



## Jaigad PowerTransco Limited



A Joint Venture of JSW Energy Ltd. & Maharashtra State Electricity Transmission Co. Ltd.

Registered Office: JSW Centre, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051 Phone: 022 42861000 Fax: 02242863000

CIN: U40102MH2008PLC181433

28<sup>th</sup> November 2014

The Secretary,  
Maharashtra Electricity Regulatory Commission,  
13<sup>th</sup> Floor, Centre 1, World Trade Centre,  
Cuffe Parade, Colaba,  
Mumbai - 400005

Kind Attn.: Mr. Rajendra Ambekar – Director (Tariff)

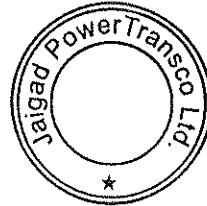
Dear Sir,

Subject: JPTL's petition for Midterm Performance Review for the MYT Second Control Period  
FY 2012-13 to FY 2015-16.

With reference to above subject, we are submitting herewith JPTL's petition for Midterm Performance Review for the MYT Second Control Period FY 2012-13 to FY 2015-16 in 1 original + 6 copies along with 1 CD containing soft copy of the same.

The requisite fee of Rs. 5 Lacs is enclosed herewith in the form of a Demand Draft no. 451155 dated 25<sup>th</sup> November 2014 drawn on State Bank of India. Kindly acknowledge the receipt.

Thanking you,



Yours sincerely,

Navraj Singh  
Jaigad PowerTransco Limited  
Managing Director  
Off: 022 42862013  
Mobile: 9819448829  
Email: [navraj.singh@jsw.in](mailto:navraj.singh@jsw.in)

Encl. : As above.

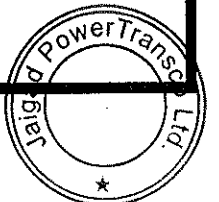
# **Jaigad PowerTransco Ltd**

## **Petition for Midterm Performance Review for the MYT Second Control Period FY 2012-13 to FY 2015-16 for Jaigad PowerTransco Limited (JPTL)**

Submitted to

The Honourable Maharashtra Electricity Regulatory Commission


Mumbai

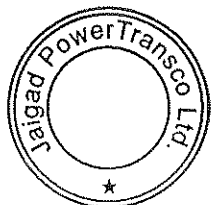


**BEFORE THE HONOURABLE MAHARASHTRA ELECTRICITY REGULATORY  
COMMISSION**

In the matter of:-

**Petition for Midterm Performance Review for the MYT Second Control Period FY 2012-13 to FY 2015-16 in accordance with Section 61 to Section 65 of the Electricity Act 2003, Maharashtra Electricity Regulatory Commission (Multi Year Tariff) Regulations 2011, Maharashtra Electricity Regulatory Commission (Multi Year Tariff) (First Amendment) Regulations 2011, Maharashtra Electricity Regulatory Commission (Multi Year Tariff) (Second Amendment) Regulations 2013 and Maharashtra Electricity Regulatory Commission (Multi Year Tariff) (Third Amendment) Regulations 2014.**

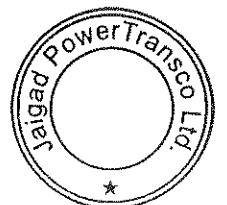
 NL



## Table of Contents

<b>SECTION 1: EXECUTIVE SUMMARY</b>	<b>5</b>
<b>SECTION 2: INTRODUCTION</b>	<b>11</b>
Background	11
Organization of the Petition	13
<b>SECTION 3: TRUE UP OF ARR FOR FY 2012-13 &amp; FY 2013-14</b>	<b>15</b>
Operation and Maintenance expenses for Lines and Terminal Bays	15
Capital Expenditure and Capitalization	17
Depreciation	21
Interest on loan capital	21
Interest on Working Capital	22
Return on Equity	23
Contribution to contingency reserve	24
Income Tax	24
Non-Tariff Income	25
Income from other business	25
Carrying Cost	26
Net Aggregate Revenue Requirement for FY 2012-13 & FY 2013-14	31
<b>SECTION 4: PERFORMANCE REVIEW FOR FY 2014-15 AND ARR PROJECTION FOR FY 2015-16</b>	<b>33</b>
Operation and Maintenance Expenses	33
Depreciation	33
Interest on Long-Term Loan	34
Interest on Working Capital	35
Contribution to Contingency Reserve	36
Return on Equity	37
Non-Tariff Income	38
Income Tax	39
Income from other Business	39
Net Aggregate Revenue Requirement	39
Recovery of ARR	40
<b>SECTION 5: COMPLIANCE TO DIRECTIVES</b>	<b>42</b>
<b>SECTION 6: PRAYERS</b>	<b>43</b>



