

GUJARAT ELECTRICITY REGULATORY COMMISSION



Mid-term Review of Business Plan

For

**MPSEZ Utilities Private Ltd
(MUPL)**

Case No. 1342 of 2013

29th May 2014

**6th Floor, GIFT ONE, Road 5C, GIFT City
Gandhinagar-382 335 (Gujarat), INDIA
Phone: +91-79-23602000 Fax: +91-79-23602054/55
E-mail: gerc@gercin.org : Website www.gercin.org**



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**GUJARAT ELECTRICITY REGULATORY COMMISSION
(GERC)**

GANDHINAGAR

**Mid-term Review
of
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ABBREVIATIONS

A&G	Administration and General Expenses
ARR	Aggregate Revenue Requirement
CAPEX	Capital Expenditure
CERC	Central Electricity Regulatory Commission
Control Period	FY 2011-12 to FY 2015-16
DGVCL	Dakshin Gujarat Vij Company Limited
DISCOM	Distribution Company
EA	Electricity Act, 2003
EHV	Extra High Voltage
FPPPA	Fuel and Power Purchase Price Adjustment
FY	Financial Year
GEB	Gujarat Electricity Board
GERC	Gujarat Electricity Regulatory Commission
GETCO	Gujarat Energy Transmission Corporation Limited
GFA	Gross Fixed Assets
GoG	Government of Gujarat
GSECL	Gujarat State Electricity Corporation Limited
GUVNL	Gujarat Urja Vikas Nigam Limited
HT	High Tension
JGY	Jyoti Gram Yojna
kV	Kilo Volt
kVA	Kilo Volt Ampere
kVAh	Kilo Volt Ampere Hour
kWh	Kilo Watt Hour
LT	Low Tension Power
MGVCL	Madhya Gujarat Vij Company Limited
MTR	Mid-term Review
MU	Million Units (Million kWh)
MW	Mega Watt
MTR	Mid-term Review
MYT	Multi-Year Tariff
O&M	Operations & Maintenance
p.a.	Per Annum
PF	Power Factor
PGCIL	Power Grid Corporation of India Limited
PGVCL	Paschim Gujarat Vij Company Limited
PPA	Power Purchase Agreement
R&M	Repair and Maintenance
RLDC	Regional Load Despatch Centre
SBI	State Bank of India
SLC	Service Line Contribution
SLDC	State Load Despatch Centre
UGVCL	Uttar Gujarat Vij Company Limited
WRLDC	Western Regional Load Despatch Centre





Before the Gujarat Electricity Regulatory Commission at Gandhinagar

Case No. 1342 of 2013

Date of the Order: 29/05/2014

CORAM

Shri Pravinbhai Patel, Chairman

Dr. M.K. Iyer, Member

ORDER

1. Introduction

1.1 Background

Section 16.2 of GERC (MYT) Regulations, 2011 of GERC provides for submission of Business Plan for each of the Control Period by the Generating Company, Transmission Licensee, Distribution Wires Business and Retail Supply Business. Based on the Business Plan, the applicant shall submit the forecast of Aggregate Revenue (ARR) for the entire control period and expected revenue from the existing Tariffs for the first year of the control period, and the Commission shall determine ARR for the entire control period and the tariff of the first year of the control period for the Generating Company, Transmission Licensee and Distribution Wires Business Plan and Retail Supply Business.



Section 16.2 of the Regulations also provides that the Generating Company, Transmission Licensee and Distribution Licensee may seek Mid-term Review of the Business Plan through an application filed three (3) months prior to the filing of Petition for Truing up for the Second year of the control period and tariff determination for the fourth year of the control period.

Regulation 17.2 of the GERC (MYT) Regulations, 2011 provides that in case of Mid-term Review of Business Plan under Regulation 16.2, the Petition shall comprise of modification of the ARR for the remaining years of the control period, if any, with adequate justification for the same.

Regulation 19.1 of GERC (MYT) Regulations, 2011 also provides that Mid-term Review of the Business Plan / Petition may be sought by the Generation Company Transmission Licensee and Distribution Licensee through an application filed three months prior to the specified date of filing of the Petition for truing up for the second year of the control period and tariff determination for the fourth year of the control period.

1.2 MPSEZ Utilities Private Limited (MUPL)

The Petitioner, MPSEZ Utilities Private Ltd (MUPL) is a company incorporated in 2008 under the Companies Act, 1956. Another company, Adani Ports and Special Economic Zone Ltd. (APSEZL), formerly known as Mundra Port and Special Economic Zone Limited (MPSEZL), is developing a multi-product SEZ at Mundra. The area of MPSEZL is about 6473 hectares.

The MUPL, created to provide infrastructure facilities in the Special Economic Zone, 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.

The MUPL, obtained the status of distribution licensee vide Government of India notification dated 03/03/2010. This was also endorsed by the Gujarat Electricity Regulatory Commission (GERC) vide order No. GERC/Legal 2010/0609 dated 06/04/2010 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.



1.3 Commission's Order for the second Control period

MUPL filed its petition under the Multi-Year Tariff Framework for the control period FY 2011-12 to FY 2015-16 on 12th May, 2011 in accordance with Gujarat Electricity Regulatory Commission (Multi-Year Tariff) Regulations, 2011.

The Commission, in exercise of the powers vested in it under sections 61, 62 and 64 of the Electricity Act, 2003 and all other powers enabling it on this behalf, and after taking into consideration the submission made by MUPL, the objections by various stakeholders, response of MUPL, issues raised during public hearing and all other relevant material, issued the Multi-Year tariff order on 6th September, 2011 for the control period from FY 2011-12 to FY 2015-16 based on the GERC (MYT) Regulations, 2011.

1.4 MUPL petition for FY 2011-12

MUPL filed the petition for approval of ARR for the control period for FY 2011-12 to FY 2015-16 and Retail supply Tariff for FY 2011-12 on 25th January, 2011. The Commission in its order dated 18th August, 2011, approved the ARR for MYT Period FY 2011-12 to FY 2015-16 and Retail Supply for FY 2011-12.

1.5 Petition of MUPL for Mid-term Review of Business Plan

In accordance with Regulation 16.2 of GERC (MYT) Regulations, 2011, the MPSEZ Utilities Pvt Ltd (MUPL) has filed the Petition for Mid-term Review of Business Plan and Revision of ARR for the remaining control period for FY 2014-15 and FY 2015-16.

1.6 Admission of the petition and the public hearing process

The MUPL has submitted the current petition for Mid-term Review of Business Plan and Revision ARR for balance years for FY 2014-15 and FY 2015-16 of the control period. The Commission admitted the above petition (Case No. 1342/2013) on 13th September, 2013.

In accordance with Section 64 of the Electricity Act, 2003, the Commission directed MUPL to publish its application in the abridged form to ensure public participation. The Public Notice was issued in the following newspapers on 1st November, 2013 inviting objections / suggestions from its stakeholders on the Mid-term Review Petition filed by it.



