in the value of opening Gross Fixed Assets (GFA) in the annual accounts and Petition. MUPL in a written submission stated that the GFA in Financial Statement of FY 2017-18 has been presented as per Indian Accounting Standard but same has been considered as per the GERC (MYT) Regulations, 2016 in the Petition. The Petitioner also submitted the reconciliation statements of GFA, Depreciation, Service Line Contribution (SLC) and Net Fixed Assets (NFA).

Further, in terms of SLC, the Commission observes that as per audited accounts, a total sum of Rs. 3.93 Crore was received during the year from consumers against which MUPL has claimed only Rs. 2.74 Crore towards capitalization. On a query from the Commission in this regard, MUPL has submitted that the amount claimed under capitalization corresponding to the actual assets crated using SLC money while the rest of the money is a CWIP which is yet to be capitalized.

It is also observed that the Commission in the True-up Order for FY 2016-17 directed MUPL to utilize the unutilized SLC balance of Rs 11.95 Crore towards capital expenditure during FY

2017-18 and subsequent years. During FY 2017-18, the Petitioner has received the SLC of Rs. 3.94 Crore and out of which it has capitalized Rs. 2.74 Crore towards fixed assets. Thus, at the end of FY 2017-18, the Petitioner is left with un-utilized SLC of Rs. 1.20 Crore.

The Petitioner shall utilize the un-utilized balance of SLC of Rs. 13.15 Crore (Rs. 11.95 Crore + Rs. 1.20 Crore) during FY 2018-19 and subsequent years towards capital expenditure. MUPL has capitalized Rs. 2.74 Crore and incurred gross capital expenditure of Rs. 3.08 Crore during FY 2017-18. The capital works in progress at the end of FY 2017-18 is Rs. 15.62 Crore. The details of same have been summarized in the Table below:

Table 3.14: Details of CWIP for FY 2017-18 (Rs. Crore)

Particulars	Value as per Audited accounts
Opening CWIP (A)	15.28
Closing CWIP (B)	15.62
Gross Fixed Assets Added (C)	2.74
Capex [C+(B-A)]	3.08

The Commission asked MUPL to submit the details of actual source of financing of capitalised works for FY 2017-18 along with the documentary evidence towards debt financing. MUPL in this regard has submitted that the total capitalization for FY 2017-18 was Rs. 2.74 Crore, against SLC recovery of Rs. 3.93 Crore.

Considering the above analysis, the Commission approves the capex, capitalization and funding of capex, as shown in the Table below:

Table 3.15: Capital Expenditure, Capitalization and Funding of Capex approved by the Commission for Truing up for FY 2017-18 (Rs. Crore)

Particulars	Approved in the MYT Order	Actual Claimed	Approved in Truing up
Capex	10.49	3.08	3.08
Capitalization	2.31	2.74	2.74
Less: SLC	1.63	3.93	3.93
Balance Capitalization	0.68	0.00	0.00
Normative Debt (70%)	0.48	0.00	0.00
Normative Equity (30%)	0.20	0.00	0.00

Thus, the Commission approves the capex of Rs. 3.08 Crore and capitalization of Rs. 2.74 Crore after considering SLC of Rs. 3.93 Crore, for truing up for FY 2017-18. The funding of capex is entirely through SLC, hence, the approved normative Debt and Equity addition in FY 2017-18 is Nil.

3.9 Depreciation

Petitioner Submission

In accordance with GERC (MYT) Regulations, 2016, the depreciation rates are applied on the opening GFA and the assets capitalized during the year. The total depreciation thus arrived at, as is shown in the Table below:

Table 3.16: Fixed Assets and Depreciation claimed by MUPL for FY 2017-18 (Rs. Crore)

Particulars	Approved in the MYT Order	Actual Claimed
Gross Block at the Beginning of the year	88.46	89.26
Addition during the year	2.31	2.74
Gross Block at the end of the year	90.77	92.00
Depreciation for the year	3.45	2.91

The amount of depreciation is lower than that approved by Commission due to less net capitalization mentioned above. The Petitioner has requested the Commission to approve the depreciation as mentioned above. The Petitioner has further submitted that the variation in depreciation amount compared to the approved amount is to be treated as uncontrollable.

Commission analysis

The Commission has considered the opening balance of GFA for FY 2017-18 equal to the closing balance of GFA for FY 2016-17 approved by the Commission in the Order in Petition No. 1694 of 2018 dated 5th April, 2018.

The Commission has verified the depreciation from the Audited Accounts for FY 2017-18. It is observed that depreciation as per Annual Accounts is Rs. 4.56 Crore. The Petitioner has deducted amortization of service line contribution of Rs. 1.64 Crore and accordingly claimed depreciation of Rs. 2.91 Crore.

The Commission, accordingly, approves the depreciation of Rs. 2.91 Crore in the truing up for FY 2017-18.

The deviation of Rs. 0.54 Crore is considered as uncontrollable Gains, as the depreciation is dependent on capitalisation.

The Commission, accordingly, approves the gains/(losses) on account of depreciation in truing up for FY 2017-18, as detailed in the Table below:

Table 3.17: Depreciation and Gains/Losses approved by the Commission for FY 2017-18 (Rs. Crore)

Particulars	Approved in the MYT Order	Approved in Truing up	Deviation	Gains/(Losses) due to uncontrollable factors
Depreciation	3.45	2.91	0.54	0.54

3.10 Interest Expenses

Petitioner's Submission

The GERC (MYT) Regulations, 2016 provides for the calculation of interest expenses on normative basis considering the amount of depreciation of assets created as the amount of repayment.

The Petitioner has calculated the interest expenses on the basis of actual weighted average interest rate charged by the bank for existing loans as per the GERC (MYT) Regulations, 2016. The Petitioner has availed a term loan for the period of 5 years and has paid the interest amount to the bank at weighted average interest rate of 11.08% during FY 2017-18.

The eligible interest expenses for FY 2017-18 are shown in the Table below:

Table 3.18: Interest Expenses claimed by MUPL for FY 2017-18 (Rs. Crore)

Particulars	Approved in the MYT Order	Actual Claimed
Opening Balance of Loan	28.35	28.35
Less: Reduction in Loan due to Retirement or Replacement of Assets	-	-
Addition of Loan due to Capitalization during the year	0.48	0.00
Repayment of Loan during the year	3.45	2.91
Closing Balance of Loan	25.38	25.44

Particulars	Approved in the MYT Order	Actual Claimed
Average Balance of Loan	26.87	26.90
Weighted Average Rate of Interest on Actual Loans (%)	11.65%	11.08%
Interest Expenses	3.13	2.98
Bank and Finance Charges	0.12	0.04
Total Interest & Finance Charges	**3.25**	**3.02**

The amount of interest on loan is lower than that approved by the Commission due to lower net capitalization and lower actual weighted average rate of interest due to negotiated interest rate with Financial Institution by the Petitioner. The Petitioner requested the Commission to allow the interest on loan at actual rate of interest and treat the variation as uncontrollable.

Commission Analysis

The Commission has considered the normative closing balance of loan for FY 2016-17 as approved by the Commission vide Order dated 5th April, 2018 in Petition No. 1694 of 2017, as the normative opening balance of loan of FY 2017-18.

The net additional loan is considered as Nil, in accordance with the capitalisation and source of funding as approved in Table 3.15 above. The repayment is considered equivalent to depreciation of Rs. 2.91 Crore as approved in Table 3.17 above. The GERC (MYT) Regulations, 2016 provides for computation of interest on loan on normative basis on the opening balance of loan brought forward from the previous year's closing balance, capitalisation and funding approved during the year. As per Regulation 38.3 of the GERC (MYT) Regulations, 2016, repayment of loan is considered equal to depreciation allowed.

As per first proviso of Regulation 38.5 of the GERC (MYT) Regulations, 2016, at the time of truing up, the weighted average rate of interest calculated on the basis of the actual loan portfolio during the year applicable to the Distribution Licensee shall be considered as the rate of interest.

Accordingly, the Commission sought information such as the actual loan portfolio and computation of weighted average rate of interest, which the Petitioner submitted vide additional submissions dated 1st February, 2019. The Commission has verified the Rate of

Interest of 11.08% claimed by the Petitioner for the actual loan portfolio submitted for FY 2017-18 and found it to be correct.

The bank and finance charges have been cross checked with the audited accounts. The Commission observes that the Petitioner has incurred Rs. 0.04 Crore under this head.

Accordingly, the Commission approves the Interest and Finance Charges for FY 2017-18 as shown in the Table below:

Table 3.19: Interest Expenses approved by the Commission for FY 2017-18 (Rs. Crore)

Particulars	Amount
Opening Balance of Loans	28.36
Loan Addition due to capitalization (Net)	0.00
Repayments of loan during the year	2.91
Closing Balance of Loans	25.45
Average Balance of Loans	26.90
Weighted Average Rate of Interest on Actual Loans (%)	11.08%
Interest Expenses	**2.98**
Other Borrowing Cost	0.04
Total Interest and Finance Charges	**3.02**

The Commission, accordingly, approves the interest and finance charges at Rs. 3.02 Crore in truing up for FY 2017-18.

As regards the computation of Gains/(Losses), Regulation 22.2 of the GERC (MYT) Regulations, 2016 considers variation in capitalization on account of time and/or cost overruns / efficiencies in the implementation of capital expenditure project, not attributable to an approved change in scope of such project, change in statutory levies or force majeure events, as a controllable factor. As per Regulation 24 of the GERC (MYT) Regulations, 2016, if the gain is on account of lower capital expenditure and capitalization, it cannot be attributed to the efficiency of the utility to allow 2/3rd of gains to the utility. Similarly, if the loss is on account of higher capital expenditure and capitalization due to bona-fide reasons beyond the control of utility due to Force Majeure event like Act of God, non-receipt of statutory approval, etc., the utility cannot be penalized by allowing only 1/3rd of the losses in the ARR.

The Commission, accordingly, approves the Gains/(Losses) on account of interest and finance charges in truing up for FY 2017-18, as detailed in the Table below:

Table 3.20: Interest Expenses and Gains/(Losses) approved by the Commission for FY 2017-18 (Rs. Crore)

Particulars	Approved in the MYT Order	Approved in Truing up	Deviation	Gains/ (Losses) due to Uncontrollable factors
Interest and Finance Charges	3.25	3.02	0.23	0.23

3.11 Interest on Consumers' Security Deposit

Petitioner's submission

The contribution to security deposit depends upon the addition of new consumers and their load growth from time to time. Moreover, the bulk consumers opt to give Bank Guarantee (BG) instead of cash deposit in case of amount of security deposit more than Rs. 25 Lakh.

The Commission in the MYT Order dated 31st March, 2017 has approved interest on security deposit for the Petitioner at 7.75% on the average estimated balance of security deposit for FY 2017-18.

Further, the actual RBI Bank Rate was 6.75%. Thus, the amount of interest on security deposit was paid to the consumers at Bank Rate applicable on 1st April, 2017 as shown in the Table below:

Table 3.21: Interest on Security Deposit claimed by MUPL for FY 2017-18 (Rs. Crore)

Particulars	Approved in the MYT Order	Actual Claimed
Security Deposit	2.05	2.06
Interest Rate (%)	7.75%	6.75%
Interest on Security Deposit	0.16	0.12

MUPL requested the Commission to approve the actual interest paid on consumer security deposit and consider the variation as uncontrollable.

Commission Analysis

The Commission has verified from the audited accounts that the opening and closing values of security deposit are Rs. 2.26 Crore and Rs. 1.86 Crore respectively, leading to an average deposit value of Rs. 2.06 Crore. The actual interest paid as per audited accounts is found to be Rs. 0.12 Crore, as claimed by the Petitioner.

The Commission, accordingly, approves the interest on security deposit at Rs. 0.12 Crore in the truing up for FY 2017-18, as shown in the Table below:

Table 3.22: Interest on Security Deposit approved by the Commission for Truing up for FY 2017-18 (Rs. Crore)

Particulars	Approved in the MYT Order	Actual Claimed	Approved in Truing up
Interest on Security Deposit	0.16	0.12	0.12

The deviation of Rs. 0.04 Crore is considered as gains on account of uncontrollable factors as detailed in the Table below:

Table 3.23: Interest on Security Deposit and Gains/(Losses) approved by the Commission for FY 2017-18 (Rs. Crore)

Particulars	Approved in the MYT Order	Approved in Truing up	Deviation	Gains/ (Losses) due to uncontrollable factors
Interest on Security Deposit	0.16	0.12	0.04	0.04

3.12 Interest on Working Capital

Petitioner's Submission

The interest on working capital is arrived at as per the GERC (MYT) Regulations, 2016, as provided in the Table below:

Table 3.24: Interest on Working Capital claimed by MUPL for FY 2017-18 (Rs. Crore)

Particulars	Approved in the MYT Order	Actual claimed
O&M Expenses (1 month)	0.80	0.66
1% of GFA for Maintenance Spares	0.88	0.89
Receivables	16.70	12.71
Sub-total	**18.39**	**14.26**
Less: Average Security Deposit from Customers	2.05	2.06
Total Working Capital Requirement	16.33	12.20
Interest Rate (%)	11.70%	10.50%
Interest on Working Capital	**1.91**	**1.28**

The Petitioner requested the Commission to approve the Interest on Working Capital and consider the variation as uncontrollable.

Commission Analysis

The Commission has computed the working capital requirement of MUPL as specified in Regulation 40.4 and Regulation 40.5 of the GERC (MYT) Regulations, 2016 read in conjunction with the GERC (First Amendment Regulations), 2017, after considering the security deposit amount available during the year.

In line with the above proviso to Regulation 40.4 (b), the Commission has considered the weighted average of 1-year State Bank of India (SBI) Marginal Cost of Funds Based Lending Rate (MCLR) of 8.00% prevailing during FY 2017-18 plus 250 basis points. Accordingly, the rate of interest on working capital worked out to be 10.50%.

Accordingly, the Interest on working capital approved by the Commission is shown in the Table below:

Table 3.25: Interest on Working Capital approved by the Commission for FY 2017-18 (Rs. Crore)

Particular	Approved in the MYT Order	Actual claimed	Approved in Truing up
O&M Expenses (1 month)	0.80	0.66	0.61
Maintenance Spares (1% of GFA)	0.88	0.89	0.89

Particular	Approved in the MYT Order	Actual claimed	Approved in Truing up
Receivables	16.70	12.71	12.71
Sub-total	**18.39**	**14.26**	**14.21**
Less: Average Security Deposit from Customers	2.05	2.06	2.06
Total Working Capital	**16.33**	**12.20**	**12.15**
Interest Rate (%)	11.70%	10.50%	10.50%
Interest on Working Capital	**1.91**	**1.28**	**1.28**

The Commission, accordingly, approves the interest on working capital as Rs. 1.28 Crore in truing up for FY 2017-18.

The Commission considers the Interest on working capital as uncontrollable, since the components forming part of the working capital are mostly uncontrollable. Accordingly, the Commission has approved the Gains/(Losses) as shown in the Table below:

Table 3.26: Gains/(Losses) on account of Interest on Working Capital in Truing up for FY 2017-18 (Rs. Crore)

Particulars	Approved in the MYT Order	Approved in Truing up	Deviation	Gains/ (Losses) due to uncontrollable factors
Interest on Working Capital	1.91	1.28	0.64	0.64

3.13 Return on Equity

Petitioner's Submission

The equity addition for FY 2017-18 has been considered as 30% of the amount of net capitalization (excluding SLC) during the year. The Return on Equity (RoE) has been computed by applying a rate of 14% on the average of the opening and closing balance of equity for FY 2017-18 as per Regulation 37 of the GERC (MYT) Regulations, 2016, as shown in the Table below:

Table 3.27: Return on Equity claimed by MUPL for FY 2017-18 (Rs. Crore)

Particulars	Approved in the MYT Order	Actual claimed
Opening Equity (30% of GFA)	20.95	20.95
Addition to Equity towards Capital Investments	0.20	0.00
Reduction in Equity	-	-
Closing Balance of Equity	21.16	20.95
Return on opening Equity	2.93	2.93
Return on Equity Addition	0.01	-
Total Return on Equity	**2.95**	**2.93**

The Petitioner requested the Commission to allow the same for the purpose of true-up.

Commission Analysis

The closing equity as on 31.03.2017 approved in the Order dated 5th April, 2018 in Case No. 1694 of 2017 has been considered as the opening equity for FY 2017-18.

During FY 2017-18, the net capitalisation during the year considering the Service Line Contribution of Rs. 3.93 Crore received during the year is Rs. (1.19) Crore. The addition of equity during FY 2017-18 is considered as approved in Table 3.15 of this Order. The rate of return is considered 14% as per the GERC (MYT) Regulations, 2016, to work out the Return on Equity as shown in the Table below:

Table 3.28: Return on Equity approved by the Commission for truing up for FY 2017-18 (Rs. Crore)

Particulars	Approved in the MYT Order	Actual Claimed	Approved in Truing up
Equity at the Beginning of the year	20.95	20.95	20.95
Addition during the Year	0.20	0.00	0.00
Equity at the End of the Year	21.16	20.95	20.95
Average Equity	21.05	20.95	20.95
Rate of Return on Equity	14%	14%	14%
Total Return on Equity	**2.95**	**2.93**	**2.93**

The Commission, accordingly, approves the Return on Equity at Rs. 2.93 Crore in truing up for FY 2017-18.