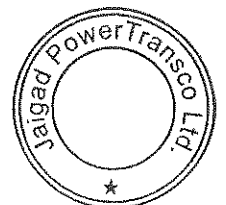



**LIST OF TABLES**

Table 1: Aggregate Revenue Requirement for FY 2012-13 & FY 2013-14 .....	7
Table 2: Summary of Carrying Cost .....	7
Table 3: Aggregate Revenue Requirement for FY 2014-15.....	8
Table 4: Aggregate Revenue Requirement for FY 2015-16.....	9
Table 5: Details of proposed transmission system of JPTL .....	11
Table 6: Actual O&M Expenses for FY 2012-13 & 2013-14.....	15
Table 7: O&M Expenses as per norms for FY 2012-13 & 2013-14.....	17
Table 8: Decrease in Tripping of Transmission System.....	19
Table 9: Reduction in Washing and breakdown expenditure.....	19
Table 10: Increase in Transmission Line Availability.....	19
Table 11: Details of Long Rod Polymer Insulator replacement.....	20
Table 12: Details of deletion of asset in FY 2012-13 & FY 2013-14 .....	20
Table 13: Depreciation Expenses for FY 2012-13 & FY 2013-14 .....	21
Table 14: Interest on Debt for FY 2012-13 & FY 2013-14 .....	22
Table 15: Interest on working capital for FY 2012-13 and FY 2013-14.....	23
Table 16: Return on Equity for FY 2012-13 & FY 2013-14 .....	23
Table 17: Contingency Reserve for FY 2012-13 & FY 2013-14 .....	24
Table 18: Income Tax for FY 2012-13 & FY 2013-14.....	24
Table 19: Non-Tariff Income for FY 2012-13 & FY 2013-14 .....	25
Table 20: Incentive on higher Transmission Availability for FY 2012-13 and FY 2013-14 .....	26
Table 21: SBAR schedule for FY 2012-13 & FY 2013-14.....	27
Table 22: Carrying Cost Summary .....	27
Table 23: Detailed breakup of difference Summary.....	29
Table 24: Sharing of Gains for FY 2012-13 & FY 2013-14.....	31
Table 25: Aggregate Revenue Requirement for FY 2012-13 & FY 2013-14 .....	31
Table 26: Summary of Carrying Cost .....	32
Table 27: O&M Expenses for FY 2014-15 & FY 2015-16.....	33
Table 28: Depreciation for FY 2014-15 & FY 2015-16.....	34
Table 29: Interest on the Debt Capital for FY 2014-15 & FY 2015-16.....	35
Table 30: Interest on Working Capital for FY 2014-15 & FY 2015-16.....	36
Table 31: Contingency Reserve for FY 2014-15 & FY 2015-16.....	37
Table 32: ROE for FY 2014-15 & FY 2015-16.....	38
Table 33: Non-Tariff Income for FY 2014-15 & FY 2015-16.....	39
Table 34: Income Tax for FY 2014-15 & FY 2015-16.....	39
Table 35: Net Aggregate Revenue Requirement for FY 2014-15 & FY 2015-16 .....	40
Table 36: Revenue gap of FY 13 and FY 14 to be recovered in FY 16.....	41

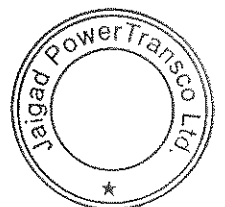


NL



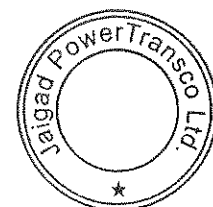
## **SECTION 1: EXECUTIVE SUMMARY**

- 1.1 Jaigad PowerTransco Limited (JPTL) is a joint venture between JSW Energy Limited (JSWEL) and Maharashtra State Electricity Transmission Company Ltd. (MSETCL). The Company was incorporated on 23<sup>rd</sup> April 2008 for the purpose of developing, operating and maintaining 400kV D/C (Quad) Jaigad – New Koyna and Jaigad – Karad Transmission lines along with the associated equipment/ Terminal Bays.
- 1.2 The Honourable Commission had granted Transmission License, (License No 1 of 2008) dated 8<sup>th</sup> February 2009, to JPTL for a period of 25 years for establishing, operating and maintaining the proposed Transmission System.
- 1.3 The Honourable Commission had issued its MYT Regulation, 2011 on 4<sup>th</sup> February, 2011. These Regulations are applicable for the second Control Period starting from FY 2011-12 to FY 2015-16.
- 1.4 However, MERC vide its First Amendment to Maharashtra Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2011 dated 21 October, 2011, had specified that for the Utility for whom there is no Order of exemption and if the Hon'ble Commission is satisfied that there is a difficulty in giving effect to the determination of tariff with effect from 1 April, 2011 under MYT Regulations and in the event tariff is required to be determined from 1 April, 2012 or any further period under these Regulations, the repealed regulations (MERC 2005 Tariff Regulations) shall continue to be in-force.
- 1.5 Further, pursuant to the First Amendment to the MERC MYT Regulations, the Commission, through its letter dated 4 November, 2011 also directed JPTL to submit its Petition for approval of ARR for FY 2011-12, as per the MERC (Terms and Conditions of Tariff) Regulations, 2005 latest by 30 November, 2011.
- 1.6 In accordance with the above, the True-up for FY 2010-11 and approval of Annual Revenue Requirement for FY 2011-12 was determined as per MERC (Terms and Conditions of Tariff) Regulations, 2005 in Case 170 of 2011.