Sl. No.	Name of the Newspaper	Language	Date of publication
1	Indian Express	English	01/11/2013
2	Kutch Mitra	Gujarati	01/11/2013
3	Divya Bhaskar	Gujarati	01/11/2013

The petitioner also placed the public notice and the petition on the website (www.mundraport.com) for inviting objections and suggestions on its petition. The interested parties/stakeholders were asked to file their objections / suggestions on the petition on or before 1st December, 2013.

The Commission received objections / suggestions from Laghu Udyog Bharti-Gujarat. The Commission examined the objections / suggestions received and fixed the date for public hearing for the petition on 11th February, 2014 at the Commission's Office, Gandhinagar and subsequently a communication was sent to the objectors to take part in the public hearing process for presenting their views in person before the Commission. The public hearing was conducted in Commission's Office in Gandhinagar as scheduled on the above date.

A short note on the main issues raised by the objectors in the submissions in respect to the petition, along with the response of MUPL and the Commission's views on the responses, are briefly given in Chapter 3.

1.7 Contents of this order

The order is divided into four chapters, as under:

1. The **First Chapter** provides the background, the petition and details of the public hearing process.
2. The **Second Chapter** outlines the summary of MUPL's Mid-term Review Petition.
3. The **Third Chapter** provides a brief account of the public hearing process, including the objections raised by various stakeholders, MUPL's response and the Commission's views on the response.
4. The Fourth Chapter deals with Mid-term Review of Business Plan and Revision of ARR for FY 2014-15 and FY 2015-16.



2. Summary of MUPL's Petition

The MUPL has projected its Revised Aggregate Revenue Requirement for FY 2014-15 and FY 2015-16 as part of Mid-term Review process for the remaining years of the control period.

2.1 Mid-term Review for FY 2014-15 and FY 2015-16

The comparison of revised projections for FY 2014-15 and FY 2015-16 in the Mid-term Review Vis-a-Vis the costs approved by the Commission in the MYT Order dated 18th August, 2011 are given as below:

Table 2.1: Mid-term Review for FY 2014-15 and FY 2015-16

(Rs. Crore)

Sl. No.	Particulars	FY 2014-15		FY 2015-16	
		Approved in MYT Order	Projected in MTR	Approved in MYT Order	Projected in MTR
1	Power Purchase Expenses	189.48	104.76	329.50	134.02
2	O&M Expenses	6.19	9.85	6.55	11.39
(i)	Employee Expenses	-	3.36	-	3.69
(ii)	R&M Expenses	-	1.99	-	2.16
(iii)	A&G Expenses	-	4.50	-	5.54
3	Depreciation	8.36	4.13	8.85	6.44
4	Interest on Long Term Loans	9.68	5.94	9.38	9.40
5	Interest on Security Deposit	2.74	2.66	5.08	4.48
6	Interest on Working Capital	0.00	0.00	0.00	0.00
7	Provision for bad debts	0.00	0.00	0.00	0.00
8	Contingency Reserve	0.41	0.54	0.50	0.87
9	Income Tax	-	0.85	-	1.32
10	Revenue Expenditure	216.86	128.74	359.86	167.91
11	Return on Equity @14%	6.83	3.40	7.18	5.27
12	Less: Non-Tariff Income	0.10	0.03	0.13	0.03
13	ARR	223.59	132.10	366.91	173.14



3. Objections Raised by Various Stakeholders, MUPL's Response and Commission's Comments

3.1 Public Response to the Petition

In response to the Public Notice inviting objections/suggestions from stakeholders on the petition filed by MUPL for True-up for FY 2012-13 and determination of tariff for FY 2014-15, only one Organisation namely, Laghu Udyog Bharti has filed its objections/suggestions in writing during the public hearing.

The Commission has considered the objections/suggestions raised by the above mentioned stakeholder and the response of MUPL on the same.

The details of the submissions made by the objector, response of the Petitioner and the view of the Commission are summarized in the following sections.

3.2 Objector 1: Laghu Udyog Bharti

Objection 1: Not to consider Mid-term Review Plan

Response of MUPL:

The Petitioner has submitted the Mid-term Review of Business Plan for FY 2011-12 to FY 2015-16 and the approval of revised ARR due to considerable changes in the projections made in its MYT Petition for Demand and Sales, consumers, power purchase plan. CAPEX plan and O&M Expense.

Accordingly, the Mid-term Review of the business plan covers the revised estimates for Demand, Sales, Consumers, Power purchase, CAPEX, O&M and the corresponding changes in other parameters of ARR for FY 2014-15 and FY 2015-16.

In view of the above, the Commission may consider Mid-term Review plan as proposed.

Commission's View:

Response of MUPL is noted.

Objection 2: Per unit Cost validation is required to be done

Response of MUPL:

Petitioner has submitted the per unit power purchase cost in Form D-1 on Page no.



66 of the Petition.

Commission's View:

Response of MUPL is noted.

Objection 3: ARR for FY 2014-15 is not required to be revised

Response of MUPL:

The petitioner has submitted the revised projections for FY 2014-15 after due consideration of various factors affecting the Demand and sales and other parameters of the ARR for FY 2014-15.

Commission's View:

Response of MUPL is noted.

Objection 4: Reduction in existing tariff rates can be made

Response of MUPL:

The Petitioner has submitted the revision in the Tariff for FY 2014-15, considering the revenue gap from existing tariff and to recover the ARR for FY 2014-15.

Commission's View:

Response of MUPL is noted.

4. Mid-term Review of Business Plan for FY 2014-15 and FY 2015-16

4.1 Introduction

In terms of Regulation 16.2 (i) of GERC (MYT) Regulations, 2011 that a Mid-term Review of Business Plan may be sought by the Generating Company, Transmission Company and Distribution Licensees through an application filed (3) months prior to the filing of petition for truing up for the second year of the control period and tariff determination for the fourth year of the control period.

The Generating Company, the Transmission Company and the Distribution Companies shall file for Mid-term Review of Business Plan three months prior to the filing of Truing up for the FY 2012-13 and determination of tariff for FY 2014-15.

4.2 Submission of MUPL

In accordance with the above provisions the MPSEZ Utilities Pvt Ltd (MUPL) has submitted the petition for Mid-term Review of Business Plan for the remaining control period for FY 2014-15 and FY 2015-16.

4.3 Summary of the petition for Mid-term Review for the remaining control period, FY 2014-15 and FY 2015-16

4.3.1 MUPL has projected its Revised Aggregate Revenue Requirement for FY 2014-15 and FY 2015-16 as part of Mid-term Review process for the remaining years of the control period.

The comparison of revised projections for FY 2014-15 and FY 2015-16 vis-à-vis the figures approved by the Commission in the MYT order are given as under.