The Return on Equity depends on the amount of capitalisation during the year and the debt equity ratio considered during the Financial Year and these parameters are uncontrollable in nature. The variance in the amount of Return on Equity is therefore treated as an uncontrollable item.

The Commission, accordingly, approves the Gains/(Losses) on account of Return on Equity in truing up for FY 2017-18 as detailed below:

Table 3.29: Return on Equity and Gains/(Losses) approved in Truing up for FY 2017-18 (Rs. Crore)

Particulars	Approved in the MYT Order	Approved in Truing up	Deviation	Gains/(Losses) due to UnControllable factor
Return on Equity	2.95	2.93*	0.01	0.01

*Note: Numbers rounded off to 2 digits

3.14 Income Tax

Petitioner's Submission

While passing the MYT Order, the Commission approved Nil amount of Income Tax. However, the Petitioner has paid Rs. 2.77 Crore Income Tax for FY 2017-18. Accordingly, it has claimed Rs.2.77 Crore against Nil approved in the MYT Order dated 31 March, 2017.The Petitioner requested the Commission to consider variation in Income Tax and allow variation as uncontrollable for the purpose of truing up.

Table 3.30: Income Tax claimed by MUPL for FY 2017-18 (Rs. Crore)

Particulars	Approved in the MYT Order	Actual claimed
Income Tax	-	2.77

Commission Analysis

The Commission has verified the Income Tax claim of Rs. 2.77 Crore from the audited accounts as well as from the Income Tax challans filed by the Petitioner.

The Commission asked MUPL to confirm whether any refund of Income Tax has been received during FY 2017-18, and where the same has been considered by MUPL. MUPL has clarified that MUPL has received refund of Income Tax of Rs. 0.21 lakh during FY 2017-18, which has been considered as Non-Tariff Income in the True-up for FY 2017-18.

Accordingly, the Commission approves Income Tax at Rs. 2.77 Crore for truing up for FY 2017-18.

As per the GERC (MYT) Regulations, 2016, the Commission has treated the Income Tax as an uncontrollable expense and, accordingly, approves the gains / (losses) on account of Income Tax in truing up for FY 2017-18, as detailed in the Table below:

Table 3.31: Gains/(Losses) on account of Income Tax in Truing up for FY 2017-18 (Rs. Crore)

Particulars	Approved in the MYT Order	Approved in Truing up	Deviation	Gains/(Losses) due to uncontrollable factor
Income Tax	0.00	2.77	2.77	(2.77)

3.15 Contingency Reserves

Petitioner's Submission

The Petitioner has not contributed to the contingency reserve during FY 2017-18 against Nil value approved in the MYT Order dated 31st March, 2017. Accordingly, it has not claimed any amount under this head.

Table 3.32: Contingency Reserves claimed by MUPL for FY 2017-18 (Rs. Crore)

Particulars	Approved in the MYT Order	Actual claimed
Contingency Reserve	-	-

Commission Analysis

The Commission approves contribution to contingency reserve as Nil for truing up for FY 2017-18.

The Commission considers variation in the contribution to contingency reserve as an uncontrollable factor. Accordingly, the Commission has approved the gains / (losses) as shown in the Table below:

Table 3.33: Gains/(Losses) on account of Contribution to Contingency Reserve in Truing up for FY 2017-18 (Rs. Crore)

Particulars	Approved in MYT Order	Approved in truing up	Deviation	Gains/(Losses) due to controllable factor	Gains/(Losses) due to uncontrollable factor
Contingency Reserves	-	-	-	-	-

3.16 Non-Tariff Income

Petitioner' Submission

The Commission had approved the Non-Tariff Income of Rs. 0.45 Crore in MYT Order dated 31 March, 2017. However, the actual Non-Tariff Income for FY 2017-18 is Rs. 2.72 Crore, as shown in the Table below:

Table 3.34: Non-Tariff Income as submitted by MUPL for FY 2017-18 (Rs. Crore)

Particulars	Approved in the MYT Order	Actual claimed
Non-Tariff Income	0.45	2.72

The Petitioner submitted that the variation in Non-Tariff Income is on account of consideration of rebate on prompt payment. The Petitioner requested the Commission to allow the variation in Non-Tariff Income as uncontrollable for the purpose of true-up.

Commission Analysis

The Non-Tariff Income is specified in Regulations 89 and 97 of the GERC (MYT) Regulations, 2016, which includes various items such as income from sale of scrap, income from statutory investment, interest on advances to supplier/contractor, etc.

The Commission observed that MUPL has considered the Non-Tariff Income as Rs. 2.72 Crore comprising Rebate of Rs. 2.64 crore, Meter Rent of Rs. 0.04 crore, Income Tax Refund of Rs. 0.0020 Crore and Miscellaneous receipt of Rs. 0.03 Crore. In reply to the Commission's query, the Petitioner has submitted that the delayed payment charges of Rs. 0.71 Crore mentioned in Note 21 of the Annual Accounts has been excluded from Non-Tariff Income in accordance with 97.2 of the GERC (MYT) Regulations, 2016. The Petitioner also submitted that the miscellaneous income of Rs. 0.55 Crore mentioned in Note 22 of the Annual Accounts includes amount of Rs. 0.52 Crore received from sale of surplus inventory and amount of Rs. 0.03 Crore received from application registration fees. The Petitioner clarified that the income from sale of surplus inventory has not been considered in Non-Tariff Income whereas income from application registration fee has been considered in Non-Tariff Income in accordance with the GERC (MYT) Regulations, 2016.

Accordingly, the Commission approves Non-Tariff Income of Rs. 2.72 Crore for truing up for FY 2017-18.

The Commission considers variation in the Non-Tariff Income as an uncontrollable factor. Accordingly, the Commission has approved the Gains/(Losses) as shown in the Table below:

Table 3.35: Non-Tariff Income and Gains/Losses approved for Truing up for FY 2017-18 (Rs. Crore)

Particulars	Approved in the MYT Order	Approved in Truing up	Deviation	Gains/(Losses) due to uncontrollable factors
Non-Tariff Income	0.45	2.72	(2.27)	(2.27)

3.17 Revenue from Sale of Power

Petitioner's Submission

The revenue from sale of power for FY 2017-18 in Form F-10 as follows:

Table 3.36: Revenue from Sale of Power as claimed by MUPL for FY 2017-18 (Rs. Crore)

Particulars	Actual Claimed
Revenue from Sale of Power	152.50

Commission's Analysis

MUPL has claimed a revenue of Rs. 152.50 Crore from sale of power to consumers in FY 2017-18. The Commission observes that the revenue as per Note 21 of Annual Accounts is Rs.152.50 Crore.

Accordingly, the Commission approves a revenue of Rs. 152.50 Crore from sale of power to consumers for truing up for FY 2017-18.

3.18 Gains/Losses under Truing Up for FY 2017-18

Petitioner's Submission

Regulations 23 and 24 of the GERC (MYT) Regulations, 2016 specify the mechanism for sharing of gains and losses on account of uncontrollable and controllable factors. In case of uncontrollable factors, the gains and losses are entirely passed through as an adjustment in tariff, whereas in case of controllable factors, the gains and losses are shared between the Licensee and consumers in the form of tariff adjustment.

The Petitioner has compared the actuals for FY 2017-18 with the approved figures for FY 2017-18 and has segregated the variation as controllable or uncontrollable as discussed earlier.

The Petitioner has submitted the comparison of various ARR items and computed the Gains/ (Losses) due to controllable and uncontrollable factors as summarized below:

Table 3.37: Controllable and Uncontrollable variations for FY 2017-18 as submitted by MUPL (Rs. Crore)

Particulars	Approved in the MYT Order	Actual Claimed	Over (+)/Under (-) recovery	Gains/(Losses) due to Controllable Factors	Gains/(Losses) due to Uncontrollable Factors
Power Purchase Expenses	168.54	131.42	37.12	-	37.12
Operation & Maintenance Expenses	9.59	7.93	1.66	-	1.66
Depreciation	3.45	2.91	0.54	-	0.54
Interest and Finance Charges	3.25	3.02	0.23	-	0.23
Interest on Security Deposit	0.16	0.12	0.04	-	0.04
Interest on Working Capital	1.91	1.28	0.63	-	0.63
Bad Debts Written off	-	-	-	-	-
Contribution to Contingency Reserves	-	-	-	-	-
Total Revenue Expenditure	186.90	146.67	40.23	-	40.23
Return on Equity Capital	2.95	2.93	0.01	-	0.01
Income Tax	-	2.77	(2.77)	-	(2.77)
Aggregate Revenue Requirement	189.85	152.38	37.47	-	37.47

Particulars	Approved in the MYT Order	Actual Claimed	Over (+)/Under (-) recovery	Gains/(Losses) due to Controllable Factors	Gains/(Losses) due to Uncontrollable Factors
Less: Non-Tariff Income	0.45	2.72	2.27	-	(2.27)
Aggregate Revenue Requirement	**189.39**	**149.66**	**39.73**	**-**	**39.73**

The Petitioner has submitted that as per the above Table, total gain of Rs. 39.73 Crore shall be passed through to the consumers, being uncontrollable gain.

Commission's Analysis

The Commission has computed the sharing of Gains and Losses for FY 2017-18 based on truing up for each component as discussed in the above paragraphs. The ARR approved for FY 2017-18 in the MYT Order dated 31st March, 2017, actuals claimed in truing up, approved after truing up, and Gains/(Losses) computed in accordance with the GERC (MYT) Regulations, 2016 are as given in the Table below:

Table 3.38: ARR approved in respect of MUPL in the Truing up for FY 2017-18 (Rs. Crore)

Particulars	Approved in the MYT Order	Actual Claimed	Approved in Truing up	Deviation	Controllable	Uncontrollable
Power Purchase Expenses	168.54	131.42	131.42	37.12	-	37.12
O&M Expenses	9.59	7.93	7.36	2.23		2.23
Depreciation	3.45	2.91	2.91	0.54	-	0.54
Interest and Finance Charges	3.25	3.02	3.02	0.23	-	0.23
Interest on Security Deposit	0.16	0.12	0.12	0.04	-	0.04
Interest on Working Capital	1.91	1.28	1.28	0.64	-	0.64
Bad Debts Written off	-	-	-	-	-	-
Contribution to Contingency Reserves	-	-	-	-	-	-
Total Revenue Expenditure	**186.90**	**146.67**	**146.10**	**40.80**	**-**	**40.80**
Return on Equity	2.95	2.93	2.93	0.01	-	0.01
Income Tax	-	2.77	2.77	(2.77)	-	(2.77)
Aggregate Revenue Requirement	**189.85**	**152.38**	**151.81**	**38.04**	**-**	**38.04**

Particulars	Approved in the MYT Order	Actual Claimed	Approved in Truing up	Deviation	Controllable	Uncontrollable
Less: Non-Tariff Income	0.45	2.72	2.72	(2.27)	-	(2.27)
Aggregate Revenue Requirement	**189.39**	**149.66**	**149.09**	**40.30**	**-**	**40.30**

3.19 Summary of Aggregate Revenue Requirement

Petitioner's Submission

The Petitioner has submitted the summary of trued-up ARR of 2017-18 to be recovered after incorporation of sharing of Gains/(Losses), as shown in the Table below:

Table 3.39: Trued-up ARR for FY 2017-18 as submitted by MUPL (Rs. Crore)

Particulars	Legend	Actual claimed
ARR Approved in the MYT Order	(a)	189.39
Gains/(Losses) due to Uncontrollable Factors	(b)	39.73
Gains/(Losses) due to Controllable Factors	(c)	-
Trued-up ARR	**d=a-(b+c)**	**149.66**

MUPL submitted that the trued-up ARR for FY 2017-18 is Rs. 149.66 Crore, after sharing of gains and losses for FY 2017-18.

Commission's Analysis

The Commission has shared the gains/losses on account of controllable and uncontrollable factors in accordance with Regulation 23 of the GERC (MYT) Regulations, 2016.

The Trued-up ARR for FY 2017-18 as claimed by MUPL and as approved by the Commission is summarised in the Table below:

Table 3.40: Approved Trued-up ARR for FY 2017-18 including Gains/Losses for MUPL (Rs. Crore)

Particulars	Legend	Actual Claimed	Approved in Truing up
ARR as per the MYT Order	a	189.39	189.39
Gains/(Losses) due to Uncontrollable Factors	b	39.73	40.30
Gains/(Losses) due to Controllable Factors	c	0.00	0.00

Particulars	Legend	Actual Claimed	Approved in Truing up
Pass Through as Tariff	d=-(1/3rd of c+b)	(39.73)	(40.30)
Trued-up ARR	**e=a+d**	**149.66**	**149.09**

3.20 Net Revenue Gap/(Surplus)

The Net Revenue Gap/(Surplus) approved for FY 2017-18 is given in the Table below:

Table 3.41: Approved Revenue Gap/(Surplus) for MUPL for FY 2017-18 (Rs. Crore)

Sl. No.	Particulars	Actual Claimed	Approved in Truing up
1	Aggregate Revenue Requirement	149.66	149.09
2	Less: Revenue from Sale of Power	152.50	152.50
3	**Net Revenue Gap/(Surplus)**	**(2.85)**	**(3.41)**

The Petitioner has submitted that it has considered the Revenue Gap of Rs. 5.42 Crore for FY 2015-16, which had been approved by the Commission for tariff determination of FY 2017-18.

Further, the Petitioner has considered Carrying Cost for FY 2016-17 and FY 2017-18 on the approved Revenue Gap of Rs. 5.42 Crore for FY 2015-16 based on the methodology considered by the Commission in its Tariff Order dated 31st March, 2016. The Carrying Cost has been worked out based on interest rate approved by the Commission for FY 2015-16, i.e., 11.65%.

The Commission has considered the Revenue Gap of Rs. 5.42 Crore for FY 2015-16, which had been approved by the Commission for tariff determination of FY 2017-18. As regards Carrying Cost, Clause 21.6 of the GERC (MYT) Regulations, 2016, specifies as under:

"Carrying cost to be allowed on the amount of Revenue Gap or Revenue Surplus for the period from the date on which such gap/surplus has become due, i.e., from the end of the year for which true-up has been done, till the end of the year in which it is addressed, calculated on simple interest basis at the weighted average State Bank Base Rate (SBBR) / 1 year State Bank of India (SBI) Marginal Cost of Funds Based Lending Rate (MCLR) / any replacement thereof by SBI for the time being in effect applicable for 1 year period, as may be applicable for the relevant year, i.e. the year for which Revenue Gap or Revenue Surplus is determined:

Provided that carrying cost on the amount of revenue gap shall be allowed up to the above limit subject to prudence check and submission of documentary evidence for having incurred the carrying cost in the years prior to the year in which the revenue gap is addressed:"

The Petitioner has not submitted any documentary evidence to substantiate the incurrence of Carrying Cost on the Revenue Gap of previous years.

Hence, the Commission hereby defers the claim of carrying cost until such time documentary evidence is provided to substantiate incurrence of the cost.

Accordingly, the Revenue Gap claimed and approved for MUPL for FY 2017-18 are detailed in the Table below:

Table 3.42: Approved Revenue Gap for MUPL for FY 2017-18 (in Rs. Crore)

Particulars	Actual Claimed	Approved in Truing up
Net Revenue Gap/(Surplus)	(2.85)	(3.41)
Add: Gap/(Surplus) for FY 2015-16	5.42	5.42
Carrying Cost on Gap/(Surplus) of FY 2015-16	1.26	-
Consolidated Gap/(Surplus) for FY 2017-18	**3.84**	**2.01**

Accordingly, the Commission approves the trued-up Consolidated Gap for FY 2017-18 as Rs. 2.01 Crore against the Gap of Rs. 3.84 Crore claimed by MUPL. This trued-up Gap is considered by the Commission for determination of tariff for FY 2019-20.

4 Determination of Revised ARR for FY 2019-20 and FY 2020-21

4.1 Introduction

The Commission approved the ARR for MUPL for the Control Period from FY 2016-17 to FY 2020-21 in the MYT Order dated 31st March, 2017 in Case No. 1631 of 2016.

Regulation 16.2 (i) of the GERC (MYT) Regulations, 2016, provides for a Mid-Term Review of the ARR along with the truing up of 2nd year of the Control Period and tariff determination for 4th year of the Control Period, as reproduced below:

"A detailed Multi-Year Tariff Application comprising the forecast of Aggregate Revenue Requirement for the entire Control Period and expected revenue from existing tariffs for the first year of the Control Period to be submitted by the Applicant:

Provided that the performance parameters, whose trajectories have been specified in the Regulations, shall form the basis for projection of these performance parameters in the Aggregate Revenue Requirement for the entire Control Period:

Provided further that a Mid-term Review of the Aggregate Revenue Requirement shall be undertaken for the Generating Company, Transmission Licensee, SLDC and Distribution Licensee on an application that shall be filed by the utilities along with the Petition for truing-up for the second year of the Control Period and tariff determination for the fourth year of the Control Period;" (emphasis added)

Accordingly, the Petitioner has sought Mid-Term Review of ARR for FY 2019-20 and FY 2020-21 based on the revised estimates of sales, power procurement, capital expenditure, O&M Expenses and the corresponding changes in other constituents of ARR.

The Commission has analysed the proposal of MUPL taking into consideration the comments and suggestions from the stakeholders, the GERC (MYT) Regulations, 2016 and other relevant Regulations which include the GERC (Conduct of Business) Regulations, 2004, RPO Regulations, etc.