- 1.7 Subsequently, JPTL had submitted its MYT Petition for the second Control Period from FY 2012-13 to FY 2015-16 on 16<sup>th</sup> February, 2013 based on the numbers approved in the Business Plan Order dated 20<sup>th</sup> December 2012. The Commission had approved the ARR for the MYT second Control Period FY 2012-13 to FY 2015-16 vide its MYT Order dated 16<sup>th</sup> August 2013.
- 1.8 In accordance with the provisions of the MYT Regulations, 2011, the Hon'ble Commission in its MYT Order dated 16<sup>th</sup> August, 2013 for JPTL had directed JPTL to submit its Petition for Mid-Term Review of its performance during the third quarter of FY 2014-15, with detailed reasons for deviation in performance, latest by 30 November, 2014.
- 1.9 JPTL has prepared this petition for Mid Term Performance Review for the MYT Second Control Period in accordance with relevant provisions of the MYT Regulations, 2011.
- 1.10 The present Mid-Term Performance review Petition by JPTL is submitted to the Hon'ble Commission for Truing up of ARR for FY 2012-13 and FY 2013-14, approval of estimated ARR projections for FY 2014-15 and revised ARR projections for FY 2015-16.
- 1.11 In the given Petition, the Petitioner has also requested the Honourable Commission to approve the 2 months overdue ARR amount of Rs. 14.46 crores for FY 2012-13 (missed out inadvertently in the Tariff Order dated 14<sup>th</sup> August, 2014) along with the carrying cost while approving the Transmission Tariff for FY 2015-16.
- 1.12 The summary of earlier estimated expenses, approved expenses by the Honourable Commission and actual / normative expenses for FY 2012-13 and FY 2013-14, is as shown in the table below.

 NL



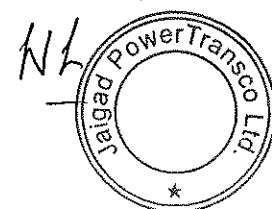
**Table 1: Aggregate Revenue Requirement for FY 2012-13 & FY 2013-14**

Particulars (All figures in Rs. Crs.)	Earlier Estimate MYT Petition		Approved MYT Order		Actual / Normative	
	FY13	FY14	FY13	FY14	FY13	FY14
O&M Expenses	9.31	9.86	5.81	6.14	5.81	6.14
Depreciation including AAD and Amortization of intangible assets	29.17	29.28	29.05	29.05	29.13	29.34
Interest on Long-term Loan Capital	45.22	40.31	47.97	40.04	45.98	41.04
Interest on Working Capital and deposits from Transmission System Users	2.25	2.18	2.18	2.04	2.08	2.11
ROE	21.44	21.55	21.32	21.32	21.43	21.58
Contribution to contingency reserves	1.39	1.39	1.38	1.38	1.39	1.39
Income Tax	5.36	5.39	5.35	5.35	1.17	6.91
Loss on assets Written Off					2.78	2.91
Other debits (differential depreciation on written off assets)					0.13	0.04
<b>Aggregate Revenue Requirement</b>	<b>114.13</b>	<b>109.95</b>	<b>113.07</b>	<b>105.33</b>	<b>109.39</b>	<b>110.41</b>
Less: Non-Tariff Income	0.09	0.20	0.20	0.32	0.02	0.02
Less: Income from Other Business	0.00	0.00	0.00	0.00	0.00	0.00
<b>Add: Incentive</b>					0.48	1.34
<b>Net Aggregate Revenue Requirement</b>	<b>114.03</b>	<b>109.75</b>	<b>112.86</b>	<b>105.01</b>	<b>109.85</b>	<b>111.73</b>

1.13 The summary of carrying cost for delay in recovery of revenue for FY 12-13, FY 13-14 and for under recovery in initial 2 months of FY 12-13 against the ARR approved in FY 10-11 and FY 11-12 ARR Order, is summarized below:

**Table 2: Summary of Carrying Cost**

Particulars	Rs. Crs
Carrying cost for FY 2012-13	27.43
Carrying cost for FY 2013-14	11.15
Carrying cost for delay in recovery of FY 10-11 and FY 11-12 ARR in initial 2 months of FY 12-13	4.89
<b>Total</b>	<b>43.48</b>



1.14 In line with the provisions of the MYT Regulations, JPTL has submitted revised estimations for FY 2014-15 based on actual for the first half and estimations for the second half of the FY 2014-15.