Table 4.1: Mid-term Review for FY 2014-15 and FY 2015-16

Sl. No.	Particulars	FY 2014-15		FY 2015-16	
		Approved in MYT Order	Projected in MTR	Approved in MYT Order	Projected in MTR
1	Power Purchase Expenses	189.48	104.76	329.50	134.02
2	O&M Expenses	6.19	9.85	6.55	11.39
(i)	Employee Expenses	-	3.36	-	3.69
(ii)	R&M Expenses	-	1.99	-	2.16
(iii)	A&G Expenses	-	4.50	-	5.54
3	Depreciation	8.36	4.13	8.85	6.44

(Rs. Crore)



MPSEZ Utilities Private Limited
Mid-term Review of Business Plan

Sl. No.	Particulars	FY 2014-15		FY 2015-16	
		Approved in MYT Order	Projected in MTR	Approved in MYT Order	Projected in MTR
4	Interest on Long Term Loans	9.68	5.94	9.38	9.40
5	Interest on Security Deposit	2.74	2.66	5.08	4.48
6	Interest on Working Capital	0.00	0.00	0.00	0.00
7	Provision for bad debts	0.00	0.00	0.00	0.00
8	Contingency Reserve	0.41	0.54	0.50	0.87
9	Income Tax	-	0.85	-	1.32
10	Revenue Expenditure	216.86	128.74	359.86	167.91
11	Return on Equity @14%	6.83	3.40	7.18	5.27
12	Less: Non-Tariff Income	0.10	0.03	0.13	0.03
13	ARR	223.59	132.10	366.91	173.14

4.4 Estimation of ARR for the remaining years of control period, FY 2014-15 and FY 2015-16.

The Mid-term Review highlights the following items of ARR for the remaining years of control period, FY 2014-15 and FY 2015-16.

- Energy projection
- Consumer profile
- Distribution loss
- Energy Requirement and energy balance
- Power purchase
- Capital expenditure and Funding of CAPEX.
- Operations and Maintenance charges
- Depreciation
- Interest on loan and finance expenses
- Interest on Working Capital
- Return on Equity
- Provision for Tax

The Commission has analysed the energy sales and components of expenditure and discussed under Mid-term Review of Business Plan in this section.

4.5 Energy Sales

4.5.1 Projection of energy Sales for FY 2014-15 and FY 2015-16.

MUPL has submitted that the license area of the Petitioner is under developing stage since last 3 years only where the industries and commercial units have put up their plants, for the initial phase of operation. Looking at the nascent stage of such industries, the growth in the demand is also at a gradual pace. Due to overall economic slowdown, development of established units are uncertain in the years to come and the new units which are yet to be established their setup may defer their operation. This



makes difficult to carry out the projections accurately for FY 2014-15 and FY 2015-16. MUPL has further submitted that projections for Mid-term Review are based on the estimated demand of existing consumers and projection for future consumers along with existing consumers. The projected connected load has been derived based on discussions with existing and prospective consumers.

It is stated that the major category of consumers of the Mundra SEZ area are industrial and commercial. Based on available feedback the load factor of their industries may vary between 50% to 60%. The present load factors of the units is about 45% and hence the load factor projected is considered to be between 50% to 60%.

4.5.2 Demand and Energy Sales

Demand

MUPL has projected the demand at 58 MVA and 73 MVA for FY 2014-15 and FY 2015-16 respectively. The demand as approved in MYT Order and now projected are given in Table below:

Table 4.2: Demand Summary for FY 2014-15 and FY 2015-16

Sl. No.	Particulars	FY 2014-15		FY 2015-16	
		Approved in MYT Order	Projected in MTR	Approved in MYT Order	Projected in MTR
1	Demand	177	58	266	73

(MVA)

Energy Sales

MUPL has projected the energy Sales in the review at 245 MU for FY 2014-15 and 313 MU for FY 2015-16. The energy sales as approved in the MYT Order and now revised under Mid-term Review are given in Table below:

Table 4.3: Energy Sales summary for FY 2014-15 and FY 2015-16

Sl. No.	Particulars	FY 2014-15		FY 2015-16	
		Approved in MYT Order	Projected in MTR	Approved in MYT Order	Projected in MTR
1	Energy Sales	467	245	853	313

(MU)

4.5.3 Consumer Profile

MUPL has submitted that it has projected the number of installations (consumers) for FY 2014-15 and FY 2015-16 as per details received from prospective consumers and the survey conducted by the Petitioner to track their future plans. The projection of number of installations approved in the MYT Order and now projected under Mid-term Review are given below:



Table 4.4: Number of installation forecast for FY 2014-15 and FY 2015-16

Particulars	FY 2014-15		FY 2015-16	
	Approved in MYT Order	Projected in MTR	Approved in MYT Order	Projected in MTR
Residential	0	0	0	0
Commercial Non Demand	0	1	0	1
Commercial Demand	13	19	14	20
Industrial Non Demand	0	0	0	0
Industrial Demand	1	0	1	0
HTMD - I (Industrial / Commercial)	50	28	60	33
HTMD - II (Temp)	3	0	0	0
Street light	2	5	2	5
LT – Temp	1	2	0	0
Total	70	55	77	59

4.5.4 Category wise no. of consumers, Demand and Energy Sales

As discussed above the MUPL has projected the number of consumers, demand and energy sales for FY 2014-15 and FY 2015-16 as below:

Table 4.5: Total number of consumers, Demand & Energy Sales for FY 2014-15 and FY 2015-16

Sl. No.	Particulars	FY 2014-15		FY 2015-16	
		Approved in MYT Order	Projected in MTR	Approved in MYT Order	Projected in MTR
1	Number of consumers	70	55	77	59
2	Load in MVA	164	55	247	70
3	Energy Sales (MU)	467	245	853	313

The category-wise number of consumers, demand and energy sales as approved in MYT Order and projected in Mid-term Review are given in Table below:

Table 4.6: Category-wise Demand, number of consumers and Energy Sales as approved in MYT Order and now projected in Mid-term Review for FY 2014-15 and FY 2015-16

Consumer Category	Particulars	FY 2014-15		FY 2015-16	
		Approved in MYT Order	Projected in MTR	Approved in MYT Order	Projected in MTR
HTMD - I	Load in MVA	161	54	246	69
	No. of Consumers	50	28	60	33
	Sales (MUs)	461	238	851	309
HTMD-II (Temp)	Load in MVA	1.63	0	0.00	0
	No. of Consumers	3	0	0	0
	Sales (MUs)	2.6	0	0.0	0
Commercial Demand	Load in MVA	0.95	1.06	0.99	1.14
	No. of Consumers	13	19	14	20
	Sales (MUs)	2.2	3.7	2.3	4.04
Industrial Demand	Load in MVA	0.09	0	0.10	0
	No. of Consumers	1	0	1	0
	Sales (MUs)	0.37	0	0.38	0



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Consumer Category	Particulars	FY 2014-15		FY 2015-16	
		Approved in MYT Order	Projected in MTR	Approved in MYT Order	Projected in MTR
Temp Demand (LT)	Load in MVA	0.04	0.05	0.00	0
	No. of Consumers	1	2	0	0
	Sales (MUs)	0.09	0.12	0.00	0
Street light	Load in MVA	0.08	0.092	0.08	0.92
	No. of Consumers	2	5	2	5
	Sales (MUs)	0.09	0.29	0.09	0.29
Commercial Non Demand	Load in MVA	0	0.002	0	0.002
	No. of Consumers	0	1	0	1
	Sales (MUs)	0	0.0063	0	0.0063
Total	Load in MVA	164	55	247	70
	No .of Consumers	70	55	77	59
	Sales (MUs)	467	245	853	313

Commission's Analysis

The Commission has examined the number of consumers, connected load (demand) and energy sales projected by MUPL under Mid-term Review. As stated by MUPL the SEZ is still on developmental stage and the demand growth is at a gradual pace. Added to that due to economic slowdown, the growth is slow and not encouraging. Considering the above factors submitted by MUPL on the development of the SEZ, and the load growth, the Commission considers the growth in the number of consumers, load demand and energy sales projected by MUPL in the Mid-term Review.