4.2 Energy Sales

Petitioner's Submission

The sales envisaged at the time of MYT filing have been impacted due to slowdown of economic activities in the SEZ area. Hence, it is necessary to revise the sales projections for FY 2019-20 and FY 2020-21.

In the MYT Petition, the Petitioner had projected demand for electricity based on estimated power requirements of existing and prospective consumers. The Petitioner has endeavoured its best to estimate the revised projections of Energy Sales based on estimated demand of existing consumers and projections of upcoming consumers. The Petitioner has also collected inputs from developer of the Mundra SEZ for load projections and adopted more conservative approach considering the past data. The revised sales projections for FY 2019-20 and FY 2020-21 are given in the Table below:

Table 4.1: Category-wise Energy Sales projected by MUPL for FY 2019-20 and FY 2020-21 (MUs)

Particulars	2019-20		2020-21	
	Approved in the MYT Order	Revised Estimate	Approved in the MYT Order	Revised Estimate
Residential	-	-	-	-
Commercial (Non-Demand)	0.01	0.01	0.01	0.01
Commercial (Demand)	2.55	2.59	2.55	2.58
Industrial (Non-Demand)	-	-	-	-
Industrial (Demand)	-	0.33	-	0.33
Street Lights	0.59	0.38	0.59	0.38
Temporary	-	0.05	-	0.05
LT-EV Charging Stations	-	-	-	-
HTMD-I (Commercial)	611.88	167.58	630.97	178.94
HTMD-I (Industrial)		188.27		187.75
HTMD-II	-	0.22	-	0.22
HTMD-III	-	5.19	-	5.18
HTMD-IV	-	1.07	-	1.06
HTMD-EV Charging Stations	-	-	-	-
Total Sales	**615.03**	**365.69**	**634.12**	**376.52**

As regards the number of consumers, the Petitioner has submitted that the consumer category mainly served by MUPL in Mundra SEZ area is likely to be predominantly industrial and commercial bulk consumers of HTMD-I category, and the consumer base of other categories would be negligible. Based on inputs collected from the Developer of Mundra SEZ about prospective clients and details of plots allotted so far in Mundra SEZ area, the revised projections for number of consumers for FY 2019-20 and FY 2020-21 are as under:

Table 4.2: Number of Consumers projected by MUPL for FY 2019-20 and FY 2020-21

Particulars	2019-20		2020-21	
	Approved in the MYT Order	Revised Estimate	Approved in the MYT Order	Revised Estimate
Residential	-	-	-	-
Commercial (Non-Demand)	1	1	1	1
Commercial (Demand)	16	21	16	21
Industrial (Non-Demand)	-	-	-	-
Industrial (Demand)	-	1	-	1
Street Lights	7	7	7	7
Temporary	-	1	-	1
LT-EV Charging Stations	-	-	-	-
HTMD-I (Commercial)	54	20	54	20
HTMD-I (Industrial)		16		16
HTMD-II	-	1	-	1
HTMD-III	-	1	-	1
HTMD-IV	-	2	-	2
HTMD-EV Charging Stations	-	-	-	-
Total Consumers	**78**	**71**	**78**	**71**

Commission's Analysis

The Commission has noted the category-wise revised sales projected by the Petitioner for FY 2019-20 and FY 2020-21. As energy sales are difficult to predict given that the SEZ is still under the development stage, the Commission is of the view that the Licensee is in the best position to judge the sales growth, and hence, accepts the category-wise sales as projected by MUPL, as shown in the Table below:

Table 4.3: Energy Sales approved by the Commission for MUPL for FY 2019-20 and FY 2020-21 (MUs)

<table>
<tr><th rowspan="2">Particulars</th><th colspan="3">2019-20</th><th colspan="3">2020-21</th></tr>
<tr><th>Approved in the MYT Order</th><th>Revised Estimate</th><th>Approved in MTR</th><th>Approved in the MYT Order</th><th>Revised Estimate</th><th>Approved in MTR</th></tr>
<tr><td>HT Category</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>HTMD-I (Commercial)</td><td rowspan="2">611.88</td><td>167.58</td><td>167.58</td><td rowspan="2">630.97</td><td>178.94</td><td>178.94</td></tr>
<tr><td>HTMD-I (Industrial)</td><td>188.27</td><td>188.27</td><td>187.75</td><td>187.75</td></tr>
<tr><td>HTMD-II</td><td>-</td><td>0.22</td><td>0.22</td><td>-</td><td>0.22</td><td>0.22</td></tr>
<tr><td>HTMD-III</td><td>-</td><td>5.19</td><td>5.19</td><td>-</td><td>5.18</td><td>5.18</td></tr>
<tr><td>HTMD-IV</td><td>-</td><td>1.07</td><td>1.07</td><td>-</td><td>1.06</td><td>1.06</td></tr>
<tr><td>HTMD-EV Charging Stations</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Low Voltage Category</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Residential</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td></td></tr>
<tr><td>Commercial (Non-Demand)</td><td>0.01</td><td>0.01</td><td>0.01</td><td>0.01</td><td>0.01</td><td>0.01</td></tr>
<tr><td>Commercial (Demand)</td><td>2.55</td><td>2.59</td><td>2.59</td><td>2.55</td><td>2.58</td><td>2.58</td></tr>
<tr><td>Industrial (Non-Demand)</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Industrial (Demand)</td><td>-</td><td>0.33</td><td>0.33</td><td>-</td><td>0.33</td><td>0.33</td></tr>
<tr><td>Street Lights</td><td>0.59</td><td>0.38</td><td>0.38</td><td>0.59</td><td>0.38</td><td>0.38</td></tr>
<tr><td>Temporary</td><td>-</td><td>0.05</td><td>0.05</td><td>-</td><td>0.05</td><td>0.05</td></tr>
<tr><td>LT-EV Charging Stations</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Total Sales</td><td>615.03</td><td>365.69</td><td>365.69</td><td>634.12</td><td>376.52</td><td>376.52</td></tr>
</table>

4.3 Distribution Losses

Petitioner's Submission

The Petitioner had projected Distribution Losses of 4.00% for FY 2019-20 and FY 2020-21 in the MYT Petition, which was approved by the Commission in the MYT Order dated 31st March, 2017. The Petitioner has created basic infrastructure to provide power connectivity to its customers in SEZ area, which is spread over a land parcel of 8481.28 Hectares. The Petitioner has considered N-1 network redundancy at all levels for higher power reliability and availability to end consumers in the Zone.

In view of the above, the Petitioner requested the Commission to retain the Distribution Losses for FY 2019-20 and FY 2020-21, as shown in the Table below:

Table 4.4: Distribution Losses projected for FY 2019-20 and FY 2020-21 (%)

Particulars	2019-20		2020-21	
	Approved in the MYT Order	Revised Estimate	Approved in the MYT Order	Revised Estimate
Distribution Losses	4.00%	4.00%	4.00%	4.00%

Commission's Analysis

The Petitioner has considered the Distribution Losses of 4.00% for FY 2019-20 and 4.00% for FY 2020-21, same as approved by the Commission in the MYT Order. MUPL has reported lower actual Distribution Losses at 3.39% in FY 2017-18, as compared to the trajectory of Distribution Losses of 4.00% approved by the Commission in the MYT Order. However, the Hon'ble APTEL has ruled that in accordance with the GERC (MYT) Regulations, 2016, the performance trajectories cannot be modified at the time of MTR. Accordingly, the Commission approves the Distribution Losses, in line with the trajectory approved by the Commission in the MYT Order, as shown in Table 4.4.

4.4 Energy Requirement

Petitioner's Submission

The projection of Energy Balance for the Control Period was based on projection of Energy Sales and projected distribution losses & transmission losses. The Petitioner is directly connected with APL bus through dedicated transmission line which in turn connected to Intra State and Inter State transmission network. Considering the same, the Petitioner has not considered STU losses & charges for purchase of power from outside Gujarat state during MYT. In the current scenario, STU losses and charges are applicable to the Petitioner. Therefore, Petitioner has considered the same for procurement of power from outside Gujarat State and worked out revised figures for Mid-Term Review. In the MYT Tariff Petition, the Petitioner had projected renewable power purchase from projects within the State of Gujarat for its RPO considering STU losses and charges. The Petitioner has revised its consideration to fulfil its wind RPO through project developed within the SEZ area and connected with its distribution network.

The revised projections of Energy Sales, Losses and Energy Balance for FY 2019- 20 and FY 2020-21 as projected by the Petitioner are given below:

Table 4.5: Energy Requirement projected by MUPL for FY 2019-20 and FY 2020-21 (MUs)

Particulars	2019-20		2020-21	
	Approved in the MYT Order	Revised Estimate	Approved in the MYT Order	Revised Estimate
Estimated Energy Sales	615.03	365.69	634.12	376.52
Distribution Losses (%)	4.00%	4.00%	4.00%	4.00%
Distribution Losses	25.63	15.24	26.42	15.69
Energy Requirement at Distribution level	640.66	380.93	660.54	392.21
Transmission Losses	7.76	4.79	8.56	5.40
Energy Requirement	**648.42**	**385.72**	**669.10**	**397.60**

Commission's Analysis

The Commission observed that MUPL has considered higher and increasing level of Transmission Losses, while projecting the energy requirement for FY 2019-20 and FY 2020-21. MUPL has considered Transmission Losses of 1.24% and 1.36% for FY 2019-20 and FY 2020-21, as against Transmission Losses of 1.20% and 1.28% considered for FY 2019-20 and FY 2020-21 in the MYT Order, and actual Transmission Losses of 0.00% in FY 2017-18.

In response to the Commission's query regarding Transmission Losses for FY 2019-20 and FY 2020-21, the Petitioner submitted that it has considered import of power from outside Gujarat Region for FY 2019-10 and FY 2020-21 and has therefore, considered Transmission Losses. MUPL's network is connected with 220 kV switchyard (FGD) of APMuL by 220 kV dedicated transmission line, which is in turn connected with Inter-State Transmission System (ISTS) network. Considering the same, SLDC/STU was not charging STU losses and charges for import of power from outside Gujarat region through collective/bilateral transactions till April 2018, but started to charge the same with effect from May 2018. MUPL submitted that it has already raised its contentions as regards applicability of aforesaid losses and charges to SLDC but for accurate projections, it has adopted the current scenario and considered Transmission Losses and Charges for import of power from outside Gujarat region in Mid-Term Review for FY 2019-20 and FY 2020-21.

Hence, the Commission has considered Transmission Losses of 1.20%, same as approved in the MYT Order for projecting the energy requirement for FY 2019-20 and FY 2020-21. In case the Transmission Losses are not applicable, then the same shall be adjusted at the time of True-up for the respective years.

Based on the energy sales approved in Table 4.3, Distribution Losses approved in Table 4.4, and Transmission Losses of 1.20%, the Commission has computed the energy requirement for MUPL for FY 2019-20 and FY 2020-21, as given in the Table below:

Table 4.6: Energy Requirement approved for MUPL for FY 2019-20 and FY 2020-21 (MUs)

Particulars	2019-20			2020-21		
	Approved in the MYT Order	Revised Estimate	Approved in MTR	Approved in the MYT Order	Revised Estimate	Approved in MTR
Energy Sales	615.03	365.69	365.69	634.12	376.52	376.52
Distribution Losses (%)	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Distribution Losses	25.63	15.24	15.24	26.42	15.69	15.69
Energy Input at Distribution Level	640.66	380.93	380.93	660.54	392.21	392.21
Transmission Losses	7.76	4.79	4.61	8.56	5.40	4.75
Energy Requirement	**648.42**	**385.72**	**385.55**	**669.10**	**397.60**	**396.96**

4.5 Energy Availability and Power Purchase Cost

Petitioner's submission

The Petitioner has proposed revised power purchase quantum due to change in projected sale of energy and T&D losses in the Mid-Term Review Petition. Therefore, the power purchase cost for FY 2019-20 and FY 2020-21 has been revised accordingly.

Due to overall economic slowdown, development of established units is uncertain in the years to come and the new units who have yet to establish their set-up may defer their operations. The Petitioner has not considered additional purchase of power under long/medium-term arrangement, which may burden the consumer in future if the projected demand does not fructify. Therefore, considering the consumer interest, the Petitioner proposed to meet additional power requirement under short-term contracts through competitive bidding till the time demand in the SEZ area stabilizes.

The Petitioner submitted that it will undertake long-term competitive bidding route to procure power in future when an additional sizable volume of around 10-20 MW of stable demand is achieved and will approach to the Commission separately for its approval and further process.

Considering the above, revised figures for source-wise energy procurement is given in the Table below:

Table 4.7: Source-wise Energy Procurement projected by MUPL for FY 2019-20 and FY 2020-21 (MUs)

Particulars	2019-20		2020-21	
	Approved in the MYT Order	Revised Estimate	Approved in the MYT Order	Revised Estimate
Long Term Contract	446.76	307.94	446.76	305.68
Bilateral & Others	108.94	35.43	117.62	49.57
RPO – Solar	35.66	0.09	45.16	0.09
RPO-Wind	52.20	42.26	54.53	42.26
RPO-Others	4.86	0.00	5.02	0.00
Total	**648.42**	**385.72**	**669.09**	**397.60**

The Petitioner submitted that it has considered procurement of wind power to fulfil its RPO. The Petitioner has considered purchase of solar power from its captive solar rooftop power plants. The Petitioner is also using the solar attributes of its consumers, who have installed captive solar rooftop plants to meet the solar RPO. The Petitioner has not considered any purchase of solar energy due to expected installation of additional solar plants by its consumers. The Petitioner submitted that it will utilise renewable attributes of Solar Power Generators (SPG) and Solar RECs to fulfil its RPO. The Petitioner has also considered purchase of Non-Solar RECs to fulfil the RPO of others (Biomass, bagasse, MSW & Hydro) category. The Petitioner has considered purchase of aforesaid renewable power and RECs in accordance with the RPO target notified by the Commission through its GERC (Procurement of Energy from Renewable Sources) (Second Amendment) Regulations, 2018. The summary of the total power purchase cost is tabulated below:

Table 4.8: Source-wise Power Purchase Cost for FY 2019-20 and FY 2020-21 as projected by MUPL (Rs. Crore)

Particulars	2019-20		2020-21	
	Approved in the MYT Order	Revised Estimate	Approved in the MYT Order	Revised Estimate
Long Term Contract	182.29	145.05	185.96	146.03
Bilateral & Others	29.52	14.82	32.35	20.73
RPO - Solar	20.90	-	26.47	-

Particulars	2019-20		2020-21	
	Approved in the MYT Order	Revised Estimate	Approved in the MYT Order	Revised Estimate
RPO-Wind	21.87	14.62	22.85	14.62
RPO-Others	3.44	-	3.55	-
REC	-	3.34	-	3.19
Other (Reactive, SLDC & Transmission Charges)	2.43	4.52	2.65	5.07
Total	**260.45**	**182.35**	**273.82**	**189.65**

Commission's analysis

As per the GERC (MYT) Regulations, 2016, the Distribution Licensees are required to project the power purchase requirement based on the Merit Order Despatch principles of all generating stations considered for power purchase, RPO, and the target set, if any, for Energy Efficiency and DSM schemes.

In the MYT Order, the Commission had approved sources of power purchase for FY 2019-20 and FY 2020-21. Accordingly, MUPL has projected the power requirement and availability of power from approved sources. Further, the Commission had approved power procurement from Bilateral sources/Power Exchanges. In FY 2017-18, MUPL had met the shortfall in power purchase from long-term sources, Renewables and also by procurement through Indian Energy Exchange (IEX) and UI.

The Commission has considered the full available contracted capacity under the APL-PPA, for meeting the energy requirement for FY 2019-20 and FY 2020-21.

The RPO targets approved by the Commission as per the GERC (Procurement of energy from renewable sources) (second amendment) Regulations, 2018 for FY 2019-20 and FY 2020-21 are as follows:

Table 4.9: RPO Target approved by the Commission for MUPL

Description	2019-20	2020-21
Solar	5.50%	6.75%
Wind	8.05%	8.15%
Others (Biomass, Small Hydro, Bagasse, MSW)	0.75%	0.75%

Description	2019-20	2020-21
RPO	**14.30%**	**15.65%**

The quantum of purchase from Wind Energy sources and Solar Energy sources has been considered in accordance with the above RPO targets.

The Commission sought the details such as breakup of RE Solar and Non-Solar proposed vis-à-vis source, quantum, rate, basis for the rate and also the details of the Wind project within SEZ area and whether the PPA has been signed and approved by the Commission. In reply, MUPL submitted that the Wind project of 12 MW is under installation in Mundra SEZ. MUPL has signed PPA on 9th February, 2017 with aforesaid WTG at the preferential tariff approved by the Commission, and all the related PPA/documents have already been submitted to the Commission.

For meeting the balance energy requirement, the Commission has considered purchase from bilateral sources and Power Exchange, after considering the energy requirement fulfilled through RE sources as part of MUPL's RPO. MUPL should procure power at competitive rates from market through Power Exchanges or e-bid procurement as per the guidelines of MoP. MUPL should procure power from these sources based on the prevailing rates, in order to optimise the power purchase cost.