Table 3: Aggregate Revenue Requirement for FY 2014-15

Particulars (All figures in Rs. Crs.)	Earlier Estimate (MYT Petition)	Approved (MYT Order)	H1 Actuals	H2 Estimated	Total Estimate
O&M Expenses	10.45	6.51	3.26	3.26	6.51
Depreciation including AAD and Amortisation	29.28	29.05	14.67	14.67	29.34
Interest on Long-term Loan Capital	37.00	36.76	19.58	18.64	38.21
Interest on Working Capital	2.13	1.99	1.04	1.02	2.06
ROE	21.55	21.32	10.81	10.81	21.63
Contribution to contingency reserves	1.39	1.38	0.69	0.69	1.39
Income Tax	5.39	5.35	3.46	3.46	6.91
<b>Aggregate Revenue Requirement</b>	<b>107.19</b>	<b>102.37</b>	<b>53.51</b>	<b>52.55</b>	<b>106.06</b>
Less: Non-Tariff Income	0.32	0.43	0.16	0.16	0.32
Less: Income from Other Business	0.00	0.00	0.00	0.00	0.00
<b>Net Aggregate Revenue Requirement</b>	<b>106.87</b>	<b>101.94</b>	<b>53.35</b>	<b>52.39</b>	<b>105.73</b>

1.15 As per Regulation 11.6 of MYT Regulations, the Hon'ble Commission is required to approve the modifications to the forecast for the remaining years of the control period at the time of Mid Term Performance Review. Accordingly, JPTL has submitted modified forecast for FY 2015-16, which was originally approved by the Hon'ble Commission vide its MYT Order dated 16<sup>th</sup> August, 2013

 NL

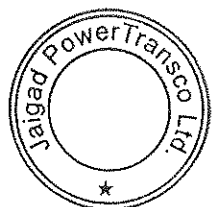


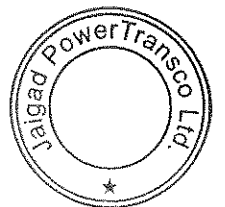
Table 4: Aggregate Revenue Requirement for FY 2015-16

Particulars (All figures in Rs. Crs.)	Earlier Estimate (MYT Petition)	Approved (MYT Order)	Projected
O&M Expenses	11.07	6.86	6.86
Depreciation including AAD and Amortisation	29.28	29.05	29.34
Interest on Long-term Loan Capital	33.70	33.48	34.51
Interest on Working Capital	2.09	1.94	2.00
ROE	21.55	21.32	21.63
Contribution to contingency reserves	1.39	1.38	1.39
Income Tax	5.39	5.35	6.91
<b>Aggregate Revenue Requirement</b>	<b>104.47</b>	<b>99.39</b>	<b>102.65</b>
Less: Non-Tariff Income	0.43	0.54	0.44
Less: Income from Other Business	0.00	0.00	0.00
<b>Net Aggregate Revenue Requirement</b>	<b>104.04</b>	<b>98.85</b>	<b>102.21</b>

1.16 Vide this Petition, JPTL respectfully prays to the Honourable Commission the following:

- a) Admit the Petition for Truing up of Aggregate Revenue Requirement for FY 2012-13 and FY 2013-14, approval of estimated Aggregate Revenue Requirement for FY 2014-15 and revised ARR for FY 2015-16.
- b) Approve the capex incurred and net write off against insulator replacement during the respective years of truing up for FY 2012-13 and FY 2013-14.
- c) Approve the True-up of ARR of JPTL including carrying cost and incentive for higher Transmission availability for FY 2012-13 & FY 2013-14;
- d) Approve revised estimates/ projections of ARR for FY 2014-15 and FY 2015-16 as presented in this Petition.

NL

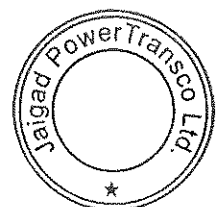


*Mid Term Performance Review Petition of JPTL for 2<sup>nd</sup> Control period*

- e) Approve the 2 months overdue ARR amount of Rs. 14.46 crores for FY 2012-13 (missed out inadvertently in Tariff Order dated 14<sup>th</sup> August, 2014), along with the carrying cost while approving the Transmission Tariff for FY 2015-16.
- f) Condone any inadvertent omissions, errors, short comings and permit JPTL to add/ change/ modify/ alter this filing and make further submissions as may be required at a future date; and
- g) Pass such other and further orders as deemed fit and proper in the facts and circumstances of the case.