The total number of consumers, demand and energy sales approved by the Commission are given in the Tables below:

Table 4.7: Number of consumers and demand approved by the Commission for FY 2014-15 and FY 2015-16

Consumer Category	Particulars	Approved in MTR for FY 2014-15	Approved in MTR for FY 2015-16
HTMD - I	Load in MVA	54	69
	No. of Consumers	28	33
HTMD-II (Temp)	Load in MVA	0	0
	No. of Consumers	0	0
Commercial Demand	Load in MVA	1.06	1.14
	No. of Consumers	19	20
Industrial Demand	Load in MVA	0	0
	No .of Consumers	0	0
Temp Demand (LT)	Load in MVA	0.05	0
	No. of Consumers	2	0
Street light	Load in MVA	0.092	0.92
	No. of Consumers	5	5
Commercial Non Demand	Load in MVA	0.002	0.002
	No. of Consumers	1	1
Total	Load in MVA	55	70
	No .of Consumers	55	59



Total Energy Sales

Table 4.8: Category-wise energy sales approved by the Commission for FY 2014-15 and FY 2015-16

Sl. No.	Particulars	FY 2014-15	FY 2015-16
1	HTMD	238	309
2	HTMD-II (Temp.)	0.00	0.00
3	Commercial Demand	3.7	4.04
4	Industrial Demand	0.00	0.00
5	Temp Demand	0.12	0.00
6	Street Light	0.29	0.29
7	Commercial- Non Demand	0.0063	0.0063
8	Total	242	313

(MU)

The Commission approves the energy sales at 242 MU and 313 MU for FY 2014-15 and FY 2015-16 respectively.

4.6 Distribution Loss

The MUPL has projected the distribution losses for FY 2014-15 and FY 2015-16 at 4.5% and 5.0% respectively. It is submitted by MUPL that the network has increased with additional consumers and correspondingly the distribution losses. MUPL has requested the Commission to approve the revised losses. The distribution losses approved by the Commission in MYT Order and now projected in Mid-term Review are given in Table below:

Table 4.9: Distribution Losses approved in MYT Order and Projected in Mid-term Review for FY 2014-15 and FY 2015-16

Sl. No.	Particulars	FY 2014-15		FY 2015-16	
		Approved in MYT Order	Projected in MTR	Approved in MYT Order	Projected in MTR
1	Distribution losses (%)	7.25	4.50	7.00	5.00

Commission's Analysis

The distribution losses submitted by MUPL under True-up for FY 2012-13 are 3.88%. However the distribution losses projected by MUPL in Mid-term Review are considered as the losses are likely to increase with the additions to network and number of consumers. Hence, the Commission approves distribution loss for FY 2014-15 and FY 2015-16 at 4.50% and 4.50% respectively. The MUPL is directed to conduct Energy Audit to arrive at realistic distribution losses and report.



4.7 Energy Requirement

The MUPL has submitted that the total energy requirement to meet the total demand of its consumer is based on the energy sales and the distribution losses projected as below:

Table 4.10: Energy Requirement Projected for FY 2014-15 and FY 2015-16

Particulars	FY 2014-15		FY 2015-16	
	Approved in MYT Order	Projected in MTR	Approved in MYT Order	Projected in MTR
Energy Sales (MUs)	467	245	853	313
Distribution Loss (%)	7.25%	4.50%	7.00%	5.00%
Distribution Loss (MUs)	36.48	11.53	64.23	16.48
Energy Requirement after Distribution Loss	503	256	917.63	330
Transmission Loss (%)	4.20%	0.00%	4.20%	0.00%

Commission's Analysis

Based on the sales and distribution losses approved by the commission in Para 4.5.4 and 4.6 above, the energy requirement is arrived at as given in Table below:

Table 4.11: Energy Requirement approved for FY 2014-15 and FY 2015-16

Sl. No.	Particulars	FY 2014-15	FY 2015-16
1	Energy Sales (MU)	242	313
2	Distribution Loss (%)	4.5	4.50
3	Distribution Loss (MU)	11	14
4	Energy Requirement at Distribution periphery (MU)	253	327
5	Transmission Loss (%)	0.00	0.00
6	Transmission loss (MU)	0.00	0.00
7	Total Energy Requirement	253	327

4.8 Power Purchase

Petitioner's submission

MUPL has submitted that based on the approval of the Commission in its Order dated 26.07.2013 in Case No. 1308/2013, the power is procured under Mid-term Contact at costs indicated below:

Table 4.12: Power Purchase Cost for FY 2014-15 and FY 2015-16

Sl. No.	Particulars	FY 2014-15		FY 2015-16	
		Approved in MYT Order	Projected in MTR	Approved in MYT Order	Projected in MTR
1	Total Quantity (MU)	525	256	958	330
2	Capacity charges (Rs. Cr)	-	50	-	60
3	Energy Charges (Rs. Cr)	-	55	-	74
4	Total cost of Power Purchase	189	105	330	134



MUPL has submitted that the Petitioner intends to Purchase Power through long term basis through competitive bidding route and will approach the Commission for its approval and further process.

Commission's Approval

MUPL has submitted that it has procured power on medium term basis as approved by the Commission, the price at which power is procured by the Petitioner works out Rs. 4.10/Unit during FY 2014-15 and Rs. 4.06/Unit during FY 2015-16. The total power purchase cost is approved at Rs. 103.75 Crore for FY 2014-15 and Rs. 133.57 Crore for FY 2015-16.

MUPL has not considered energy from renewable sources. MUPL is required to procure energy from such sources in order to fulfil RPO. The Commission has considered energy from various renewable sources as per GERC (Procurement of Energy from Renewable Sources) Regulations, 2010 for FY 2014-15 and FY 2015-16. The Power Purchase Cost approved by the Commission is shown in the Table below.