In accordance with the above, the energy availability projection as approved by the Commission after Mid-Term Review for FY 2019-20 and FY 2020-21 is given in the Table below:

Table 4.10: Energy Availability approved by the Commission for FY 2019-20 and FY 2020-21 (MUs)

Particulars	2019-20			2020-21		
	Approved in the MYT Order	Revised Estimate	Approved in MTR	Approved in the MYT Order	Revised Estimate	Approved in MTR
Long Term Contract	446.76	307.94	307.94	446.76	305.68	305.68
Bilateral & others	108.94	35.43	22.48	117.62	49.57	29.16
RPO - Solar	35.66	0.09	21.20	45.16	0.09	26.79
RPO-Wind	52.20	42.26	33.93	54.53	42.26	35.33
RPO-Others	4.86	-	-	5.02	0.00	-
Total	**648.42**	**385.72**	**385.55**	**669.09**	**397.60**	**396.96**

As regards the Power Purchase cost, the Commission asked MUPL regarding the basis of consideration of rates for purchase of power from LT sources, bilateral sources, RPO-RE, etc., for FY 2019-20 and FY 2020-21, as compared to actual rates for purchase from these sources in FY 2017-18. MUPL submitted that it has projected increase in power purchase cost during FY 2019-20 and FY 2020-21 compared to FY 2017-18 on account of the following:

a) The CERC vide notification dated 01.06.2018 has revised the methodology to work out escalation rates for domestic coal. This has increased energy charges from Rs. 2.43/kWh in the month of March, 2018 (before issuance of notification) up to Rs. 2.82/kWh in the month of November, 2018. Moreover, US Dollar Exchange Rate has also increased the energy charges of LT-PPA. The Dollar Exchange Rate of Rs. 64.11/$ applicable for the month of March, 2018 has increased up to Rs. 73.22/$ in the month of November, 2018. These have increased Energy Charges of LT-PPA by 16% till November, 2018.
b) MUPL has considered short-term power purchase price for FY 2019- 20 and FY 2020-21 on the basis of average IEX price, weighted average Point of Connection (POC) withdrawal losses and charges of Gujarat for the period from October, 2017 to October, 2018. Accordingly, MUPL has worked out a rate of Rs. 4.18/kWh for purchase of power under short-term during FY 2019-20 and FY 2020-21.
c) MUPL has considered compliance of RPO by purchase of power from Wind and purchase of Solar RECs as well as Non-solar RECs at rates notified by the CERC for FY 2019-20 and FY 2020-21.

The Commission is of the view that as the trued-up values of FY 2017-18 are being considered for making projections of sales for FY 2019-20 and FY 2020-21, it would be more appropriate to consider the trued-up rates of power purchase from each source of power in FY 2017-18, for projecting the cost of power purchase for FY 2019-20 and FY 2020-21.

For purchase from APL-LT for FY 2019-20 and FY 2020-21, the Commission has considered the same variable cost Rs. 2.44 per kWh, as approved by the Commission in the truing up for FY 2017-18.

The rate for power purchase from Bilateral/Power Exchange for FY 2019-20 and FY 2020-21 has been considered as Rs. 4.33/kWh, which is same as approved during Truing up for FY 2017-18.

The purchase from own Wind project has been considered at the preferential tariff of Rs. 3.46/kWh for FY 2019-20 and FY 2020-21.

As regards purchase of Solar power, the Commission has projected the cost of purchase to meet the RPO requirement at the lowest competitive bid rates discovered recently by GUVNL for solar projects in Gujarat and as submitted by them in their MTR Petitions. Hence, the Commission has considered a rate of Rs. 2.66/kWh for FY 2019-20 and a rate of Rs. 2.54/kWh for FY 2020-21, for purchase of Solar power. The Petitioner should procure all additional Renewable power requirement through competitive bidding, to ensure that the power purchase cost is optimized. Further, in case of purchase from solar roof-top projects to meet Solar RPO, the same shall be considered at the time of Truing-up for the respective years.

Accordingly, the Commission has approved the total power procurement cost of MUPL from different sources, after Mid-Term Review, as given in the Table below:

Table 4.11: Power Purchase Cost approved by the Commission for FY 2019-20 and FY 2020-21 (Rs. Crore)

Particulars	2019-20			2020-21		
	Approved in the MYT Order	Revised Estimate	Approved in MTR	Approved in the MYT Order	Revised Estimate	Approved in MTR
Long Term Contract	182.29	145.05	130.11	185.96	146.03	128.29
Bilateral & others	29.52	14.82	9.72	32.35	20.73	12.61
RPO - Solar	20.90	-	5.64	26.47	-	6.81
RPO-Wind	21.87	14.62	11.74	22.85	14.62	12.22
RPO-Others	3.44	-	-	3.55	-	-
REC	-	3.34	-	0	3.19	-
Other (Reactive, SLDC & Transmission Charges)	2.43	4.52	2.43	2.65	5.07	2.65
Total	**260.45**	**182.35**	**159.64**	**273.83**	**189.64**	**162.58**

4.6 Operation and Maintenance Expenses

Petitioner's Submission

The Petitioner has derived the O&M Expenses based on the average of actual O&M Expenses for the three (3) years ending 31st March, 2017 as per the GERC (MYT) Regulation, 2016 for Mid-Term Review of FY 2019-20 and FY 2020-21. It has submitted that it has considered this average as O&M Expenses for the financial year ended 31st March, 2016 and escalated year on year at the escalation factor of 5.72% to arrive at O&M Expenses for FY 2019-20 and FY 2020-21, as per the GERC (MYT) Regulations, 2016.

The revised O&M costs for FY 2019-20 and FY 2020-21 have been tabulated below:

Table 4-12: Revised O&M Expenses projected by MUPL for FY 2019-20 and FY 2020-21 (Rs. Crore)

Particulars	2019-20		2020-21	
	Approved in the MYT Order	Revised Estimates	Approved in the MYT Order	Revised Estimates
O&M Expenses	10.72	10.25	11.33	10.84

Commission's Analysis

The Petitioner has revised the O&M Expenses for FY 2019-20, which are lower than the O&M Expenses approved by the Commission in the MYT Order.

Regulations 86.2 and 94.8 of the GERC (MYT) Regulations, 2016 specify the method of allowing normative O&M Expenses for the MYT Control Period, as reproduced below:

> *"86.2 Operation and Maintenance expenses:*
>
> *a) The Operation and Maintenance expenses shall be derived on the basis of the average of the actual Operation and Maintenance expenses for the three (3) years ending March 31, 2015, subject to prudence check by the Commission.*
>
> *b) The average of such operation and maintenance expenses shall be considered as operation and maintenance expenses for the financial year ended March 31, 2014 and shall be escalated year on year at the escalation factor of 5.72% to arrive at operation and maintenance expenses for subsequent years up to FY 2020-21…"*

Therefore, the Commission finds it appropriate to retain the same at the level approved in the MYT Order. This is consistent with the approach followed for other parameters such as Distribution Losses, etc., where the trajectory stipulated in the MYT Order has been retained in the Mid-Term Review, even though the actual Distribution Losses in FY 2017-18 are lower than the stipulated levels. And hence, there is no scope for revision of the O&M Expenses at the time of Mid-Term Review by considering the actual O&M Expenses for FY 2017-18, as proposed by the Petitioner.

Thus, the Commission approves the O&M expenses for FY 2019-20 and FY 2020-21 after Mid-Term Review, as allowed in the MYT Order, as shown in the Table below:

Table 4.13: O&M Expenses approved for MUPL for FY 2019-20 and FY 2020-21 (Rs. Crore)

Particulars	2019-20			2020-21		
	Approved in the MYT order	Revised Estimate	Approved in MTR	Approved in the MYT order	Revised Estimate	Approved in MTR
Employee Expenses		3.23	3.37		3.41	3.57
R&M Expenses		1.74	1.82		1.84	1.93
A&G Expenses		5.28	5.52		5.58	5.84
Total O&M Expenses (net of capitalisation)	**10.72**	**10.25**	**10.72**	**11.33**	**10.72**	**11.33**

4.7 Capital Expenditure, Capitalization and Sources of Funding

a. Capital Expenditure

Petitioner's submission

The availability of qualitative and reliable power to the unit holders would be the most important element for successful development of Mundra SEZ. The investors prefer to set up their continuous process industry in MPSEZ area, if they get uninterrupted qualitative power supply. In view of this, MUPL has planned to establish state-of-art distribution network along with build-in redundancies for ensuring uninterrupted quality power supply to the unit holders in Mundra SEZ. MUPL has also considered network automation for real time monitoring and operation of various equipment from Central Control Room (CCR) at the time of MYT Petition.

Due to overall economic slowdown, the demand has not picked up at the pace envisaged in the MYT Petition. Therefore, the Petitioner has deferred its network development plan. The Petitioner has submitted the Mid-Term Review to align the CAPEX for FY 2019-20 and FY 2020-21.

The Petitioner has considered the following assumptions for the projection of revised CAPEX for FY 2019-20 and FY 2020-21:

- Outdoor type air insulated sub-station (AIS) has been considered for EHV S/s of 220 kV and 66 kV level.
- Hybrid, i.e., combination of overhead line and underground cable has been considered for EHV Network above 66 kV level.

- Indoor type sub-station has been considered for HV Sub-station of 11 kV level.
- Underground cables have been considered for HV Network and LV Network.
- The EHV S/s, EHV Network and HV S/s shall be ready to cater power supply requirement in SEZ area.
- The HV/LV Network shall be laid on need basis for last mile connectivity.
- The costs of material and services have been considered as per existing rates (i.e. without any taxes and duties), no escalation factor has been considered.
- The CAPEX is proposed to be funded with a debt equity ratio of 70:30

The Petitioner has planned to undertake capital investments for development of power distribution infrastructure to meet power requirement of its consumers. The Petitioner submitted the year wise revised CAPEX Roll out plan as under:

FY 2019-20

The Petitioner has projected addition of few retail consumers during FY 2019-20 and it is expected that consumer base would reach 71 nos. with arithmetic sum of Contracted Demand as 83 MVA. The Petitioner has considered RMU automation associated with HV Network, which will improve reliability index of HV Network. The system eliminates manual intervention to find out faulty section and its isolation. The Petitioner has considered augmentation of 66 kV Ring Network between MRSs – MITAP S/s – MPT S/s – South Basin GIS – LNG GIS. The Petitioner has considered addition of EHV, HV and LV network for last mile connectivity to the new consumers.

Accordingly, Petitioner has considered Capital Expenditure of Rs 16.49 Crore and considered Capitalisation of Rs. 22.68 Crore for FY 2019-20.

FY 2020-21

The Petitioner has considered CCR for real time monitoring and remote operation of complete electrical network of licence area. The Petitioner has considered addition of 66 kV Bays and 66 kV/11 kV Power Transformers at 66 kV South Basin GIS. The Petitioner has considered addition of power transformer along-with addition of necessary EHV Bays and equipment at 220 kV EHV S/s to maintain (N-1) transformation redundancy. The Petitioner has considered RMU automation associated with HV Network, which will improve reliability index of HV Network. The system eliminates manual intervention to find out faulty section and its isolation. The Petitioner has considered addition of EHV, HV and LV network for last mile connectivity to upcoming consumer. Accordingly, Petitioner has considered Capital Expenditure of Rs 12.31 Crore, and considered Capitalisation of Rs. 14.35 Crore for FY 2020-21.

Based on above, the summary of proposed capital expenditure during FY 2019-20 and FY 2020-21 is shown in the Table below:

Table 4.14: Capital Expenditure projected by MUPL for FY 2019-20 and FY 2020-21 (Rs. Crore)

Particulars	2019-20		2020-21	
	Approved in the MYT Order	Revised Estimates	Approved in the MYT Order	Revised Estimates
EHV (220 kV & 66 kV)				
EHV Transmission Line	8.87	8.96	-	-
EHV Transmission Cable	-	2.48	-	-
EHV Substation	12.71	1.98	-	8.68
Land Cost	0.40	-	-	-
Civil Cost	1.06	-	-	-
Sub-Total	**23.05**	**13.42**	**-**	**8.68**
HT (33 kV & 11 kV) & Network				
33 kV HT cable Network	2.34	-	2.34	-
11 kV HT cable Network	-	1.57	-	0.78
33/11 kV HT Substation	4.15	-	3.2	0.64
Land Cost	0.40	-	0.4	-
Civil Cost	0.90	-	0.9	-
Subtotal	**7.80**	**1.57**	**6.85**	**1.42**
Others				
Automation and Scada	0.94	1.31	0.33	1
Testing and Measuring Equipment	-	-	-	-
Meters	-	-	-	-
IT & AMR	-	0.19	-	0.64
Miscellaneous	-	-	-	-
Buildings & Other Civil Work	-	-	-	0.57
Sub Total	**0.94**	**1.50**	**0.33**	**2.22**
Total Capex	**31.78**	**16.49**	**7.18**	**12.31**

The supply area is not mature enough to supply power to upcoming customers through existing infrastructure in Mundra SEZ, which is spread over in an area of 8481.28 hectares. Hence, the proposed capital investments are necessary for ensuring reliable and quality power availability to its customers in the licence area and therefore requested the Commission to approve the proposed capital expenditure.

Commission's analysis

The Commission had approved capital expenditure of Rs. 31.78 Crore in FY 2019-20 and Rs. 7.18 Crore in FY 2020-21 in the MYT Order, while MUPL has now proposed Capital Investment of Rs. 16.49 Crore and Rs. 12.31 Crore for FY 2019-20 and FY 2020-21, respectively. The Petitioner has furnished the scheme-wise justification for the capital expenditure projection in the Mid-Term Review.

The Commission asked MUPL to justify the projected capital expenditure and capitalization for FY 2019-20 and FY 2020-21, in view of the stated economic slowdown and consequential deferment of the network development plan. MUPL submitted that the economic slowdown had affected capital expenditure and capitalization during FY 2016-17 and FY 2017-18. MUPL has considered addition of infrastructure for prospective customers based on discussion with the SEZ Developer for clients who are in the pipeline. The Commission has approved capitalization equivalent to 22% of approved capex on the basis of historical data in the MYT Order. Capital expenditure for FY 2019-20 is lower by Rs. 15.29 Crore and higher by Rs. 5.13 for FY 2020-21, as compared to capital expenditure approved by the Commission in the MYT Order.

The Commission is of the view that the licensee may undertake capital expenditure so as to meet the need of the present and future load growth but at the same time it should also adhere to cost effective measures and do optimum investments. Accordingly, the Commission is considering additional capital expenditures over and above the MYT approved CAPEX on provisional basis subject to the condition that the Licensee shall submit details of each EHV scheme and take the consent of the Commission separately. The Distribution Licensee shall submit detailed capital investment plan for all EHV schemes with the physical targets for current and remaining year of the control period to the Commission for its approval. The Distribution Licensee shall submit details of actual Capex for each EHV scheme with target date and actual commissioning on quarterly basis for physical verification / examination within one month of the completion of the relevant quarter.

Accordingly, the Commission approves the Capex for FY 2019-20 and FY 2020-21 as Rs. 16.49 Crore and Rs. 12.31 Crore, respectively.

b. Capitalisation /Gross asset addition

Petitioner's Submission

The Commission had approved capitalisation of Rs. 7.00 Crore for FY 2019-20 and Rs. 1.58 Crore for FY 2020-21 in the MYT Order dated 31st March, 2017.

The Petitioner has proposed scheme-wise capitalisation for FY 2019-20 and FY 2020-21 as shown in the following Table:

Table 4.15: Proposed scheme-wise Capitalisation for FY 2019-20 and FY 2020-21 (Rs. Crore)

Sl. No.	Project Code	Project Title	2019-20	2020-21
	FY 2019-20			
1	(1) HT/LT Network	Power Connectivity & common Network for consumers	0.73	
2	(2) HT/LT Network	Power Connectivity & common Network for consumers	0.32	
3	(3) HT/LT Network	Power Connectivity & common Network for consumers	1.16	
4	(4) EHV Network	66KV Transmission Lines	6.11	
5	(5) EHV Network	66KV Transmission Lines	14.36	
	FY 2020-21			
6	(6) EHV S/S	66/33 KV Sub-station and 66KV bay extension		1.26
7	(7) HT/LT Network	Power Connectivity & common Network for consumers		1.17
8	(8) HT/LT Network	Power Connectivity & common Network for consumers		0.33
9	(9) EHV S/S	66/33 KV Sub-station and 66KV bay extension		3.14
10	(10) EHV S/S	66/33 KV Sub-station and 66KV bay extension		8.46
TOTAL			**22.68**	**14.35**

Commission's Analysis

Capital investment increases the fixed asset base, resulting in higher debt servicing, and higher return on equity and higher depreciation, which ultimately affects the tariffs paid by the consumers. A majority of the schemes proposed by MUPL are EHV schemes, which are likely to have longer lead times.

The Commission has examined the actual net capitalisation achieved in the first two years of the current MYT Control Period by MUPL, i.e., FY 2016-17 and FY 2017-18, as a percentage of that projected in the respective Petitions, as shown in the Table below:

Table 4.16: Actual Capitalisation achieved in past two years (Rs. Crore)

Sl.	Year	Projected Capitalisation	Actual Capitalisation
1	FY 2016-17	5.86	2.10
2	FY 2017-18	10.49	2.74
3	**Total**	**16.35**	**4.84**

It is observed that the actual capitalisation during first two years of the present Control Period is around 30% (Rs. 4.84 Crore against Rs. 16.35 Crore) of the capitalisation projected in the respective Petitions.