WB  
—



## SECTION 2: INTRODUCTION

### Background

2.1 Jaigad PowerTransco Limited (JPTL) is a Joint Venture between JSW Energy Limited (JSWEL) and Maharashtra State Electricity Transmission Company Limited (MSETCL) for the purpose of developing, operating and maintaining the Transmission System as given below consisting of two Transmission Lines along with the associated equipment /Terminal Bays etc.:

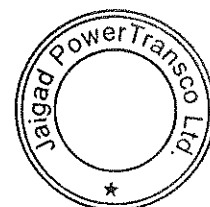
**Table 5: Details of proposed transmission system of JPTL**

Name of the line	Line length & Capacity	District	Interface Point
Jaigad-New Koyna Transmission Line	55Km – 400 KV Double Circuit (Quad) Transmission Line	Ratnagiri, Maharashtra	MSETCL Substation, New Koyna
Jaigad-Karad Transmission Line	110Km – 400 KV Double Circuit (Quad) Transmission Line	Ratnagiri /Satara, Maharashtra	MSETCL Substation, Karad

- 2.2 The JV Agreement was executed between JSWEL and MSETCL on 5<sup>th</sup> August 2008 with MSETCL holding 26% and JSWEL holding the balance 74% of the equity.
- 2.3 The Honourable Commission had granted Transmission License, (License No 1 of 2008) dated February 8, 2009, for a period of 25 years to JPTL for establishing, operating and maintaining the above referred Transmission System inclusive of related infrastructure:
- 2.4 The 400 kV D/C (Quad) Jaigad-New Koyna Transmission Line was commissioned on 7<sup>th</sup> July, 2010 and 400 kV D/C (Quad) Jaigad – Karad Transmission Line was commissioned on 2<sup>nd</sup> December, 2011.
- 2.5 The Honourable Commission vide its letter No. MERC/CAP/DPR/11/10/00616 dated June 29, 2010 granted In-Principle approval for a capital investment of Rs. 576.29 Cr as against the Rs. 580.35 Cr estimate submitted by JPTL. The Honourable Commission also agreed to a Debt: Equity ratio of 75:25 for funding the project.

*[Handwritten signature]*

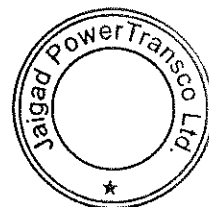
*NH*



- 2.6 As per the provisions of the MYT Regulations, 2011, the Hon'ble Commission directed JPTL to submit a Business Plan for the second Control Period. Accordingly, JPTL submitted its Transmission Business Plan petition for MYT control period from FY 2012-13 to FY 2015-16. The Honourable Commission carried out the due regulatory proceedings in the matter and approved the Business plan vide Order dated 20<sup>th</sup> December, 2012.
- 2.7 JPTL in its Business Plan petition had submitted the revised estimates of the capital costs of Rs 569.66 Cr. However, subsequent to the final settlement with its EPC Contractor and during the public hearing process, JPTL specified a revised Capital cost of Rs 554.30 Cr (including margin money of Rs 4.06 Crore).
- 2.8 The Honourable Commission had approved vide MYT Business Plan order dated 20<sup>th</sup> December 2012, capital cost of Rs. 550.23 Cr. (excluding margin money of Rs. 4.06 Cr.) for computation of ARR for FY 2012-13 to FY 2015-16.
- 2.9 Pursuant to issuance of MYT Business Plan Order for JPTL and in compliance with the direction of the Hon'ble Commission in the said Order, JPTL had submitted its MYT Petition for the second Control Period from FY 2012-13 to FY 2015-16 on 16<sup>th</sup> February 2013. The Hon'ble Commission had approved the ARR for the second Control Period FY 2012-13 to FY 2015-16 vide its Order dated 16<sup>th</sup> August 2013.
- 2.10 Regulation 11 of the MYT Regulations, 2011 specifies provisions of Mid Term Performance Review by Transmission Licensees.
- 2.11 Regulation 11.1 of the said Regulations specifies the requirement of filing of Mid Term Performance Review by Transmission Licensees during the Control Period. The scope of Mid-Term Performance Review as specified under Regulation 11.3 is as under.
- (a) A comparison of the audited performance of the applicant for the previous two financial years with the approved forecast for such previous financial year; and
- (b) A comparison of the performance of the applicant for the first half of the current financial year with the approved forecast for the current financial year.



NL

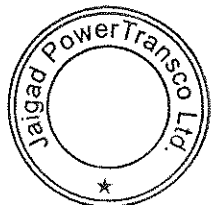


- (c) Carrying cost on surplus/deficit amounts, if any, at the time of Mid-Term Performance review.
- 2.12 Further as per Regulations 11.6 of the said Regulations, the Hon'ble Commission, upon completion of Mid-Term Performance Review is required to pass an Order recording the approved aggregate gain or loss to Transmission Licensee on account of controllable factors and the amount of such gains or such losses that may be shared, the approved modifications to the forecast of the Transmission Licensee for the remainder of the Control Period.
- 2.13 In line with the above Regulations, the Hon'ble Commission under its MYT Order dated 16<sup>th</sup> August, 2013 for JPTL had directed JPTL to submit its Petition for Mid-Term review of its performance during the third quarter of FY 2014-15, with detailed reasons for deviation in performance, latest by 30 November, 2014.
- 2.14 JPTL has prepared this petition for Mid Term Performance Review for the MYT Second Control Period in accordance with relevant provisions of the MYT Regulations, 2011.
- 2.15 The present Mid-Term Performance review Petition by JPTL is submitted to the Hon'ble Commission for Truing up of ARR for FY 2012-13 and FY 2013-14, approval of estimated ARR projections for FY 2014-15 and revised ARR projections for FY 2015-16. JPTL hereby requests the Hon'ble Commission to consider the Petition for Midterm Review of its performance.