Table 4.13: Cost of Power Purchase Approved for FY 2014-15

Sl. No.	Source	Power Purchase (MU)	Basic Variable Cost Rs/kWh	Variable Cost Rs. Crore	Fixed Cost Rs. Crore	Total Rs. Crore
1	Competitive Bidding	232.76	2.185	50.86	50	100.86
2	Wind	15.81	4.21	6.66	-	6.66
3	Solar	3.16	9.63	3.05	-	3.05
4	Biomass/Others	1.27	5.04	0.64	-	0.64
	Total	253.00	-	61.20	50	111.21

Table 4.14: Cost of Power Purchase Approved for FY 2015-16

Sl. No.	Source	Power Purchase (MU)	Basic Variable Cost Rs/kWh	Variable Cost Rs. Crore	Fixed Cost Rs. Crore	Total Rs. Crore
1	Competitive Bidding	300.84	2.272	68.35	60	128.35
2	Wind	20.44	4.21	8.60	-	8.6
3	Solar	4.09	9.63	3.94	-	3.94
4	Biomass/Others	1.64	5.04	0.82	-	0.82
	Total	327.00	-	81.72	60	141.71



4.9 Capital Expenditure

Petitioners Submission

MUPL has projected the capital expenditure in the Mid-term Review at Rs. 24.02 Crore for FY 2014-15 and Rs. 64.98 Crore for FY 2015-16 against Rs. 5.87 Crore and Rs. 10.67 Crore approved for FY 2014-15 and FY 2015-16 respectively in the MYT Order as detailed in the Table below:

Table 4.15: CAPEX of FY 2014-15 & FY 2015-16

(Rs. Crore)

Sl. No.	Particular	FY 2014-15		FY 2015-16	
		Approved in MYT Order	Projected in MTR	Approved in MYT Order	Projected in MTR
A	EHV (220 kV & 66 kV)				
1	EHV Transmission line	-	0.48	-	11.26
2	EHV Transmission Cable	-	6.82	-	7.13
3	EHV Substation	-	2.84	-	12.80
4	Land Cost	-	5.76	-	19.35
5	Civil Cost	-	2.16	-	3.69
	Total (A)	-	18.05	-	54.22
B	HT (33 kV & 11 kV) & NETWORK				
6	33 kV HT cable Network	3.80	0.51	7.59	1.26
7	11 kV HT cable Network	1.10	1.76	2.20	1.01
8	33 / 11 kV HT Substation	-	0.20	-	0.24
9	Land Cost	-	1.07	-	1.71
10	Civil Cost	-	0.32	-	0.25
	Total (B)	4.90	3.86	9.79	4.48
C	Others				
11	Automation & SCADA	-	0.14	-	4.04
12	Testing and Measuring Equipment	0.30	0.99	0.20	1.52
13	Meters & AMR	0.11	-	0.11	0.43
14	IT	0.02	-	0.02	0.01
15	Miscellaneous	0.55	0.12	0.55	-
16	Buildings & other civil work	-	0.86	-	0.29
	Total (C)	0.97	2.11	0.88	6.28
D	Grand Total (A+B+C)	5.87	24.02	10.67	64.98

The Petitioner has submitted that there will be addition of substations, transmission lines, underground EHV / HV / LV network as well as power and distribution transformers during the period from FY 2013-14 to FY 2015-16.

Commission's Analysis

The Commission has observed that MUPL has projected much higher capital expenditure for FY 2014-15 and FY 2015-16 in the Mid-term Review than what was approved for the respective year in the MYT order. With reference to a query from the Commission on the justification for the fivefold increase in the Capital Expenditure in



the Mid-term Review while there is substantial decrease in the demand in the Mid-term Review, when compared to the sales approved for the respective years in MYT order, MUPL has submitted in its letter MUPL / GERC/ Mid-term details dated 07.02.2014 that major CAPEX for new licensee in SEZ area is solely depended on new customers coming up in the area. However, due to economic slowdown and global turmoil the new customers envisaged did not materialize in previous years. It has further submitted that the major CAPEX proposed in FY 2014-15 and FY 2015-16 is mainly the deferment of the CAPEX already approved for the previous years and hence there is difference observed for FY 2014-15 and FY 2015-16.

The Commission provisionally approves Rs. 24.02 Crore for FY 2014-15 and Rs. 64.98 Crore for FY 2015-16 as proposed by the Petitioner which is subject to truing up based on Audited Annual Accounts of respective years.

Capitalisation

Petitioner's Submission

MUPL has proposed to capitalize the entire CAPEX projected for FY 2014-15 and FY 2015-16 in the Mid-term Review.

Commission's analysis

The Commission has observed that the capitalisation during FY 2011-12 and FY 2012-13 is far lower than what was approved in the MYT order for the respective years as detailed below:

Table 4.16: Approved CAPEX Vs. Actual capitalization for FY 2011-12 and FY 2012-13
(Rs. Crore)

Sl. No.	Particulars	FY 2011-12	FY 2012-13
1	Approved CAPEX in MYT Order	33.36	33.45
2	Actual Capitalisation	25.16	9.65
3	Achievement in percentage	75.42%	28.85%

From the above, it can be observed that MUPL is capable to capitalize maximum of 75% of the total CAPEX approved. In order to avoid front loading of CAPEX and its relevant charges the Commission has decided to consider 75% of the CAPEX for FY 2014-15 and FY 2015-16 as an amount for capitalization for these years as shown below, however the actual capitalization shall be allowed at the time of True-up of the corresponding year as per GERC (MYT) Regulations, 2011.

The approved CAPEX and capitalization are given in the Table below:

Table 4.17: Approved CAPEX and Capitalisation in the Mid-term Review

(Rs. Crore)			
Sl. No.	Particulars	FY 2014-15	FY 2015-16
1	CAPEX	24.02	64.98
2	Capitalisation	18.02	48.74

Funding of CAPEX

MUPL has assumed the funding of CAPEX on normative basis with the debt equity ratio of 70:30.

The sources of funding proposed by MUPL in the Mid-term Review against MYT approval are given in the Table below:

Table 4.18: Capitalisation and funding the CAPEX

(Rs. Crore)					
Sl. No.	Particulars	Approved in the MYT Order		Projected in the MTR	
		FY 2014-15	FY 2015-16	FY 2014-15	FY 2015-16
1	Capital expenditure	5.87	10.67	24.02	64.98
2	Capitalisation	5.87	10.67	24.02	64.98
3	Less: SLC	-	-	-	-
4	Balance Capitalisation	5.87	10.67	24.02	64.98
5	Debt (70%)	4.11	7.47	16.81	45.49
6	Equity (30%)	1.76	3.20	7.21	19.49

Commission's Analysis

The Commission has analysed the funding submitted by the MUPL. MUPL has accounted for a Service Line Contribution (SLC) of Rs. 3.77 Crore in FY 2012-13 as per audited accounts. The SLC worked out to 39% of the capitalization of Rs. 9.65 Crore during FY 2012-13. The Commission takes into consideration the SLC at 39% of the approved capitalization in the Mid-term Review towards funding the capitalization and the balance capitalization at the debt equity ratio of 70:30.

The funding proposed by MUPL and as approved by the Commission in the Mid-term Review is given in the Table below:

Table 4.19: Funding the CAPEX approved in the Mid-term Review

(Rs. Crore)					
Sl. No.	Particulars	Projected in the MTR		Approved in the MTR	
		FY 2014-15	FY 2015-16	FY 2014-15	FY 2015-16
1	Capital expenditure	24.02	64.98	24.02	64.98
2	Capitalisation	24.02	64.98	18.02	48.74
3	Less: SLC	-	-	7.03	19.01
4	Balance Capitalisation	24.02	64.98	10.99	29.73
5	Debt (70%)	16.81	45.49	7.69	20.81
6	Equity (30%)	7.21	19.49	3.30	8.92



The Capitalisation debt and equity will be taken into consideration in the computation of depreciation, interest on normative loan and return on equity.