Hence, based on the actual capitalisation as a percentage of capitalisation projected in the Petition, the Commission allows 30% of the capitalisation projected by the Petitioner in MTR Petition for FY 2019-20 and FY 2020-21.

The Commission is allowing capitalization of CAPEX on the basis of the Licensee's past performance subject to final adjustments as per Regulations/Prudence check at the time of truing up.

Accordingly, the Commission approves the capitalisation of Rs. 6.71 Crore for FY 2019-20 and Rs. 4.25 Crore for FY 2020-21.

The summary of capital expenditure and capitalisation approved by the Commission is as follows:

Table 4.17: Capital Expenditure and Capitalisation approved by the Commission for FY 2019-20 and FY 2020-21 (Rs. Crore)

Particulars	2019-20			2020-21		
	Approved in the MYT Order	Revised Estimate	Approved in MTR	Approved in the MYT Order	Revised Estimate	Approved in MTR
Capital Expenditure	31.78	16.49	16.49	7.18	12.31	12.31
Capitalisation	7.00	22.68	6.71	1.58	14.35	4.25

c. Funding of Capex

Petitioner's Submission

MUPL has proposed to fund the proposed capitalization in FY 2019-20 and FY 2020-21 from recovery of SLC and balance through normative debt:equity in the ratio of 70:30. The funding of capitalisation as projected by MUPL is shown in the Table below:

Table 4.18: Proposed funding of capitalisation for FY 2019-20 and FY 2020-21 (Rs. Crore)

Particulars	Legend	2019-20	2020-21
Opening GFA	a	108.04	130.72
Addition to GFA	b	22.68	14.35
Deletion from GFA	c	-	-
Closing GFA	d=a+b-c	130.72	145.07
SLC Addition	e	20.12	1.35
Capitalisation for Debt	f=b-c-e	2.56	13.00
Capitalisation for Equity	g=b-c-e	2.56	13.00
Normative Debt @ 70%	h=f*70%	1.79	9.10
Normative Equity @30%	i=g*30%	0.77	3.90

Commission's Analysis

The Commission observed that MUPL has considered asset capitalisation of Rs. 16.04 Crore in FY 2018-19, which amounts to net capitalisation of Nil in FY 2018-19, after deducting Service Line Contribution of Rs. 26.08 Crore, to arrive at the opening GFA for FY 2019-20. However, in the MYT Order, the Commission had approved capitalisation of Rs. 9.99 Crore for FY 2018-19, and net capitalisation of Rs. 0.47 Crore, after deducting Service Line Contribution of Rs. 9.52 Crore. This has resulted in variation in the opening value of GFA for FY 2019-20 and thereby, all values of depreciation, interest and RoE have been projected at different values by the Petitioner.

The actual capitalisation in H1 of FY 2018-19 has been reported as Rs. 0.17 Crore. However, provisional true-up for FY 2018-19 has not been done in this Order, and hence, there is no scope for revising the values for FY 2018-19.

Hence, the Commission has considered the closing GFA for FY 2017-18 as approved in truing up for FY 2017-18 in this Order, as the opening GFA for FY 2018-19. The Commission has considered the GFA addition during FY 2018-19 as approved by the Commission in the MYT Order dated 31st March, 2017, as detailed above. The closing balance of GFA for FY 2018-19 thus worked out, has been considered as opening balance of GFA for FY 2019-20. The asset capitalisation approved for FY 2019-20 and FY 2020-21 have been discussed in the earlier Section. The SLC addition has been considered in proportion to the capitalisation approved by the Commission, and the balance has been considered as funded by Debt:Equity in the ratio of 70:30.

Accordingly, the capex, capitalisation and funding approved by the Commission for FY 2019-20 and FY 2020-21 are given in the Table below:

Table 4.19: Funding of Capitalisation approved for FY 2019-20 and FY 2020-21 (Rs. Crore)

Particulars	2019-20			2020-21		
	Approved in the MYT Order	Revised Estimate	Approved in MTR	Approved in the MYT Order	Revised Estimate	Approved in MTR
Opening GFA	100.76	108.04	101.99	107.76	130.72	108.71
Addition to GFA	7.00	22.68	6.71	1.58	14.35	4.25
Deletion from GFA	-	-	-	-	-	-
Closing GFA	107.76	130.72	108.71	109.34	145.07	112.95
SLC Contribution	1.17	20.12	5.95	0.01	1.35	0.40
Capitalisation for Debt:Equity	5.83	2.56	0.76	1.57	13.00	3.85
Normative Debt @70%	4.08	1.79	0.53	1.10	9.10	2.69
Normative Equity @30%	1.75	0.77	0.23	0.47	3.90	1.15

4.8 Depreciation

Petitioner's Submission

The Petitioner has computed depreciation on the fixed assets based on Straight Line Method as prescribed in the GERC (MYT) Regulations, 2016, using depreciation rates specified in the GERC (MYT) Regulations, 2016. The total depreciation works out as under for FY 2019-20 and FY 2020-21:

Table 4.20: Depreciation projected by MUPL for FY 2019-20 and FY 2020-21 (Rs. Crore)

Particulars	2019-20		2020-21	
	Approved in the MYT Order	Revised Estimate	Approved in the MYT Order	Revised Estimate
Opening Gross Block	100.76	108.04	107.76	130.72
Closing Gross Block	107.76	130.72	109.34	145.07
Depreciation	3.88	2.16	4.12	2.70

Commission's Analysis

The Commission has considered the approved capitalisation for calculation of depreciation. The Commission has considered the actual average depreciation rate of 3.22% for FY 2017-18 and computed the depreciation for FY 2019-20 and FY 2020-21 on average GFA net of assets finaced through SLC (GFA-SLC).

Accordingly, the Commission has approved the depreciation for FY 2019-20 and FY 2020-21 as shown in the Table below:

Table 4.21: Approved Depreciation for FY 2019-20 and FY 2020-21 (Rs. Crore)

Particulars	2019-20			2020-21		
	Approved in the MYT Order	Revised Estimate	Approved in MTR	Approved in the MYT Order	Revised Estimate	Approved in MTR
Depreciation	3.88	2.16	1.92	4.12	2.70	1.99

4.9 Interest Expenses

Petitioner's submission

The Petitioner has taken a loan from RBL on 31.03.2015 and other capital expenditure has been funded through its own resources, i.e., through equity infusion and through consumer contributions. It has considered the debt-equity in the ratio of 70:30 as per the GERC (MYT) Regulations, 2016 excluding projected SLC, which would be received from the consumers.

For the Mid-Term Review, the Petitioner has considered weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of the year applicable to the Distribution Licensee, as per the GERC (MYT) Regulations, 2016. Accordingly, interest liability at 11.08%, based on interest rate of the existing loan of RBL for FY 2017-18, has been considered for Mid-Term Review of FY 2019-20 and FY 2020-21.

The interest expense thus proposed by MUPL is shown in the Table below:

Table 4.22: Interest Expenses projected by MUPL for FY 2019-20 and FY 2020-21 (Rs. Crore)

Particulars	2019-20		2020-21	
	Approved in the MYT Order	Revised Estimate	Approved in the MYT Order	Revised Estimate
Opening Balance of Loans	21.87	22.77	22.07	22.40
Loan Addition during the Year	4.08	1.79	1.10	9.10
Repayments during the Year	3.88	2.16	4.12	2.70
Closing Balance of Loans	22.07	22.4	19.05	28.80
Average Loans	21.97	22.59	20.56	25.60
Weighted Average Rate of Interest (in %)	11.65%	11.08%	11.65%	11.08%
Interest Expenses	**2.56**	**2.50**	**2.40**	**2.84**
Bank & Finance Charges	0.12	0.04	0.12	0.04
Total Interest & Finance Charges	**2.68**	**2.54**	**2.51**	**2.88**

Commission's Analysis

The Commission has considered the closing normative loans for FY 2017-18 as approved in truing up for FY 2017-18 in this Order, as the opening normative loans for FY 2018-19. The funding of capitalisation and repayment equivalent to depreciation for FY 2018-19 has been considered as approved in the MYT Order to arrive at the closing balance of normative loans for FY 2018-19, which has been considered as the Opening balance of normative loans for FY 2019-20. The loan addition and repayment equivalent to depreciation as approved for FY 2019-20 and FY 2020-21 have been considered.

As regards the weighted average rate of interest, the Commission has observed that in the Compliance to Directives, MUPL has submitted that it has put its best efforts to reduce the interest rate, which has been reduced from 11.63% (at the beginning of FY 2017-18) to 10.25% (at the end of FY 2017-18).The Commission has also verified the same from the detailed calculation submitted by MUPL and has accordingly considered the weighted average rate of interest as 10.25% for computing the interest expenses for FY 2019-20 and FY 2020-21.

As regards Finance Charges for FY 2019-20 and FY 2020-21, the Commission shall allow the same at actuals at the time of truing up.

Accordingly, the Commission approves the Interest and Finance Charges for FY 2019-20 and FY 2020-21 as shown in the Table below:

Table 4.23: Interest Expenses approved by the Commission for FY 2019-20 and FY 2020-21 (Rs. Crore)

Source of Loan	2019-20			2020-21		
	Approved in the MYT Order	Revised Estimate	Approved in MTR	Approved in the MYT Order	Revised Estimate	Approved in MTR
Opening Balance of Normative Loan	21.87	22.77	21.93	22.07	22.40	20.54
Less: Reduction of Normative Loan	-	-	-	-	-	-
Addition of Normative Loan	4.08	1.79	0.53	1.10	9.10	2.69
Repayment of Normative Loan	3.88	2.16	1.92	4.12	2.70	1.99
Closing Balance of Normative Loan	22.07	22.4	20.54	19.05	28.80	21.24
Average Balance of Normative Loan	21.97	22.59	21.24	20.56	25.60	20.89
Weighted average Rate of Interest on Actual Loans (%)	11.65%	11.08%	10.25%	11.65%	11.08%	10.25%
Interest Expenses	**2.56**	**2.50**	**2.18**	**2.40**	**2.84**	**2.14**
Finance Charges	0.12	0.04	-	0.12	0.04	-
Total Interest & Finance Charges	**2.68**	**2.54**	**2.18**	**2.51**	**2.88**	**2.14**

The Commission, accordingly, approves the interest expenses as Rs. 2.18 Crore for FY 2019-20 and Rs. 2.14 Crore for FY 2020-21.

4.10 Interest on Security Deposit

Petitioner's submission

The consumers of MUPL whose amount of security exceeds Rs. 25 Lakh, can at his option, furnish the security deposit in the form of irrevocable BG initially valid for a period of 2 years as per the GERC (Security Deposit) (Second Amendment) Regulations, 2015. The Petitioner has revised the projections of interest payable on security deposit, considering only those customers whose amount of security would have been less than Rs. 25 Lakh. It has considered Bank Rate of 6.25% as on 01.04.2018, for calculation of interest payable on security deposit for FY 2019-20 and FY 2020-21.

The estimated interest on security deposit for MUPL is as under:

Table 4.24: Interest on Security Deposit estimated for FY 2019-20 and FY 2020-21 (Rs. Crore)

Particulars	2019-20		2020-21	
	Approved in the MYT Order	Revised Estimate	Approved in the MYT Order	Revised Estimate
Security Deposit	2.54	1.76	2.55	1.76
Interest Rate	7.75%	6.25%	7.75%	6.25%
Interest on security deposit	**0.20**	**0.11**	**0.20**	**0.11**

Commission's Analysis

The Commission has accepted the consumer security deposits projected by the Petitioner for FY 2019-20 and FY 2020-21. The Commission has considered the RBI Bank Rate @ 6.25% per annum.

The Commission, accordingly, approves the interest on security deposit for FY 2019-20 and FY 2020-21 as detailed in the following Table:

Table 4.25 Interest on security deposit approved for FY 2019-20 and FY 2020-21 (Rs. Crore)

Particulars	2019-20			2020-21		
	Approved in the MYT Order	Revised Estimate	Approved in MTR	Approved in the MYT Order	Revised Estimate	Approved in MTR
Amount held as security deposit	2.54	1.76	1.76	2.55	1.76	1.76
Interest Rate (in %)	7.75%	6.25%	6.25%	7.75%	6.25%	6.25%
Interest on Security Deposit	**0.20**	**0.11**	**0.11**	**0.20**	**0.11**	**0.11**

4.11 Interest on Working Capital

Petitioner's submission

The interest on working capital has been computed as per the GERC (MYT) Regulations, 2016. The rate of interest on working capital has been considered as 10.65% considering SBI MCLR as on 01.04.2018 plus 250 basis points as per the GERC (MYT) Regulations, 2016. The revised interest on working capital projected by MUPL for FY 2019-20 and FY 2020-21 has been detailed below:

Table 4.26: Interest on Working Capital estimated for FY 2019-20 and FY 2020-21 (Rs. Crore)

Particulars	2019-20		2020-21	
	Approved in the MYT Order	Revised Estimate	Approved in the MYT Order	Revised Estimate
O&M Expense for 1 month	0.89	0.85	0.94	0.90
1 % of GFA for Maintenance Spares	1.01	1.08	1.08	1.31
Receivables for 1 month	26.56	16.00	27.36	16.50
Less: Security Deposit	2.54	1.76	2.55	1.76
Normative Working Capital	25.91	16.17	26.83	16.94
Interest Rate (%)	11.70%	10.65%	11.70%	10.65%
Interest on Working Capital	**3.03**	**1.72**	**3.14**	**1.80**

Commission's Analysis

The Commission has computed the working capital requirement of MUPL as specified in Regulation 40.4 and Regulation 40.5 of the GERC (MYT) Regulations, 2016 read in conjunction with the GERC (MYT) (First Amendment) Regulations, 2016 after considering the security deposit amount available during the year.

The Commission has considered the 1-year MCLR of State Bank of India as on 1st April, 2018 as 8.15% and hence, rate of interest on working capital works out to 10.65% (8.15% plus 2.5% or 250 basis points). The normative interest on working capital approved by the Commission for FY 2019-20 and FY 2020-21 is shown in the Table below:

Table 4.27: Interest on Working Capital approved for FY 2019-20 and FY 2020-21 (Rs. Crore)

Particulars	2019-20			2020-21		
	Approved in the MYT Order	Revised Estimate	Approved in MTR	Approved in the MYT Order	Revised Estimate	Approved in MTR
O&M Expenses	0.89	0.85	0.89	0.94	0.90	0.94
Maintenance Spares	1.01	1.08	1.02	1.08	1.31	1.09
Receivables	26.56	16.00	14.92	27.36	16.50	15.23
Working Capital requirement	28.46	17.93	16.83	29.38	18.71	17.26
Less: Amount held as Security Deposit	2.54	1.76	1.76	2.55	1.76	1.76
Total Working Capital	25.91	16.17	15.06	26.83	16.94	15.49
Interest Rate (%)	11.70%	10.65%	10.65%	11.70%	10.65%	10.65%
Interest on Working Capital	**3.03**	**1.72**	**1.60**	**3.14**	**1.80**	**1.65**

4.12 Return on Equity

Petitioner's submission

The Return on Equity has been computed @14% on the average of the opening and closing balance of the equity arrived at considering the revised estimated capitalisation for FY 2019-20 and FY 2020-21 as shown in the Table below:

Table 4.28: Return on Equity claimed by MUPL for FY 2019-20 and FY 2020-21 (Rs. Crore)

Particulars	2019-20		2020-21	
	Approved in the MYT Order	Revised Estimate	Approved in the MYT Order	Revised Estimate
Opening Equity	21.30	20.95	23.05	21.71
Normative Equity Addition	1.75	0.77	0.47	3.90
Reduction in Equity	-	-	-	-
Closing Balance of Equity	23.05	21.71	23.52	25.61
Return on Opening Equity	2.98	2.93	3.23	3.04
Return on Equity addition	0.12	0.05	0.03	0.27
Total return on Equity	**3.10**	**2.99**	**3.26**	**3.31**

Commission's Analysis

The Commission has considered the closing equity for FY 2017-18 as approved in truing up for FY 2017-18 in this Order, as the opening equity for FY 2018-19. The closing balance of equity for FY 2018-19 thus worked out, after considering the equity addition as approved in the MYT Order dated 31st March, 2017, has been considered as opening balance of equity for FY 2019-20. The equity addition for FY 2019-20 and FY 2020-21 has been considered as approved at Table 5-19 of this Order.

The Commission has considered 14% as Rate of Return on Equity as specified in Regulation 37 of the GERC (MYT) Regulations, 2016. The Return on Equity approved by the Commission for FY 2019-20 and FY 2020-21 has been calculated as detailed in the Table below:

Table 4.29: Return on Equity approved by the Commission for FY 2019-20 and FY 2020-21 (Rs. Crore)

Particulars	2019-20			2020-21		
	Approved in the MYT Order	Revised Estimate	Approved in MTR	Approved in the MYT Order	Revised Estimate	Approved in MTR
Regulatory Equity at the Beginning of the Year	21.30	20.95	21.09	23.05	21.71	21.32
Equity portion of Capitalisation during the Year	1.75	0.77	0.23	0.47	3.90	1.15
Regulatory Equity at the end of the Year	23.05	21.71	21.32	23.52	25.61	22.47
Average Equity	22.17	21.33	21.20	23.29	23.66	21.90
Rate of RoE	14%	14%	14%	14%	14%	14%
Total Return on Equity	**3.10**	**2.99**	**2.97**	**3.26**	**3.31**	**3.07**

4.13 Contingency Reserve

Petitioner's Submission

The Petitioner has not considered any Contingency Reserves for FY 2019-20 & FY 2020-21 in the Mid-Term Review as shown in the Table below:

Table 4.30: Contingency Reserve estimated for FY 2019-20 and FY 2020-21 (Rs. Crore)

Particular	2019-20		2020-21	
	Approved in the MYT Order	Revised Estimate	Approved in the MYT Order	Revised Estimate
Contingency Reserve	-	-	-	-

Commission's Analysis

The Petitioner has considered Nil Contingency Reserves for FY 2019-20 and FY 2020-21. Therefore, the Commission approves the same as proposed by the Petitioner for FY 2019-20 and FY 2020-21. Any actual contribution to Contingency Reserves made by MUPL shall be considered during truing up exercise, in accordance with the GERC (MYT) Regulations, 2016.