**Organization of the Petition**

- 2.16 This Petition is organised in the following seven sections --
- (a) Section 1: Executive Summary
- (b) Section 2: This section details the grant of Transmission License to JPTL and the due regulatory process that followed subsequently
- (c) Section 3: This section gives JPTL's True up of ARR for FY 2012-13 & FY 2013-14.

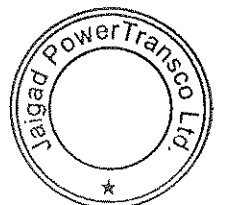
*[Handwritten signature]* *NL*



*Mid Term Performance Review Petition of JPTL for 2<sup>nd</sup> Control period*

- (d) Section 4: This section gives details of the performance review and revised estimates of ARR for the FY 2014-15 and revised projections of ARR for FY 2015-16 as per MYT Regulations, 2011.
- (e) Section 5: This section gives the status of compliances to directives given by the Hon'ble Commission.
- (f) Section 6: This section gives the prayers submitted by JPTL before the Hon'ble Commission for its kind approval.

 NL



### SECTION 3: TRUE UP OF ARR FOR FY 2012-13 & FY 2013-14

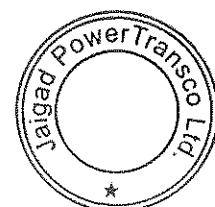
#### Operation and Maintenance expenses for Lines and Terminal Bays

- 3.1 The Hon'ble Commission in its MYT Regulations, 2011 has specified the O&M norms for each year of the Control Period from FY 2012-13 to FY 2015-16 for 'New Transmission Licensees' in the State which shall be the applicable norms for arriving at the O&M norms for JPTL.
- 3.2 As per the MYT Regulation, the norms specified for MSETCL is applicable for the transmission assets being added by a new Transmission Licensee for the respective years in the Control Period.
- 3.3 Accordingly, the Hon'ble Commission approved net O&M Expense of Rs 5.81 Crore and Rs. 6.14 for FY 2012-13 & FY 2013-14 respectively based on the norms stipulated under the MYT Regulations.
- 3.4 JPTL submits that the actual O&M expenses for FY 2012-13 & FY 2013-14 are lower than the norms. It was able to control the O&M expense due to low R&M expenses towards both lines and bays.


Table 6: Actual O&M Expenses for FY 2012-13 & 2013-14

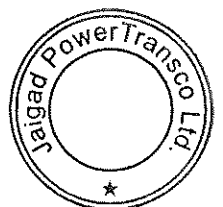
Particulars (Rs. Cr)	As per norms		Actual	
	FY 13	FY 14	FY 13	FY 14
Employee expense			0.69	0.82
Administrative and General expense			1.41	1.00
Repairs and Maintenance expense			1.97	0.94
<b>O&amp;M expenses for lines</b>	<b>1.85</b>	<b>1.95</b>	<b>4.07</b>	<b>2.76</b>
O&M expenses for terminal bays as per the contract with MSETCL*	3.96	4.19	0.22	0.24
<b>Total O&amp;M expenses</b>	<b>5.81</b>	<b>6.14</b>	<b>4.29</b>	<b>3.00</b>

*[Handwritten signature]* *[Handwritten initials]*



- 3.5 During FY 2012-13 many intermittent tripping took place on different transmission circuits. In order to prevent such tripping, JPTL carried out hot and cold line washing of insulator strings. But it did not yield the desired results. JPTL decided to replace minimum quantity of porcelain insulators with Polymer Long rod insulators at certain identified critical locations. After completion of partial replacement, washing and breakdown work expenses has been reduced from Rs 1.25 Cr (FY 12-13) to Rs 0.56 Cr in FY 13-14, which has further reduced the O&M expense.
- 3.6 For Terminal Bays, JPTL has entered into O&M agreements with MSETCL for supervision & routine maintenance of the terminal bays at New Koyna and Karad. However, these O&M agreements do not include cost towards all major maintenance works including cost of materials, labour, tool & tackles & overheads, Hotline maintenance, replacement of faulty equipment/ spares, consumables required for O&M, special testing instruments, services of MSETCL staff/ vehicles etc. as utilized for emergency replacement of equipment/ structures etc. at actuals, services of OEM and any other external agencies as may be required and insurance cover.
- 3.7 In the MYT Petition, JPTL had sought revision in the O&M norms stipulated in the MERC MYT Regulations claiming that the individual components of O&M (Employee, R&M and A&G) should be allowed separately.
- 3.8 The Hon'ble Commission stated that norms could be revised only after undertaking detailed exercise by considering the historical performance, network topology/configuration, historical growth pattern, etc. of JPTL.
- 3.9 JPTL submits that it would be possible to arrive at a predictable trend of O&M expenses for JPTL only over a period of 5-7 full operational years during which the O&M requirement would get stabilized. Therefore, JPTL requests the Hon'ble Commission to approve the O&M expenses as per norms specified in the MYT Regulation and share the gains with the consumers in accordance to the MYT Regulation.