Gross Fixed Assets

The Commission has arrived at the opening and closing balance of GFA taking into consideration the capitalization approved in the above Para as detailed in the Table below:

Table 4.20: Gross Fixed Assets approved in the Mid-term Review
(Rs. Crore)

Sl. No.	Particulars	Considered for FY 2013-14	Approved in the MTR	
			FY 2014-15	FY 2015-16
1	Opening balance	81.79	108.42	126.44
2	Addition during the year	26.63	18.02	48.74
3	Closing GFA	108.42	126.44	175.18

4.10 O&M Expenses

MUPL has projected the O&M expenses at Rs. 9.85 Crore for FY 2014-15 and Rs. 11.39 for FY 2015-16 in the review petition. The O&M Expenses approved for these years in MYT order dated 18th August, 2011 and the revised projections submitted by MUPL are as given in the Table below:

Table 4.21: O&M Expenses projected in the Review for FY 2014-15 and FY 2015-16
(Rs. Crore)

Particulars	FY 2014-15		FY 2015-16	
	Approved in MYT Order	Projected in MTR	Approved in MYT Order	Projected in MTR
Employee Cost		3.36		3.69
Repairs & Maintenance Cost		1.99		2.16
Administration & General Cost		4.50		5.54
Total O&M Expenses	6.19	9.85	6.55	11.39

Petitioner's Submission

MUPL has submitted that the industrial development is likely to take place gradually over a period of time in the Mundra SEZ and it is difficult to carry out accurate projection for Employee, A&G and R&M Expenses. It has further submitted the projection should take into account the growth in the business and provide for inflationary increase in expenses.

MUPL has requested to consider the Weighted Average whole sale price index (WPI) for FY 2010-11, FY 2011-12 and FY 2012-13 that worked out to 8.62% and Consumer Price Index (CPI) for these years that worked out to 9.76%. MUPL has requested to



allow the actual weighted average inflation rate considering 60% and 40% weight to WPI and CPI respectively that worked out to 9.07% for FY 2012-13.

Commission's analysis

The Commission has examined the O&M Expenses incurred by MUPL during FY 2012-13. As per Audited Accounts the O&M expenses of Rs. 6.35 Crore are considered in the True-up for FY 2012-13. GERC (MYT) Regulations, 2011 specifies the escalation of O&M Expenses at 5.72% p.a. for FY 2012-13 onwards.

The Commission, accordingly, approves the O&M Expenses with 5.72% escalation p.a. for FY 2014-15 and FY 2015-16 over the actual O&M Expenses approved in the Truing up for FY 2012-13 as detailed in the Table below:

Table 4.22: O&M Expenses approved in the Mid-term Review

	(Rs. Crore)	
Particulars	Approved in the MTR for FY 2014-15	Approved in the MTR for FY 2015-16
O&M Expenses	7.10	7.50

4.11 Depreciation

MUPL has projected the depreciation at Rs. 4.13 Crore for FY 2014-15 and Rs. 6.44 Crore for FY 2015-16 based on the revised Capital expenditure projected in the review petition for these years. The depreciation approved in the MYT order dated 18th August, 2011 and the revised projection submitted by MUPL are as given in the Table below:

Table 4.23: Depreciation projected in the Mid-term Review for FY 2014-15 and FY 2015-16

	(Rs. Crore)			
	FY 2014-15		FY 2015-16	
	Approved in MYT Order	Projected in MTR	Approved in MYT Order	Projected in MTR
Depreciation	8.36	4.13	8.85	6.44

Petitioner's Submission

MUPL has submitted that computation of depreciation on the fixed assets is based on straight line method and the depreciation rates considered are the rates as prescribed in the GERC (MYT) Regulations, 2011.

Commission's analysis

The Commission has approved the capitalization in paragraph 4.9 above. The Commission has considered the average rate of depreciation at 5.28% as per GERC



Regulations. The Commission has computed the depreciation based on the capitalisation approved as given in the Table below:

Table 4.24: Depreciation approved in the Mid-term Review for FY 2014-15 and FY 2015-16

(Rs. Crore)				
Sl. No.	Particulars	FY 2013-14	FY 2014-15	FY 2015-16
A	Gross block in the beginning of the year	81.79	108.42	126.44
1	Addition during the year	26.63	18.02	48.74
2	Closing GFA	108.42	126.44	175.18
3	Average assets	-	117.43	150.81
4	Average rate of Depreciation		5.28%	5.28%
5	Depreciation for the year		6.20	7.96
B	Depreciation on assets acquired through SLC			
6	SLC at the beginning of the Year	14.62	25.01	32.04
7	Add: during the year	10.39	7.03	19.01
8	Closing SLC	25.01	32.04	51.05
9	Average SLC		28.53	41.55
10	Depreciation of SLC @ 5.28%		1.51	2.19
C	Net Depreciation (5-10)		4.69	5.77

The Commission accordingly approves the depreciation in the Mid-term Review for FY 2014-15 and FY 2014-15 at Rs. 4.69 Cr and Rs. 5.77 Cr respectively.

4.12 Interest and Finance Charges

MUPL has projected the Interest and Finance charges at Rs. 5.94 Crore for FY 2014-15 and Rs. 9.40 Crore for FY 2015-16. The Interest charges approved for these years in the MYT order dated 18th August, 2011 and the revised projections submitted in the review petition are as given in the Table below:

Table 4.25: Interest on loan Projected in the Mid-term Review for FY 2014-15 and FY 2015-16

Particulars	(Rs. Crore)			
	FY 2014-15		FY 2015-16	
	Approved in MYT Order	Projected in MTR	Approved in MYT Order	Projected in MTR
Opening Loans	94.30	38.14	90.05	50.82
Loan additions (70:30 debt equity)	4.11	16.81	7.47	45.49
Repayment (depreciation allowed)	8.36	4.13	8.85	6.44
Closing balance	90.05	50.82	88.67	89.97
Average loans	92.18	44.48	89.36	70.34
Interest at 13.36%	9.68	5.94	9.38	9.40

Petitioner's Submission

MUPL has submitted that investment in project till date has been made through equity contribution with the exception of capital expenditure under taken through consumer contribution. The Normative loan has been computed as 70% of opening balance of Gross Fixed Assets net of consumer contribution.

The MUPL has requested to revise the interest rate of 10.50% approved in the MYT order and requested to consider the rate of interest of 13.36 % i.e. 12.86% approved for biomass based projects and bagasse based power projects in the Commission's order of 2013 dated 08.08.2013 for FY 2012-13 and taking further increase of 0.50% in the ensuing years.