4.14 Income Tax

Petitioner's Submission

As per the GERC (MYT) Regulations, 2016, the Commission shall provisionally approve the Income Tax payable for each year of the Control Period, if any, based on the actual income tax paid, including cess and surcharge on the same, if any, as per latest Audited Accounts available. The Petitioner has paid Rs. 2.77 Crore as Income Tax for FY 2017-18, therefore, the same has been considered as Income Tax payable for FY 2019-20 and FY 2020-21, as shown in the Table below:

Table 4.31: Income Tax projected for FY 2019-20 and FY 2020-21 (Rs. Crore)

Particulars	2019-20		2020-21	
	Approved in the MYT Order	Revised Estimate	Approved in the MYT Order	Revised Estimate
Income Tax	-	2.77	-	2.77

Commission's Analysis

The Commission has approved the Income Tax of Rs. 2.77 Crore in the true up of FY 2017-18. Accordingly, the Commission has considered Income Tax of Rs. 2.77 Crore for FY 2019-20 and FY 2020-21. Any variation in Income Tax actually paid and approved shall be considered based on the documentary evidence at the time of truing Up for FY 2019-20 and FY 2020-21 in accordance with Regulation 41.2 of the GERC (MYT) Regulations, 2016.

The Commission, accordingly, approves the Income Tax for FY 2019-20 and FY 2020-21 as shown in the Table below:

Table 4.32: Income Tax approved for FY 2019-20 and FY 2020-21 (Rs. Crore)

Particulars	2019-20			2020-21		
	Approved in the MYT Order	Revised estimate	Approved in MTR	Approved in the MYT Order	Revised estimate	Approved in MTR
Income Tax	-	2.77	2.77	-	2.77	2.77

4.15 Non-Tariff Income

Petitioner's submission

The Petitioner has submitted the revised amount of Non-Tariff Income considering projected rebate amounts to be availed by the Petitioner for making payments to the generators in accordance with the GERC (MYT) Regulations, 2016. The revised Non-Tariff Income estimated for FY 2019-20 and FY 2020-21 is as under:

Table 4-33: Non-Tariff income estimated for FY 2019-20 and FY 2020-21 (Rs. Crore)

Particulars	2019-20		2020-21	
	Approved in the MYT Order	Revised Estimate	Approved in the MYT Order	Revised Estimate
Non-Tariff Income	0.45	2.90	0.45	2.92

Commission's Analysis

The Commission accepts the Petitioner's contention and approves the Non-Tariff Income as projected by the Petitioner for FY 2019-20 and FY 2020-21, as shown in the Table below:

Table 4.34: Non-Tariff Income approved for FY 2019-20 and FY 2020-21 (Rs. Crore)

Particulars	2019-20			2020-21		
	Approved in the MYT Order	Revised Estimate	Approved in MTR	Approved in the MYT Order	Revised Estimate	Approved in MTR
Non-Tariff Income	0.45	2.90	2.90	0.45	2.92	2.92

4.16 Aggregate Revenue Requirement

Petitioner's Submission

The summary of revised estimates of ARR of MUPL for FY 2019-20 and FY 2020-21 is shown in the Table below:

Table 4.35: Summary of ARR projected by MUPL for FY 2019-20 and FY 2020-21 (Rs. Crore)

Particulars	2019-20		2020-21	
	Approved in the MYT Order	Revised Estimates	Approved in the MYT Order	Revised Estimates
Power Purchase Cost	260.45	182.35	273.82	189.65
O&M Expenses	10.72	10.25	11.33	10.84
Interest on Loans	2.68	2.54	2.51	2.88
Interest on Security Deposit	0.20	0.11	0.20	0.11
Interest on Working Capital	3.03	1.72	3.14	1.80

Particulars	2019-20		2020-21	
	Approved in the MYT Order	Revised Estimates	Approved in the MYT Order	Revised Estimates
Depreciation	3.88	2.16	4.12	2.70
Bad Debts Written off	-	-	-	-
Contingency Reserve	-	-	-	-
Return on Equity	3.10	2.99	3.26	3.31
Income Tax	-	2.77	-	2.77
Less: Non-Tariff Income	0.45	2.90	0.45	2.92
ARR	**283.61**	**202.00**	**297.94**	**211.14**

Commission's Analysis

The ARR approved by the Commission after Mid-Term Review for FY 2019-20 and FY 2020-21 is shown in the Table below:

Table 4.36: Summary of ARR approved for FY 2019-20 and FY 2020-21 (Rs. Crore)

Particulars	2019-20			2020-21		
	Approved in the MYT Order	Revised Estimate	Approved in MTR	Approved in the MYT Order	Revised Estimate	Approved in MTR
Power Purchase Expenses	260.45	182.35	159.64	273.82	189.65	162.58
Operation & Maintenance Expenses	10.72	10.25	10.72	11.33	10.84	11.33
Depreciation	3.88	2.16	1.92	4.12	2.70	1.99
Interest & Finance Charges	2.68	2.54	2.18	2.51	2.88	2.14
Interest on Security Deposit	0.20	0.11	0.11	0.20	0.11	0.11
Interest on Working Capital	3.03	1.72	1.60	3.14	1.80	1.65
Bad Debts Written off	-	-	-	-	-	-
Contribution to Contingency Reserves	-	-	-	-	-	-
Total Revenue Expenditure	**280.96**	**199.14**	**176.17**	**295.13**	**207.98**	**179.81**
Return on Equity Capital	3.10	2.99	2.97	3.26	3.31	3.07
Income Tax	-	2.77	2.77	-	2.77	2.77
Aggregate Revenue Requirement	**284.06**	**204.90**	**181.91**	**298.39**	**214.06**	**185.65**
Less: Non-Tariff Income	0.45	2.90	2.90	0.45	2.92	2.92
Aggregate Revenue Requirement	**283.61**	**202.00**	**179.01**	**297.94**	**211.14**	**182.73**

5 Determination of Tariff for FY 2019-20

5.1 Introduction

This Chapter deals with the determination of Revenue Gap/(Surplus), as well as Consumer/Retail tariff for FY 2019-20.

The Commission has considered the ARR approved in the last Chapter for FY 2019-20 and the adjustment on account of True-up for FY 2017-18, while determining the Revenue Gap/(Surplus) for FY 2019-20.

5.2 Gap/(Surplus)

Petitioner's Submission

The Petitioner has submitted that the projected revenue for FY 2019-20 at existing tariff, works out to Rs.191.95 Crore, against the projected ARR of Rs. 202.00 Crore. The consolidated Revenue Gap of FY 2017-18 is Rs. 3.84 Crore. The Petitioner has considered projected Revenue Gap of Rs. 3.84 Crore for FY 2017-18 along with Carrying Cost for FY 2018-19 and FY 2019-20, at weighted average SBI MCLR for FY 2017-18 of 8.00% in line with the GERC (MYT) Regulations, 2016, to work out the Revenue Gap/(Surplus) for FY 2019-20. The Petitioner has computed the Carrying Cost as per the methodology adopted by the Commission in the Tariff Order dated 5th April, 2018. In view of the above, the Revenue Gap for FY 2019-20, considering consolidated Revenue Gap of FY 2017-18 along with Carrying Cost on Revenue Gap of FY 2017-18 for FY 2018-19 and FY 2019-20, is given in the Table below:

Table 5-1: Projected Revenue Gap/(Surplus) with existing Tariff for FY 2019-20 (Rs. Crore)

Particulars	2019-20
ARR for FY 2019-20	202.00
Add: Consolidated Revenue Gap for FY 2017-18	3.84
Add: Carrying cost on consolidated gap of FY 2017-18 for FY 2018-19 & FY 2019-20	0.61
Revenue from existing Tariff	191.95
Revenue Gap/(Surplus) in FY 2019-20	**14.50**

Commission's Analysis

The Commission has approved the various components of the ARR for FY 2019-20 as discussed in the previous Chapter. The Commission has independently computed the revenue for MUPL for FY 2019-20 from projected category-wise sales and existing tariff, i.e., the tariff approved by the Commission for FY 2018-19 vide Order dated 5th April, 2018 in Petition No. 1694 of 2018, as shown in the Table below:

Table 5.2:Approved Sales and Category Wise Revenue of MUPL for 2019-20 (Rs. Crore)

Category	Sales (MUs)	Avg. Tariff Realization (Rs./kWh)*	Estimated Revenue (Rs. Crore)
HTMD-I	355.84	5.27	187.68
HTMD Others*	6.49	4.12	2.67
LT Others#	3.37	4.77	1.61
Sum Total	**365.69**	**5.25**	**191.95**

Note:

* HTMD Others consist of HTMD-II, HTMD-III, and HTMD- IV

LT Others consist of LT Commercial (Non-Demand), LT Commercial (Demand), LT Industrial (Demand), LT Streetlights, and LT Temporary.

As regards the Revenue Gap of Rs. 14.50 Crore, the Commission has noted that MUPL has considered the Consolidated Revenue gap of Rs. 3.84 Crore for FY 2017-18. MUPL has proposed to restructure HTMD-1 category into HTMD-1 (Industrial) and HTMD-1 (Commercial) with an increase in the energy charges of HTMD-1 (Industrial) category. This proposed revision in the tariffs are expected to increase the revenue by Rs. 3.70 crore. The Commission asked MUPL to clarify the treatment of the balance Revenue Gap of Rs. 10.80 crore (Rs. 14.50 crore – Rs. 3.70 crore). In its reply, MUPL submitted that the balance Revenue Gap of Rs. 10.80 Crore would be considered in the truing up of FY 2019-20.

In Chapter 4, the Commission has approved the consolidated Revenue Gap of FY 2017-18 as Rs. 2.01 Crore. As regards the carrying cost claimed by MUPL, Regulation 21.6 (c) of the GERC (MYT) Regulations, 2016, specifies as under:

> *"Carrying cost to be allowed on the amount of Revenue Gap or Revenue Surplus for the period from the date on which such gap/surplus has become due, i.e., from the end of the year for which true-up has been done, till the end of the year in which it is*

addressed, calculated on simple interest basis at the weighted average State Bank Base Rate (SBBR) / 1 year State Bank of India (SBI) Marginal Cost of Funds Bused Lending Rate (MCLR) / any replacement thereof by SBI for the time being in effect applicable for 1 year period, as may be applicable for the relevant year, i.e. the year for which Revenue Gap or Revenue Surplus is determined:

Provided that carrying cost on the amount of revenue gap shall be allowed up to the above limit subject to prudence check and submission of documentary evidence for having incurred the carrying cost in the years prior to the year in which the revenue gap is addressed:"

MUPL in its submission has submitted the carrying cost amount as Rs. 0.61 Crore by considering the weighted average SBI MCLR for FY 2017-18 of 8.00% for FY 2018-19 and FY 2019-20. In this context, it is to be noted that Hon'ble APTEL in its order in Appeal No. 250 of 2015 has decided that:

"We tend to agree with the State Commission's view that there is no concept of compound interest in dealing with various provisions related to interest calculations in the Tariff Regulations, 2011. Thus the principle applied by the State Commission in absence of specific provisions of interest rate of carrying cost is equitable and just and there is no need of interference by us on the same."

It is observed that in the forgoing para the Commission has worked out the gap of Rs. 2.01 Crore during FY 2017-18. In view of the above Regulation and gap scenario of MUPL, the Commission allows Rs. 0.32 Crore as carrying cost for FY 2017-18 at a simple interest rate of 8.00% for 2 years i.e. FY 2018-19 and FY 2019-20, in the ARR of FY 2019-20. Considering the foregoing analysis, the Commission now computes the consolidated gap/ (surplus) for FY 2019-20 which includes gaps / surpluses of FY 2019-20 and FY 2017-18, as follows:

Table 5-3: Cumulative Revenue Gap/(Surplus) for FY 2019-20 (Rs. Crore)

Particulars	Claimed	Approved
ARR for FY 2019-20	202.00	179.01
Add: Consolidated Revenue Gap for FY 2017-18	3.83	2.01
Add: Carrying cost on Consolidated Gap of FY 2017-18 for FY 2018-19 & FY 2019-20	0.61	0.32
Revenue from existing Tariff	191.95	191.95
Revenue Gap/(Surplus) for FY 2019-20	14.50	(10.61)

Thus, as against the cumulative Revenue Gap of Rs.14.50 crore projected by MUPL, the Commission has approved a cumulative Revenue Surplus of Rs. 10.61 Crore.

6 Compliance of Directives

6.1 Existing directives

The Commission had issued directives to the Petitioner in its Tariff Order dated 31.03.2017 in Case no. 1631 of 2016 to reduce the interest rate. The status on compliance of directives was submitted to the Commission vide letter dated 29.11.2017. The Commission vide its Tariff Order dated 5th April, 2018 in Case No. 1694 of 2017 directed the Petitioner to submit latest status.

Compliance

The interest rate has been reduced from 11.63% (at the beginning of FY 2017-18) to 10.25% (at the end of FY 2017-18).

Commission's comments

The Commission has noted the submission. The Commission feels that MUPL has incurred high cost debt and there is still a scope for replacing the said high cost debt with low cost debt so as to benefit the consumers. Therefore, MUPL is directed to negotiate with the lenders for reduction in the rate of interest on the borrowings. MUPL shall furnish quarterly progress report about the action taken and results thereof.

7 Fuel and Power Purchase Price Adjustment

7.1 Fuel Price and Power Purchase Adjustment

The Commission, vide its Order in Case No. 1309 of 2013 and 1313 of 2013 dated 29.10.2013 has revised the formula for Fuel Price and Power Purchase Cost Adjustment (FPPPA) as mentioned below:

Formula

FPPPA = [(PPCA-PPCB)]/ [100-Loss in %]

Where,

PPCA	is the average power purchase cost per unit of delivered energy (including transmission cost), computed based on the operational parameters approved by the Commission or principles laid down in the power purchase agreements in Rs./kWh for all the generation sources as approved by the Commission while determining ARR and who have supplied power in the given quarter and transmission charges as approved by the Commission for transmission network calculated as total power purchase cost billed in Rs. Million divided by the total quantum of power purchase in Million Units made during the quarter.
PPCB	is the approved average base power purchase cost per unit of delivered energy (including transmission cost) for all the generating stations considered by the Commission for supplying power to the company in Rs./kWh and transmission charges as approved by the Commission calculated as the total power purchase cost approved by the Commission in Rs. Million divided by the total quantum of power purchase in Million Units considered by the Commission.
Loss in %	is the weighted average of the approved level of Transmission and Distribution losses (%) for the four DISCOMs / GUVNL and MUPL applicable for a particular quarter or actual weighted average in Transmission and Distribution losses (%) for four DISCOMs / GUVNL

and MUPL of the previous year for which true-up have been done by the Commission, whichever is lower.

7.2 Base Price of Power Purchase (PPCB)

The Commission has approved the total energy requirement and the total power purchase cost for MUPL including fixed cost, variable cost, etc., from the various sources for FY 2019-20 in this Order, as given in the table below:

Table 7-1 Energy Requirement and Power Purchase Cost approved by the Commission for FY 2019-20

Year	Total Energy Requirement (MUs)	Approved Power Purchase Cost (Rs. Crore)	Power Purchase Cost per unit (Rs./kWh)
FY 2019-20	385.55	159.64	4.14

Thus, the base Power Purchase cost for MUPL is **Rs. 4.14 per kWh** and the base FPPPA charge is NIL.

MUPL may claim the difference between actual power purchase cost and base power purchase cost approved in the Table above as per the approved FPPPA formula mentioned above.

Information regarding FPPPA recovery and the FPPPA calculations shall be kept on the website of MUPL.

For any increase in FPPPA, worked out on the basis of above formula, beyond ten (10) paise per kWh in a quarter, prior approval of the Commission shall be necessary and only on approval of such additional increase by the Commission, the FPPPA can be billed to consumers.

FPPPA calculations shall be submitted to the Commission within one month from end of the relevant quarter.

8 Wheeling Charges and Cross Subsidy Charges

8.1 Wheeling Charges

Petitioner's submission

The Petitioner submitted that Regulation 87 of the GERC (MYT) Regulations, 2016 specifies that the ARR is to be segregated as per the Allocation Matrix for segregation of expenses between Distribution Wires Business and Retail Supply Business for determination of Wheeling Charges.