 WL



3.10 The comparison of earlier estimate of O&M Expense, O&M Expense approved by the Hon'ble Commission and the O&M Expense as per norm for FY 2012-13 and FY 2013-14 is as shown below:

**Table 7: O&M Expenses as per norms for FY 2012-13 & 2013-14**

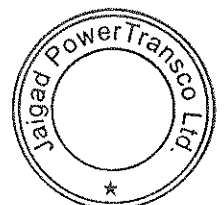
Particulars (Rs. Cr.)	Earlier Estimate		Approved		Normative	
	FY 13	FY 14	FY 13	FY 14	FY 13	FY 14
O&M expenses for lines	5.34	5.67	1.85	1.95	1.85	1.95
O&M expenses for terminal bays	3.96	4.19	3.96	4.19	3.96	4.19
<b>Total O&amp;M expenses</b>	<b>9.31</b>	<b>9.86</b>	<b>5.81</b>	<b>6.14</b>	<b>5.81</b>	<b>6.14</b>

### Capital Expenditure and Capitalization

3.11 JPTL submits that against the In-principally approved Project Cost of Rs. 576.29 Crs. by the Honourable Commission vide its letter No. MERC/CAP/DPR/11/10/00616 dated 29<sup>th</sup> June 2010, JPTL has commissioned the Transmission System Project at total expense of Rs. 550.23 Crs. with a total saving of Rs. 26.06 Crs. (i.e. 4.52%) due to its efficient and cost effective project management.

3.12 As submitted earlier, it was observed that after a trouble free operation for around one year, intermittent tripping incidents were observed during dry months of March to May on different transmission circuits. The tripping incidents, in spite of carrying out necessary preventive maintenance activities, were predominant during heavy fog conditions prevailing during late night/ early morning hours in dry seasons between March to May, which not only affected operations of Transmission System of JPTL but also affected Transmission lines of other licensees in the region.

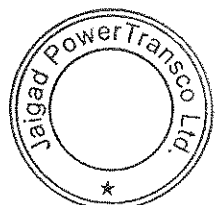
 



3.13 Accordingly, JPTL conducted detailed study to identified critical tower locations which were affected by heavy fog conditions during these three months based on night patrolling exercise & observation of heavy chattering, corona, travelling arc on insulators and occurrence of tripping and De-capping incidents for immediate remedial action. Consequently, JPTL undertook replacement of existing porcelain insulators at identified selected locations with Polymer long rod insulators as a long term solution to avoid frequent tripping/ interruptions of Transmission System. The Polymer long rod insulators, though have shorter life , have following major advantages:

- a. Long rod polymer insulators are hydro-phobic in nature and are more resistant to deposition of pollutants & salinity during excessive fog conditions.
- b. Long rod polymers insulators can be replaced one to one with existing porcelain insulator strings without adversely affecting loading conditions and without carrying out any major modifications/ changes in hardware accessories and still maintaining the required ground clearances.
- c. Long rod polymers insulators do not require frequent washing, which results in saving in O&M cost in long run.
- d. Long rod polymers insulators have reasonable life span of around 7-10 years depending on environmental conditions.

3.14 JPTL submits that the replacement of porcelain insulator with long polymer rod insulator has been undertaken selectively only in few parts along the Transmission Line wherein frequent tripping were observed during excessively high fog conditions & dry months of March to May. Besides, these locations were identified after detailed observations of the operating Transmission Lines, after deploying other mitigation measures such as hotline washing/ insulator cleaning etc. JPTL further submits that capital cost of polymer rod insulators vis-à-vis high maintenance cost of cleaning of insulators was also an important consideration while deciding on replacement of insulators in select areas , which was done in consultation with STU/PGCIL/CPRI and technical experts from Powerlinks Transmission Co. Ltd.



- 3.15 It was observed that corona, chattering sound and arcing considerably reduced on installation of Polymer long rod insulators in these selected areas which were prone to heavy fog conditions/tripping along the Transmission Lines. Under the circumstances, no further insulator replacement is envisaged for the Transmission System.
- 3.16 Consequently, tripping incidents on Transmission System have considerably decreased, leading to reduction in the insulator cold/ hot line washing & breakdown expenditure and enhancement in the Transmission System Availability, as detailed below:

**Table 8: Decrease in Tripping of Transmission System**

Particulars	CY 12 (Actual)	CY 13 (Actual)	CY 14 (Expected)
Tripping of Transmission System in nos.	57	36	15