Commission's analysis

MUPL is funding the entire capital expenditure from its own resources and therefore claimed interest on normative loan with debt equity ratio of 70:30. MUPL has claimed interest at 13.36% (12.86% approved for FY 2012-13 in the case of biomass and bagasse based projects plus 0.5 % increase for the future years). However, the Commission is of the opinion that the interest rate of 10.50 % approved in the MYT Order needs no revision. The repayment is regulated in accordance with Regulation 39.3 of GERC (MYT) Regulations, 2011, which specified that the repayment shall be equal to depreciation allowed during the year. The interest as computed by the Commission is given in the Table below:

Table 4.26: Interest on loan computed in the Mid-term Review

(Rs. Crore)

Particulars	Considered for FY 2013-14	Approved in MTR for FY 2014-15	Approved in MTR for FY 2015-16
Opening Loans	40.07	51.19	54.19
Loan additions (70:30 debt equity)	18.64	7.69	20.81
Repayment (depreciation allowed)	7.52	4.69	5.77
Closing balance	51.19	54.19	69.23
Average loans		52.69	61.71
Rate of Interest		10.50%	10.50%
Interest at 10.5%		5.53	6.48

The Commission approves the interest on normative loan in the Mid-term Review for FY 2014-15 and FY 2015-16 as given in the above Table.



4.13 Interest on Security Deposit

MUPL has projected the interest on security deposit at Rs. 2.66 Crore for FY 2014-15 and Rs. 4.48 Crore for FY 2015-16 in the review petition. The Interest on security deposit approved for these years in the MYT Order dated 18th August, 2011 and the revised projection submitted in the review are as given in the Table below:

Table 4.27: Interest on security deposit projected in the Mid-term Review for FY 2014-15 and FY 2015-16

Particulars	FY 2014-15		FY 2015-16	
	Approved in MYT Order	Projected in MTR	Approved in MYT Order	Projected in MTR
Consumer Deposit	45.65	29.55	84.60	49.47
Interest Cost	2.74	2.66	5.08	4.48

(Rs. Crore)

Petitioner's Submission

MUPL has submitted that security deposit has been projected to increase at the growth rate of revenue and interest is considered at the rate of 9% on the average balance of security deposits in every year.

Commission's analysis

The security deposit from consumers is expected to grow in proportion to the revenue from sale of power. The actual balance of security deposit as on 31st march 2013 was Rs. 9.90 Crore taking into consideration the expected receipt of deposits during FY 2013-14, the average consumer security deposit is projected at Rs. 29.55 Crore for FY 2014-15 and Rs. 49.47 Crore for FY 2015-16 and the interest at Rs. 2.66 Crore and Rs. 4.48 Crore respectively for the above years @ 9% interest on the average balance of security deposits is approved as projected in the review petition. The approved interest on security deposit is given in the Table below:

Table 4.28: Interest on security deposit approved in the Mid-term Review

Particulars	FY 2014-15	FY 2015-16
Consumer Deposit	29.55	49.47
Interest Cost	2.66	4.48

(Rs. Crore)

4.14 Interest on Working Capital

Petitioner's Submission

MUPL has not claimed any interest on working capital in the review for FY 2014-15 and FY 2015-16 as the normative working capital is lower than the security deposits from the consumer. The details are as given in the Table below:



Table 4.29: Interest on working capital projected in the Mid-term Review

(Rs. Crore)

Sl. No.	Particulars	FY 2014-15		FY 2015-16	
		Approved in MYT Order	Projected in MTR	Approved in MYT Order	Projected in MTR
1	O&M expenses for 1 month	0.52	0.82	0.55	0.95
2	Maintenance Spares (1 % of Opening GFA)	1.60	0.84	1.66	1.08
3	Receivables for 1 month	19.26	11.53	32.68	15.13
4	Less : Security Deposit (Avg.)	45.65	29.55	84.60	49.77
4	Normative Working capital	21.38	13.49	34.89	17.17
6	Interest Rate (%)	11.75%	14.75%	11.75%	14.75%
7	Interest on working capital	0.00	0.00	0.00	0.00

Commission's analysis

The working capital and interest thereon are to be regulated in accordance with the Regulation 41 of GERC (MYT) Regulations, 2011. The Working Capital and interest thereon computed by the Commission in the review for FY 2014-15 and FY 2015-16 are given in the Table below:

Table 4.30: Interest on working capital approved in the Mid-term Review

(Rs. Crore)

Particulars	FY 2014-15	FY 2015-16
O&M expenses (one month)	0.59	0.62
Spares as 1 % of opening GFA	1.08	1.26
Receivables	11.32	14.30
Total Working capital	12.99	16.18
Less: Security Deposit (Avg.)	29.55	49.47
Normative Working Capital	(16.56)	(33.29)
Interest on working capital @ 14.75 %	0.00	0.00

No interest on working capital is considered in the review since the security deposit from the consumers is more than the Working capital requirement.

4.15 Return on Equity

MUPL has projected the Return on Equity at Rs. 3.40 Crore for FY 2014-15 and Rs. 5.27 Crore for FY 2015-16 in the review as against Rs. 6.83 Crore and Rs. 7.18 Crore approved in the MYT order for these years respectively as detailed in the Table below:

Table 4.31: Return on Equity projected in the Mid-term Review

(Rs. Crore)

Particulars	FY 2014-15		FY 2015-16	
	Approved in MYT Order	Projected in MTR	Approved in MYT Order	Projected in MTR
Opening Equity and reserves	47.93	20.67	49.69	27.87
Additions to equity towards capital investments	1.76	7.21	3.20	19.49
Closing balance of Equity and Reserves	49.69	27.87	52.89	47.37
ROE @ 14% on the average balance	6.83	3.40	7.18	5.27



Petitioner's Submission

MUPL has submitted that reduction in the return on equity is on account of lower capitalisation projected in the review for FY 2014-15 and FY 2015-16.

Commission's analysis

The return on equity is to be regulated in accordance with the provisions under Regulation 38 of GERC (MYT) Regulations, 2011 taking into consideration the opening equity and equity addition during the year. The closing equity for FY 2012-13 is considered as opening equity for FY 2013-14 and the addition of equity for FY 2013-14 is considered as approved for the year in MYT order. The addition of equity approved in the review for FY 2014-15 and FY 2015-16 is taken into consideration as worked out in para 4.9 above.

The Return on Equity for MUPL is regulated in accordance with Regulation 38 of GERC (MYT) Regulations, 2011 in the Review as detailed in the Table below:

Table 4.32: Return on Equity approved in the Review for FY 2014-15 and FY 2015-16
(Rs. Crore)

Particulars	FY 2013-14	FY 2014-15	FY 2015-16
Opening Equity	19.88	27.87	31.17
Additions to equity during the year	7.99	3.30	8.92
Closing Equity	27.87	31.17	40.09
Average Equity		29.52	35.63
ROE @ 14%		4.13	4.99

The Commission approves the return on equity in the review for FY 2014-15 and FY 2015-16 as given in the Table above.

4.16 Contingency Reserve

MUPL has projected the contingency reserve at Rs. 0.54 Crore for FY 2014-15 and Rs. 0.87 Crore for FY 2015-16 in the review as against Rs. 0.80 Crore and Rs. 0.83 Crore approved for these years respectively in the MYT order dated 18th August, 2011 as detailed in the Table below:

Table 4.33: Contingency Reserve projected in the Mid-term Review
(Rs. Crore)

Particulars	FY 2014-15		FY 2015-16	
	Approved in MYT Order	Projected in MTR	Approved in MYT Order	Projected in MTR
GFA	159.78	108.45	165.64	173.43
Contingency Reserve as a % of fixed assets	0.5%	0.5%	0.5%	0.5%
Contingency Reserve	0.41	0.54	0.50	0.87



Petitioner's Submission

MUPL has submitted that it has projected the revised contingency reserve in the review for FY 2014-15 and FY 2015-16 at 0.5% of the Gross Fixed Assets as yearly contribution in accordance with provisions under Regulation 85.6.1 of GERC (MYT) Regulations, 2011.