MUPL submitted that it has allocated the expenditure to Wheeling and Retail Supply Business as per the following Allocation Matrix specified by the Commission:

Table 8-1: Allocation Matrix for segregation of Wheeling and Retail Supply as submitted by the Petitioner for FY 2019-20

ARR Components	Wires Business (%)	Retail Business (%)
Power Purchase Expenses	0%	100%
Employee Expenses	60%	40%
Administration & General Expenses	50%	50%
Repair & Maintenance Expenses	90%	10%
Depreciation	90%	10%
Interest on Long Term Loan Capital	90%	10%
Interest on Working Capital and Consumer Security Deposit	10%	90%
Bad Debts	0%	100%
Income Tax	90%	10%
Contingency Reserves	100%	0%
Return on Equity	90%	10%
Non-Tariff Income	10%	90%

Based on the above Allocation Matrix, the ARR of MUPL has been segregated into ARR for Wheeling and Retail Supply Business as shown in the Table below:

Table 8-2: Segregation of ARR into Wires and Supply Business for FY 2019-20 (Rs. Crore)

Particulars	Wires Business	Supply Business
Power Purchase Expenses	-	182.35
Employee Expenses	1.94	1.29
Administration & General Expenses	2.64	2.64
Repair & Maintenance Expenses	1.57	0.17
Depreciation	1.95	0.22
Interest on Loan and Security deposit	2.30	0.35
Interest on Working Capital	0.17	1.55
Bad Debts	-	-
Contingency Reserve	-	-
Income Tax	2.50	0.28
Total Revenue Expenditure	**13.06**	**188.95**
Return on Equity	2.69	0.30
Less: Non-Tariff Income	0.29	2.61
Aggregate Revenue Requirement	**15.46**	**186.54**

The Petitioner submitted that the above segregated ARR has been considered to determine the Wheeling Charges for FY 2019-20.

Commission's Analysis

The Commission, in order to compute the Wheeling Charges and the Cross-Subsidy Surcharge, has considered the Allocation Matrix between the Wheeling and Retail Supply Business in accordance with the GERC (MYT) Regulations, 2016.

Based on the ARR approved by the Commission and the Allocation Matrix specified in the GERC (MYT) Regulations, 2016, the ARR approved for Wires and Retail Supply Business for FY 2019-20 is shown in the Table below:

Table 8-3: Approved Segregation of ARR into Wires and Supply Business for FY 2019-20 (Rs. Crore)

Particulars	Wires Business	Supply Business
Power Purchase Expenses	0	159.64
Employee Expenses	2.02	1.35
Administration & General Expenses	2.76	2.76

Particulars	Wires Business	Supply Business
Repair & Maintenance Expenses	1.64	0.18
Depreciation	1.73	0.19
Interest on Loan	1.96	0.22
Interest on Security Deposit	0.01	0.10
Interest on Working Capital	0.16	1.44
Bad Debts	0.00	0.00
Contingency Reserve	0.00	0.00
Income Tax	2.50	0.28
Total Revenue Expenditure	12.78	166.16
Return on Equity	2.67	0.30
Less: Non-Tariff Income	0.29	2.61
Aggregate Revenue Requirement	**15.17**	**163.85**

8.2 Determination of Wheeling Charges

Petitioner's submission

The Petitioner submitted that it has computed the voltage-wise Wheeling Charges based on the allocation of ARR of Distribution Wires Business, in accordance with the GERC (MYT) Regulations, 2016.

The Petitioner submitted that Distribution Wires are identified as carrier of electricity from generating station or transmission network to consumer point. The consumption at a particular voltage level requires network at that voltage level and also at all higher voltage levels. Thus, consumption at the lower voltages should contribute to the cost of the higher voltage levels also. However, the consumers connected to the higher voltages would not be utilizing the services of the lower voltage level and hence, would not be required to contribute to the recovery of cost of lower voltage level.

Based on the above approach, the ARR for the Wheeling Business has been apportioned to the HT and LT voltage in two steps as described below:

a) Apportioning the ARR of Wheeling Business to HT and LT voltage level
b) Apportioning the ARR of the HT voltage level again between HT and LT voltage level

The GFA of MUPL at the end of FY 2017-18 is Rs. 92.00 Crore. The Petitioner has segregated the GFA of FY 2017-18 among HT level (11 kV and above) and LT Voltage level to arrive at voltage- wise Wheeling Charges.

The consumer demand and consumption is much higher at 11 kV and above, while there are very few consumers at LT level in the licence area of the Petitioner. Hence, the GFA segregated at 11 kV and above is 99.4%, whereas it is only 0.6 % at LT Level, as shown in the Table below:

Table 8-4: Voltage level wise GFA Ratio as submitted by MUPL

Particulars	GFA (In Rs. Crore)	GFA (%)
HT Level (11 kV & above)	91.48	99.40%
LT Level	0.52	0.60%
Total	92.00	100.00%

The Petitioner further submitted as the HT level assets cater to the requirement of customers at both HT and LT levels, the ARR for HT is again apportioned between HT and LT voltage based on their ratio of their contribution to the peak demand. The expected system peak demand for the Petition's Supply Area for FY 2019-20 is 83.14 MVA. The Contract Demand of HT and LT consumers is 61.40 MVA and 1.37 MVA, respectively, in FY 2017-18. Hence, HT consumers contribute to 98% of the system peak demand. The total demand of HT consumers contributing to the system peak is computed as 81.33 MVA during FY 2019-20, as shown in the Table below:

Table 8-5: Peak demand contribution as submitted by MUPL

Particulars	Peak Demand (MW)	Peak Demand (%)
System peak demand	83.14	100%
HT Consumer	81.33	98%
LT Consumer	1.81	2%

The Petitioner has calculated the Wheeling Charges in terms of Rs./ kW/ month and requested the Commission to approve the same.

To determine the Wheeling Charges for the HT and LT voltage levels, the ARR of the respective voltage level is divided by the peak demand of the respective voltage level.

Accordingly, the Wheeling Charges determined in terms of Rs./kW/month has been tabulated below:

Table 8-6: Wheeling Charges proposed by MUPL for FY 2019-20

Particulars	Wheeling Charges
First Level Segregation of ARR (in Rs. Crore)	
HT Voltage	15.12
LT Voltage	0.34
Total	15.46
Second Level Segregation of ARR (in Rs. Crore)	
HT Voltage	14.79
LT Voltage	0.67
Total	15.46
Wheeling Charge in Rs/ kW / Month (For LT & MT OA Consumers)	
HT Voltage	151.57
LT Voltage	306.51
Wheeling Charge in Rs/ kWh (For ST OA Consumers)	
HT Voltage	0.41
LT Voltage	1.98

The Petitioner proposed the following Wheeling Losses for Open Access transactions:

Table 8-7: Proposed wheeling Losses for FY 2019-20 as submitted by MUPL

Particulars	Wheeling Losses (%)
HT Voltage Level	4.00%
LT Voltage Level	7.00%

Commission's Analysis

The Commission has determined the ARR of the Wires Business for FY 2019-20 in earlier Section, as Rs. 15.17 Crore.

The ARR is first apportioned between the HT and LT Voltage level in the ratio of 98:2, based on the respective asset mix. MUPL has submitted that HT consumers contribute to 98% of the system peak demand, hence, the HT ARR is further apportioned in the ratio of 98:2.

To determine the Wheeling Charges for the HT and LT voltage levels, the ARR of the respective voltage level is divided by the sales handled at the respective voltage level.

Accordingly, the Wheeling Charges determined in terms of Rs/kWh/month is shown in the Table below:

Table 8-8: Wheeling Charges approved for MUPL for FY 2019-20

Particulars	Approved
First Level Segregation of ARR (in Rs. Crore)	
HT Voltage	14.83
LT Voltage	0.33
Total	15.17
Second Level Segregation of ARR (in Rs. Crore)	
HT Voltage	14.22
LT Voltage	0.95
Total	15.17
Wheeling Charge in Rs/ kWh (For ST OA Consumers)	
HT Voltage	0.39
LT Voltage	2.81

The Commission has not accepted MUPL's request for determination of the Wheeling Charges in terms of Rs/kW/month, as MUPL has not provided any rationale for the same. Further, determination of Wheeling Charges in terms of Rs/kWh is the standard practice of the Commission.

The Commission has accordingly approved the Wheeling Charges for HT voltage as Rs. 0.39/kWh and as Rs. 2.81/kWh for LT voltage, as shown in the Table above.

MUPL has claimed losses for Open Access as 4% and 7% for HT and LT voltage level, respectively. The overall Distribution Losses approved in the true-up for FY 2017-18 are 3.39%, hence, it would not be appropriate to allow Losses for HT voltage at 4%. Hence, the Commission decides that the Open Access consumer will also have to bear the losses of 3% and 7% for HT and LT voltage level, respectively, in addition to the Wheeling Charges, as shown in the Table below:

Table 8-9: Wheeling Losses approved for Open Access consumers for MUPL

Category	%
HT Category	3.00%
LT Category	7.00%

8.3 Cross Subsidy Surcharge

MUPL has submitted that it has computed the Cross-Subsidy Surcharge based on the formula used by the Commission in its Order dated 05th April, 2018, as shown in the Table below:

Table 8-10: Cross-Subsidy Surcharge as submitted by MUPL for FY 2019-20 (Rs./kWh)

Particulars	HTMD-1
T – Tariff for HT category	5.36
PPC – Average cost of power Purchase	4.73
L – Loss for HT category (%)	0.41
D- Wheeling charges for HT category	3.77%
Cross-subsidy Surcharge	**0.04**

Commission's Analysis

The Hon'ble APTEL in its Judgment on the issue of formula for calculation of Cross Subsidy Surcharge has endorsed the use of the formula provided in the Tariff Policy. According to the Tariff Policy, 2016, the formula for Cross Subsidy Surcharge is as under:

S = T – [C / (1 - L/100) + D + R]

Where,

S is the surcharge;

T is the tariff payable by the relevant category of consumers, including reflecting the Renewable Purchase Obligation;

C is the per unit weighted average cost of power purchase by the Licensee, including meeting the Renewable Purchase Obligation;

D is the aggregate of transmission, distribution and wheeling charge applicable to the relevant voltage level;

L is the aggregate of transmission, distribution and commercial losses, expressed as a percentage applicable to the relevant voltage level;

R is the per unit cost of carrying regulatory assets.

Further, the Tariff Policy, 2016 also stipulates that the surcharge shall not exceed 20% of the tariff applicable to the category of consumers seeking Open Access.

Accordingly, the Commission has determined the Cross-Subsidy Surcharge based on the formula stipulated in the Tariff Policy, as shown in the Table below:

Table 8-11: Cross-Subsidy Surcharge approved by the Commission for FY 2019-20 (Rs./kWh)

Particulars	HTMD
T – Tariff for HT category	5.27
PPC – Average cost of power Purchase	4.14
L – Loss for HT category (%)	3.00%
D- Wheeling charges for HT category	0.39
Cross-subsidy Surcharge	**0.61**

S (for HTMD) = 5.27 - [4.14/(1-3%)+0.39+0.00]

= Rs. 0.61/kWh.

Thus, the Cross-Subsidy Surcharge as per Tariff Policy, 2016 works out to Rs. 0.61 per kWh for HTP-I category. The Cross-Subsidy Surcharge thus worked out is within 20% of the tariff applicable to the category of the consumers seeking Open Access.

Accordingly, **Cross Subsidy Surcharge for HTMD Category = 0.61 Rs./kWh for FY 2019-20.**

9 Tariff Philosophy and Tariff proposal

9.1 Introduction

The Commission is guided by the provisions of the Electricity Act, 2003, the National Electricity Policy, the Tariff Policy, the Regulations on Terms and Conditions of Tariff issued by the Central Electricity Regulatory Commission (CERC) and GERC (MYT) Regulations, 2016 notified by the Commission.

Section 61 of the Act lays down the broad principles and guidelines for determination of retail supply tariff. The basic principle is to ensure that the tariff should progressively reflect the cost of supply of electricity and reduce the cross subsidy amongst categories within a period to be specified by the Commission.

This chapter discusses MUPL's tariff proposal and changes suggested in tariff structure and details the Commission's final decision on the same.

9.2 MUPL's Tariff Proposal for FY 2019-20

Petitioner's Submission

The Petitioner has submitted that the projected Revenue Gap for FY 2019-20 with existing tariff for projected sales of 365.69 MUs, after adjustment of consolidated Revenue Gap of FY 2017-18 including Carrying Cost, would be Rs. 14.50 Crore.

The Petitioner has submitted that in the existing Tariff Schedule, all the HT industrial and commercial consumers are considered as HTMD-I category. The Petitioner proposes to split the industrial and commercial consumers into two different categories, i.e., HTMD-I (Commercial) and HTMD-I (Industrial). The Petitioner has reasoned that this separation will help the Petitioner to forecast the load and accordingly plan for the power procurement. The Petitioner requested the Commission to approve the same.

The Petitioner has proposed to increase the energy charges of HTMD-I (Industrial) category consumers having Contract Demand in excess of 500 kVA by 20 paise/unit. The Petitioner has submitted that the proposal will increase revenue by Rs. 3.70 Crore.

Commission's Analysis

The Commission has in the past Orders, rationalised the tariffs in order to ensure that the tariffs reflect, as far as possible, the cost of supply. The Commission has also tried to address operational and field issues, keeping in view the interest of the consumers, while rationalising the tariff structure.

The Petitioner has proposed to split the HTMD-I category into 2 sub-categories, viz., HTMD-I (Industrial) and HTMD-II (Commercial) for improved forecasting of load and power procurement. The present tariff categorisation has been in place for several years and the Commission has consciously combined the industrial and commercial category under HT. As regards ease of load forecasting and improved power procurement, the Licensee has all the consumer details and is aware of the nature of load and purpose of load of the consumers in its limited licence area, hence, there is no requirement to create sub-categories for this purpose. Hence, the Commission decides to continue with the existing tariff categorisation.

Regulation 97 of the GERC (MYT) Regulations, 2016 considers "Prompt Payment Rebate" as one of the heads for Non-Tariff Income. However, the Commission observes that Distribution Licensees does not extend such rebate on Prompt payments being made by the consumers of such Licensees. Keeping in view the above, the Commission decides to exclude the condition for Prompt Payment Rebate from the general conditions of tariff for supply of electricity to consumers of the Petitioner.

As discussed in Chapter 6, as against the cumulative Revenue Gap of Rs.14.50 crore projected by MUPL, the Commission has approved a cumulative Revenue Surplus of Rs. 10.61 Crore. This Surplus will be duly considered by the Commission in the Truing up exercise. Accordingly, the category-wise tariff is retained at the same level as approved for FY 2018-19.

COMMISSION'S ORDER

The Commission approves the Aggregate Revenue Requirement (ARR) for MUPL for FY 2019-20 and FY 2020-21, as shown in the Table below:

Approved ARR for MUPL for FY 2019-20 and FY 2020-21 (Rs. Crore)

Sr. No.	Particulars	Approved in Mid-Term Review	
		2019-20	2020-21
1	Power Purchase Expenses	159.64	162.58
2	Operation & Maintenance Expenses	10.72	11.33
3	Depreciation	1.92	1.99
4	Interest & Finance Charges	2.18	2.14
5	Interest on Security Deposit	0.11	0.11
6	Interest on Working Capital	1.60	1.65
7	Bad Debts written off	-	-
8	Contribution to contingency reserves	-	-
9	**Total Revenue Expenditure**	176.17	179.81
10	Return on Equity Capital	2.97	3.07
11	Income Tax	2.77	2.77
12	**Aggregate Revenue Requirement**	181.91	185.65
13	Less: Non-Tariff Income	2.90	2.92
14	**Aggregate Revenue Requirement**	**179.01**	**182.73**

The retail supply tariffs for MUPL for FY 2019-20 determined by the Commission are annexed to this Order.

This Order shall come into force with effect from 1st August, 2019. The rate shall be applicable for the electricity consumption from 1st August, 2019 onwards.

-Sd-	-Sd-	-Sd-
P. J. THAKKAR	**K. M. SHRINGARPURE**	**ANAND KUMAR**
Member	Member	Chairman

Place: Gandhinagar

Date : 30/07/2019

ANNEXURE: TARIFF SCHEDULE

Tariff Schedule for Adani Ports and SEZ Ltd Licence area of MPSEZ Utilities Pvt. Ltd.

Effective from 1st August, 2019

General Conditions

1. This tariff schedule is applicable to all the consumers of MUPL in the Licence area of Mundra SEZ.
2. All these tariffs for power supply are applicable to only one point of supply.
3. The energy bills shall be paid by the consumer within 10 days from the date of billing, failing which the consumer shall be liable to pay the delayed payment charges @15% p.a. for the number of days from the due date of bill to the date of payment of bill.
4. The power supplied to any consumer shall be utilized only for the purpose for which supply is taken and as provided for in the tariff.
5. The various provisions of the GERC's (Licensee's power to recover expenditure incurred in providing supply and other miscellaneous charges) Regulations, 2005, except Meter Charges, will continue to apply.
6. The charges specified in the tariff are on monthly basis, MUPL shall adjust the rates according to billing period applicable to consumer.
7. Conversion of Ratings of electrical appliances and equipment from kilo-Watt to B.H.P. or vice versa will be done, when necessary, at the rate of 0.746 kilo-Watt equal to 1 B.H.P.
8. The billing of fixed charges based on contracted load or maximum demand shall be done in multiples of 0.5 (one half) Horse Power or kilo -Watt (HP or kW) as the case may be.
9. The fraction of less than 0.5 shall be rounded to next 0.5. The billing of energy charges will be done on complete one kilo-Watt-hour (kWh).
10. The Connected Load for the purpose of billing will be taken as the maximum load connected during the billing period.
11. Contract Demand shall mean the maximum kVA for the supply, which MUPL undertakes to provide facilities to the consumer from time to time.
12. For computation of Fixed charges, they will be computed on 85 % of Contact Demand at Unity Power Factor or Actual, whichever is higher on monthly basis.