Regulation 85.6.1 of GERC (MYT) Regulations, 2011 specified that where the distribution Licensee has made an appropriation to the Contingency Reserve, a sum not more than 0.5 percent of the original cost of fixed assets shall be allowed annually towards such appropriation in the calculation of ARR. The Contingency reserve is computed and approved in the review as detailed in the Table below:

Table 4.34: Contingency Reserve approved in the Mid-term Review

Particulars	(Rs. Crore)	
	FY 2014-15	FY 2015-16
GFA	108.42	126.44
Contingency Reserve as a % of fixed assets	0.5%	0.5%
Contingency Reserve	0.54	0.63

The Commission approves the contingency reserve as in the above Table in the review for FY 2014-15 and FY 2015-16.

4.17 Income Tax

MUPL has projected the income tax at Rs. 0.85 Crore for FY 2014-15 and Rs. 1.32 Crore for FY 2015-16 in the review petition for FY 2014-15 and FY 2015-16. The income tax approved for these years in the MYT order dated 18th August, 2011 and the revised projections submitted by MUPL are as given in the Table below:

Table 4.35: Income Tax projected in the Mid-term Review

Particulars	(Rs. Crore)			
	FY 2014-15		FY 2015-16	
	Approved in MYT Order	Projected in MTR	Approved in MYT Order	Projected in MTR
Income Tax	-	0.85	-	1.32

Petitioner's Submission

MUPL has submitted that as per SEZ Act, 2005 and Rules. The Income Tax and MAT was not applicable to the petitioner but the petitioner is required to pay income tax at MAT rate as per the amendment in the tax laws. MUPL has considered the MAT @ 20.007% including surcharge and education cess.



Commission's analysis

MUPL had not claimed any income tax in the MYT petition for the control period stating that income tax was not applicable to MUPL. As per the Audited Annual Accounts MUPL the actual income tax was Rs. 0.13 Crore for FY 2012-13. Regulation 42 of GERC (MYT) Regulations, 2011 specified that the Commission shall provisionally approve income tax payable for each year for the control period, if any, based on the actual income tax paid as per the latest Audited Accounts available for the applicant subject to Prudence check. Now MUPL has claimed post tax on the RoE for the respective year in the review. Since the latest Audited Accounts are available for FY 2012-13, the Commission considers the actual income tax of FY 2012-13 for the years FY 2014-15 and FY 2015-16 in the review as detailed below:

Table 4.36: Income Tax approved in the Mid-term Review

	(Rs. Crore)	
Particulars	FY 2014-15	FY 2015-16
Income Tax	0.13	0.13

4.18 Non-Tariff Income

Petitioner's submission

MUPL has projected Rs. 0.03 Crore for FY 2014-15 and Rs. 0.03 Crore for FY 2015-16 in the review as against Rs. 0.10 Crore and Rs. 0.13 Crore approved for these years respectively in the MYT Order dated 18th August, 2011 as detailed in the Table below:

Table 4.37: Non- Tariff Income projected in the Mid-term Review

Particulars	FY 2014-15		FY 2015-16	
	Approved in the MYT Order	Projected in MTR	Approved in MYT Order	Projected in MTR
Non-Tariff Income	0.10	0.03	0.13	0.03

Commission's Analysis

MUPL has estimated the Non-Tariff income at Rs. 0.03 Crore for each year in the review for FY 2014-15 and FY 2015-16. As per the audited annual accounts the Non-Tariff income during FY 2012-13 was Rs. 0.10 Crore. The Commission approves Non-Tariff income for FY 2014-15 and FY 2015-16 at the level of actual of FY 2012-13 as shown in the Table below.

Table 4.38: Non-Tariff approved in the Mid-term Review

	(Rs. Crore)	
Particulars	FY 2014-15	FY 2015-16
Non-Tariff Income	0.10	0.10



4.19 Revised ARR for FY 2014-15 and FY 2015-16

As discussed in the above paragraphs, the Commission approves the revised ARR in the review for FY 2014-15 and FY 2015-16 as given in the Table below:

**Table 4.39: Revised Annual Revenue Requirement Approved in the Mid-term Review
(Rs. Crore)**

Particulars	Approved in the MYT order		Projected by MUPL in the MTR		Approved in the Mid-term Review	
	FY 2014-15	FY 2015-16	FY 2014-15	FY 2015-16	FY 2014-15	FY 2015-16
Power Purchase Expenses	189.48	329.50	104.76	134.02	111.21	141.71
O&M Expenses	6.19	6.55	9.85	11.39	7.1	7.5
<i>Employee Expenses</i>			3.36	3.69		
<i>R& M Expenses</i>			1.99	2.16		
<i>A&G Expenses</i>			4.50	5.54		
Depreciation	8.36	8.85	4.13	6.44	4.69	5.77
Interest on Loans	9.68	9.38	5.94	9.40	5.53	6.48
Interest on Security Deposit	2.74	5.08	2.66	4.48	2.66	4.48
Interest on Working Capital	-	-	0.00	0.00	0	0
Provision for bad debts	-	-	0.00	0.00	0	0
Contingency Reserve	0.41	0.50	0.54	0.87	0.54	0.63
Income Tax	-	-	0.85	1.32	0.13	0.13
Revenue Expenditure	216.86	359.86	128.74	167.91	131.87	166.70
Return on Equity @ 14%	6.83	7.18	3.40	5.27	4.13	4.99
Less: Non-Tariff Income	0.10	0.13	0.03	0.03	0.10	0.1
ARR	223.59	366.91	132.10	173.14	135.90	171.59



COMMISSION'S ORDER

The Commission approves the revised Aggregate Revenue Requirement (ARR) for MUPL for FY 2014-15 and FY 2015-16, as shown in the Table below:

Approved ARR for MUPL for FY 2014-15 and FY 2015-16

(Rs. Crore)			
Sl. No.	Particulars	FY 2014-15	FY 2015-16
1.	Power Purchase Expenses	111.21	141.71
2.	O&M Expenses	7.1	7.5
3.	Depreciation	4.69	5.77
4.	Interest on Loans	5.53	6.48
5.	Interest on Security Deposit	2.66	4.48
6.	Interest on Working Capital	0	0
7.	Provision for bad debts	0	0
8.	Contingency Reserve	0.54	0.63
9.	Income Tax	0.13	0.13
10.	Revenue Expenditure	131.87	166.70
11.	Return on Equity @14%	4.13	4.99
12.	Less: Non-Tariff Income	0.10	0.1
13.	ARR	135.90	171.59

Sd/-

DR. M.K. IYER
Member

Sd/-

SHRI PRAVINBHAI PATEL
Chairman

Place: Gandhinagar

Date: 29/05/2014