13. Maximum Demand in a month means the highest value of average kVA delivered at the point of supply of the consumer during any consecutive 15/30 minutes in the said month.
14. Payment of penal charges for usage in excess of contract demand/load for any billing period does not entitle the consumer to draw in excess of contract demand/load as a matter of right. The levy of penal charge is in addition to other rights of MPSEZ Utilities Private Limited under the provisions of the Electricity Act, 2003 and Regulations notified thereunder.
15. The Fixed charges, Minimum charges, Demand charges, and the slabs of consumption of energy for Energy Charges mentioned shall not be subject to any adjustment on account of existence of any broken period within Billing Period arising from consumer supply being connected or disconnected any time within the duration of Billing Period for any reason.
16. The Fuel Cost and Power Purchase Price Adjustment charges shall be applicable in accordance with the Formula approved by the Gujarat Electricity Regulatory Commission from time to time.
17. These rates are exclusive of Electricity Duty, Tax on sale of electricity, Customs duty, Taxes and other charges levied / may be levied or such other taxes as may be levied by the Government or other Competent Authorities on bulk / retail supplies from time to time in which are payable by consumers, in addition to the charges levied as per the tariff.
18. The payment of power factor penalty does not exempt the consumer from taking steps to improve the power factor to the levels specified in the Regulations notified under the Electricity Act 2003 and MUPL shall be entitled to take any other action deemed necessary and authorized under the Act.

PART- I

SUPPLY DELIVERED AT LOW OR MEDIUM VOLTAGE

(230 VOLTS - SINGLE PHASE, 400 VOLTS - THREE PHASE, 50 HERTZ)

1. **RATE: Residential**

This tariff is applicable to services for lights, fans and domestic appliances for heating, cooling, cooking, cleaning and refrigeration purposes, general load and motive power in residential premises.

1.1 FIXED CHARGE

(a)	Single Phase Supply	Rs.30 per month per installation
(b)	Three Phase Supply	Rs. 45 per month per installation

1.2 ENERGY CHARGE

(a)	First 250 units consumed per month	320 Paise per unit
(b)	Remaining units during the month	370 Paise per unit

1.3 Minimum Bill

Payment of fixed charges as specified in 1.1 above.

2. **RATE: Commercial (Non-Demand)**

This tariff is applicable to services for lights, fans and appliances for heating, cooling, cooking, cleaning and refrigeration purposes, general load and motive power in premises other than those requiring the power supply for the purposes not specified in any other LT categories, up to 6 kVA of connected load.

2.1 FIXED CHARGE

Single Phase Supply	Rs.100 per month per installation

2.2 ENERGY CHARGE

(a)	First 150 units consumed per month	370 Paise per unit
(b)	Remaining units consumed per month	395 Paise per unit

2.3 Minimum Bill

Payment of fixed charges as specified in 2.1 above.

3. RATE: Commercial (Demand)

This tariff is applicable to lights, fans and appliances for heating, cooling, cooking, cleaning and refrigeration purposes, general load and motive power in premises other than those requiring the power supply for the purposes not specified in any other LT categories, having connected load of 6 kVA and above.

3.1. FIXED CHARGE

A. For Billing Demand up to and including the Contract Demand

Computed on 85 % of Contact Demand at u.p.f. or Actual maximum demand at monthly average power factor or six kVA at u.p.f. whichever is higher on monthly basis at 100 % Load Factor	75 paise per Unit

B. For Billing Demand in excess of the Contract Demand

Computed on Billing Demand in excess of Contract Demand on Monthly basis at 100 % Load Factor	125 Paise per Unit

NOTE: The Billing Demand shall be highest of the following:

i. Actual Maximum Demand established during the month OR

ii. Eighty – five percent of the Contract Demand OR

iii. Six kVA

3.2. ENERGY CHARGE

A flat rate of	270 Paise per Unit

3.3. POWER FACTOR ADJUSTMENT CHARGE

A. Where the average Power Factor during the Billing period exceeds 90%

For each 1% improvement in the Power Factor from 90% to 95%	Rebate of 0.15 Paise per Unit
For each 1% improvement in the Power Factor above 95%	Rebate of 0.27 Paise per Unit

B. Where the average Power Factor during the Billing period is below 90%

For each 1% decrease in the Power Factor below 90%	Penalty of 3.00 Paise per Unit

3.4. MINIMUM BILL

Payment of fixed charges as specified in 3.1 above.

4. RATE: Industrial (Non-Demand)

This tariff is applicable up to 6 kVA of connected load in industrial premises (as defined under the Bombay Electricity Duty Act, 1958).

4.1. FIXED CHARGE

Single Phase Supply	Rs. 100 per Month per installation

4.2. ENERGY CHARGE

(i)	First 150 units consumed per month	345 Paise per unit
(ii)	Remaining units consumed per month	370 Paise per unit

4.3. MINIMUM BILL

Payment of fixed charges as specified in 4.1 above.

5. RATE: Industrial (Demand)

This tariff is applicable to 6 kVA and above of connected load in industrial premises (as defined under the Bombay Electricity Duty Act, 1958), water works and pumping services operated by Local Authorities.

5.1. FIXED CHARGE

A. For Billing Demand up to and including the Contract Demand

Computed on 85 % of Contact Demand at u.p.f. or Actual maximum demand at monthly average power factor or six KVA at u.p.f. whichever is higher on monthly basis at 100 % Load Factor	75 Paisa per Unit

B. For Billing Demand in excess of the Contract Demand

Computed on billing demand in excess of Contract Demand on Monthly basis at 100 % Load Factor	125 Paisa per Unit

NOTE: The Billing Demand shall be highest of the following:

i. Actual Maximum Demand established during the month OR

ii. Eighty – five percent of the Contract Demand OR

iii. Six kVA

5.2. ENERGY CHARGE

A flat rate of	270 Paisa per Unit

5.3. POWER FACTOR ADJUSTMENT CHARGE

A. Where the average Power Factor during the Billing period exceeds 90%

For each 1% improvement in the Power Factor from 90% to 95%	Rebate of 0.15 Paisa per Unit
For each 1% improvement in the Power Factor above 95%	Rebate of 0.27 Paise per Unit

B. Where the average Power Factor during the Billing period is below 90%

For each 1% decrease in the Power Factor below 90%	Penalty of 3.00 Paise per Unit

5.4. MINIMUM BILL

Payment of fixed charges as specified in 5.1 above.

6. RATE: Street Lights

Applicable to lighting systems for illumination of public roads.

6.1. ENERGY CHARGE

A flat rate of	320 Paise per Unit

7. RATE: Temporary

This tariff is applicable to installations for temporary requirement of electricity supply. A Consumer not taking supply on regular basis under a proper agreement shall be deemed to be taking supply for temporary period.

7.1 FIXED CHARGE

A. For Billing Demand up to and including the Contract Demand

Computed on 85 % of Contact Demand at u.p.f. or Actual maximum demand at monthly average power factor whichever is higher on monthly basis at 100 % Load Factor	75 Paise per Unit

B. For Billing Demand in excess of the Contract Demand

Computed on billing demand in excess of Contract Demand on Monthly basis at 100 % Load Factor	125 Paise per Unit

NOTE: The Billing Demand shall be highest of the following:

i. Actual Maximum Demand established during the month OR

ii. Eighty – five percent of the Contract Demand.

7.2 ENERGY CHARGE

A flat rate of	345 Paise per unit

7.3 POWER FACTOR ADJUSTMENT CHARGE

A. Where the average Power Factor during the Billing period exceeds 90%

For each 1% improvement in the Power Factor from 90% to 95%	Rebate of 0.15 Paise per Unit
For each 1% improvement in the Power Factor above 95%	Rebate of 0.27 Paise per Unit

B. Where the average Power Factor during the Billing period is below 90%

For each 1% decrease in the Power Factor below 90%	Penalty of 3.00 Paise per Unit

7.4 MINIMUM BILL

Payment of fixed charges as specified in 7.1 above.

8. RATE: LT- Electric Vehicle (EV) Charging Stations

This tariff is applicable to consumers who use electricity **EXCLUSIVELY** for electric vehicle charging installations.

Other consumers can use their regular electricity supply for charging electric vehicle under same regular category i.e. i.e. Residential, Commercial, Industrial, etc.

8.1 FIXED CHARGE

Rs. 25 per month per installation

PLUS

8.2 ENERGY CHARGE

Energy Charge	305 Paise per unit

PART- II

SUPPLY DELIVERED AT HIGH VOLTAGE

(11000 VOLTS AND ABOVE - THREE PHASE, 50 HERTZ)

9. RATE: HTMD-1

This tariff is applicable for supply of energy to High Tension consumers contracting for maximum demand of 100 kVA and above for regular power supply and requiring the power supply for the purposes not specified in any other HT categories.

9.1. FIXED CHARGE

A. For the billing demand of consumers having

a) Contract demand upto 500 kVA

Computed on 85 % of contract demand at u.p.f or actual maximum demand at monthly average power factor or one hundred kVA at u.p.f., whichever is higher on monthly basis at 100% Load Factor	75 paise per unit

b) Contract Demand above 500 kVA

Computed on 85 % of contract demand at u.p.f or actual maximum demand at monthly average power factor whichever is higher on monthly basis at 100% Load Factor	110 Paise per Unit

B. For Billing Demand in excess of the Contract Demand

a) Contract demand up to 500 kVA

Computed on billing demand in excess of Contract Demand on Monthly basis at 100 % Load Factor	125 Paise per Unit

b) Contract demand above 500 kVA

Computed on billing demand in excess of Contract Demand on Monthly basis at 100 % Load Factor	150 Paise per Unit

Note: The Billing Demand shall be highest of the following:

i. Actual Maximum Demand established during the month OR

ii. Eighty-Five percent of the Contract Demand OR

iii. One hundred kVA.

9.2. ENERGY CHARGE

For entire consumption during the month	
up to 500 kVA of the contract demand	310 Paise per Unit
Above 500 kVA of the contract demand	350 Paise Per Unit

9.3. POWER FACTOR ADJUSTMENT CHARGE

A. Where the average Power Factor during the Billing period exceeds 90%

For each 1% improvement in the Power Factor from 90% to 95%	Rebate of 0.15 Paise per Unit
For each 1% improvement in the Power Factor above 95%	Rebate of 0.27 Paise per Unit

B. Where the average Power Factor during the Billing period is below 90%

For each 1% decrease in the Power Factor below 90%	Penalty of 3.00 Paise per Unit

9.4. REBATE FOR SUPPLY AT EHV

On Energy Charge	**Rebate @**
(a) If supply is availed at 11 kV	0.0 %
(b) If supply is availed at 33 kV	1.0%
(c) If supply is availed at 66 kV and above	2.0%

9.5. MINIMUM BILL

Payment of fixed charges as specified in 9.1 above.

10. <u>RATE: HTMD-II</u>

This tariff is Applicable for supply of energy to High Tension consumers contracting for maximum demand of 100 kVA and above for temporary period.

A Consumer not taking supply on regular basis under a proper agreement shall be deemed to be taking supply for temporary period.

10.1. FIXED CHARGE

A. For Billing Demand up to and including the Contract Demand

Computed on 85 % of contract demand at u.p.f or actual maximum demand at monthly average power factor whichever is higher on monthly basis or one hundred kVA	100 paise per unit

B. For Billing Demand in excess of the Contract Demand

Computed on billing demand in excess of Contract Demand on Monthly basis at 100 % Load Factor	150 Paise per Unit

Note: The Billing Demand shall be highest of the following:

i. Actual Maximum Demand established during the month OR

ii. Eighty-Five percent of the Contract Demand OR

iii. One hundred kVA.

10.2. ENERGY CHARGE

A flat rate of	445 Paise per Unit

10.3. POWER FACTOR ADJUSTMENT CHARGE

A. Where the average Power Factor during the Billing period exceeds 90%

For each 1% improvement in the Power Factor from 90% to 95%	Rebate of 0.15 Paise per Unit
For each 1% improvement in the Power Factor above 95%	Rebate of 0.27 Paise per Unit

B. Where the average Power Factor during the Billing period is below 90%

For each 1% decrease in the Power Factor below 90%	Penalty of 3.00 Paise per Unit

10.4. REBATE for Supply at EHV

On Energy Charge	Rebate @
(a) If supply is availed at 11 kV	0.0 %
(b) If supply is availed at 33 kV	1.0%
(c) If supply is availed at 66 kV and above	2.0%

10.5. MINIMUM BILL

Payment of fixed charges as specified in 10.1 above.

11. HTMD-III

This tariff is applicable for supply of energy to High Tension consumers, contracting for maximum demand of 100 kVA and above, for residential purposes and availing supply at single point by a Cooperative Group Housing Society for making electricity available to the members of Cooperative Society in the same premises.

11.1. FIXED CHARGE

A. For the billing demand up to and including the contract demand

Computed on 85 % of contract demand at u.p.f or actual maximum demand at monthly average power factor whichever is higher on monthly basis or one hundred kVA	75 paise per Unit

B. For Billing Demand in excess of the Contract Demand

Computed on billing demand in excess of Contract Demand on Monthly basis at 100 % Load Factor	125 Paise per Unit

Note: The Billing Demand shall be highest of the following:

i. Actual Maximum Demand at monthly average p.f, established during the month OR

ii. Eight-five percent of the Contract Demand at u.p.f OR

iii. One hundred kVA at u.p.f

11.2. ENERGY CHARGE

A flat rate of	270 Paise per unit

11.3. POWER FACTOR ADJUSTMENT CHARGE

A. Where the average Power Factor during the Billing period exceeds 90%

For each 1% improvement in the Power Factor from 90% to 95%	Rebate of 0.15 Paise per Unit
For each 1% improvement in the Power Factor above 95%	Rebate of 0.27 Paise per Unit

B. Where the average Power Factor during the Billing period is below 90%

For each 1% decrease in the Power Factor below 90%	Penalty of 3.00 Paise per Unit

11.4. REBATE FOR SUPPLY AT EHV

On Energy Charge	Rebate @
(a) If supply is availed at 11 kV	0.0 %
(b) If supply is availed at 33 kV	1.0%
(c) If supply is availed at 66 kV and above	2.0%

***Note**: The above rebate will be applicable only on monthly basis and consumer with arrears shall not be eligible for the above rate. However, the applicable rebates shall be allowed to consumers with outstanding dues, wherein such dues have been stayed by the appropriate authority/Courts.*

11.5. MINIMUM BILL

Payment of fixed charges as specified in 11.1 above

12. <u>HTMD-IV</u>

This tariff shall be applicable for supply of energy to HT consumers contracting for 100 kVA and above, requiring power supply for Water Works and Sewerage pumping stations run by Local Authorities / Developer / Co-developer.

12.1 FIXED CHARGE

A. For the billing demand up to and including the Contract Demand

Computed on 85 % of contract demand at u.p.f and 100 % load factor or actual maximum demand at monthly average power factor whichever is higher on monthly basis or one hundred KVA	75 paise per Unit

C. For Billing Demand in excess of the Contract Demand

Computed on billing demand in excess of Contract Demand on Monthly basis at 100 % Load Factor	125 Paise per Unit

Note: The Billing Demand shall be highest of the following:

iv. Actual Maximum Demand at monthly average p.f, established during the month OR

v. Eight-five percent of the Contract Demand at u.p.f OR

vi. One hundred kVA at u.p.f.

12.2 ENERGY CHARGE

A flat rate of	270 Paise per unit

12.3 POWER FACTOR ADJUSTMENT CHARGE

A. Where the average Power Factor during the Billing period exceeds 90%

For each 1% improvement in the Power Factor from 90% to 95%	Rebate of 0.15 Paise per Unit
For each 1% improvement in the Power Factor above 95%	Rebate of 0.27 Paise per Unit

B. Where the average Power Factor during the Billing period is below 90%

For each 1% decrease in the Power Factor below 90%	Penalty of 3.00 Paise per Unit

12.4 REBATE FOR SUPPLY AT EHV

On Energy Charge	Rebate @
(a) If supply is availed at 11 kV	0.0 %

(b) If supply is availed at 33 kV	1.0%
(c) If supply is availed at 66 kV and above	2.0%

***Note**: The above rebate will be applicable only on monthly basis and consumer with arrears shall not be eligible for the above rate. However, the applicable rebates shall be allowed to consumers with outstanding dues, wherein such dues have been stayed by the appropriate authority/Courts.*

12.5 MINIMUM BILL

Payment of fixed charges as specified in 12.1 above

13. RATE: HT- Electric Vehicle (EV) Charging Stations

This tariff is applicable to consumers who use electricity **EXCLUSIVELY** for electric vehicle charging installations.

Other consumers can use their regular electricity supply for charging electric vehicle under same regular category i.e. HTMD-1 (Commercial), HTMD-I, HTMD-II, HTMD-III and HTMD-IV.

13.1 FIXED CHARGE

For billing demand up to contract demand	Rs. 25 per kVA per month
For billing demand in excess of contract demand	Rs. 50 per kVA per month

13.2 ENERGY CHARGE

A Flat Rate of	300 Paise per Unit