**Table 9: Reduction in Washing and breakdown expenditure**

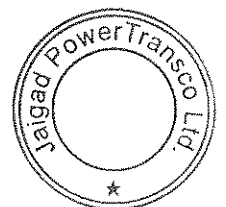
Particulars	FY 12-13 (Actual)	FY 13-14 (Actual)	FY 14-15 HY1 (Actual)	FY 14-15 HY2 (Estimated)
Washing and breakdown expenditure in Rs. Crs.	1.25	0.57	0.14	0.3

**Table 10: Increase in Transmission Line Availability**

Particulars	FY 11-12 (Actual)	FY 12-13 (Actual)	FY 13-14 (Actual)	FY 14-15 (Expected)
Line Availability in %	98.11	98.43	99.19	99.50

- 3.17 JPTL submits that the gross capital expenditure incurred for replacement of new Polymer long rod insulators was Rs. 8.89 Crores in FY 12-13 and Rs. 2.97 crores in FY 13-14. The details of Long Rod Polymer Insulator replacement are as follows:



**Table 11: Details of Long Rod Polymer Insulator replacement**

Particulars	2012-13	2013-14	Total
<b>Purchased</b>			
120 KN	990	36	1,026
160 KN	1,056	586	1,642
Total (Nos)	2,046	622	2,668
<b>Replaced</b>			
120 KN	982	-	982
160 KN	1,056	576	1,632
Total (Nos)	2,038	576	2,614
<b>Replacement amount (Rs. Crores)</b>			
120 KN	3.43	-	3.43
160 KN	5.44	2.97	8.42
<b>Total Replacement value (Rs. Crores)</b>	<b>8.89</b>	<b>2.97</b>	<b>11.86</b>

3.18 JPTL has written off Rs. 4.92 crores in FY 12-13 and Rs. 1.52 crores in FY 13-14 of the net value of such replaced assets from the original capital cost in accordance with the Regulation 27.10 of MYT Regulation 2011. Hence, with the total written off amount of Rs. 6.44 Crs. against total replacement value of Rs. 11.86 Crs., the incremental capital cost amounts to Rs. 5.42 Crs. This incremental capital cost is only about 0.94% against a total saving of 4.52% in the Principally approved Transmission System Project Cost.

3.19 Details of deletion of assets in FY 2012-13 and FY 2013-14 are provided below:

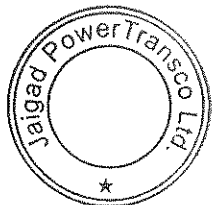
**Table 12: Details of deletion of asset in FY 2012-13 & FY 2013-14**

Particulars (Rs. Cr.)	FY 2012-13	FY 2013-14
Gross Value of Insulator	4.92	1.52
Accumulated Depreciation	0.46	0.17
WDV of Insulator	4.46	1.34
Loss on asset written off	2.78	2.91

3.20 The loss booked against asset written off in FY 2012-13 and FY 2013-14 has been claimed as a separate line item in the respective years.

*[Handwritten signature]*

*NB*



3.21 Considering the above, JPTL humbly submits to the Honourable Commission to approve the GFA addition and net write off against Transmission Line insulator replacement during the respective years.

### Depreciation

3.22 JPTL in its MYT Petition had calculated depreciation considering additional capital cost incurred towards the insulator replacement and asset retirement pertaining to the same.

3.23 While approving the depreciation expense for the MYT period, the Hon'ble Commission was of the view that any additional capital cost incurred towards the insulator replacement as well as asset retirement pertaining to the same could be considered, subject to prudence check, during the Mid-term Performance Review of JPTL.

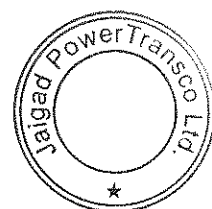
3.24 Accordingly, JPTL has computed depreciation considering the addition & retirement of assets during the year and the applicable depreciation rates as per the rates specified in the MYT Regulations, 2011. The depreciation has been computed taking into consideration the actual date of addition/ retirement of asset during the year.

Table 13: Depreciation Expenses for FY 2012-13 & FY 2013-14

Particulars (Rs. Cr.)	Earlier Estimate		Approved		Actual / Normative	
	FY 13	FY 14	FY 13	FY 14	FY 13	FY 14
Opening GFA	550.23	554.42	550.23	550.23	550.23	554.21
Addition of Gross Fixed Asset	9.06				8.90	3.00
Retirement of GFA	4.88				4.92	1.52
Closing GFA	554.42	554.42	550.23	550.23	554.21	555.69
<b>Depreciation</b>	<b>29.17</b>	<b>29.28</b>	<b>29.05</b>	<b>29.05</b>	<b>29.13</b>	<b>29.34</b>

### Interest on loan capital

3.25 The Honourable Commission had approved a debt equity ratio of 75:25 as part of the in-principle approval of project cost for JPTL.



3.26 JPTL has considered debt equity ratio of 70:30 for additional capital expenditure towards insulator replacement in line with Regulation 33.1 of MYT Regulations. Further, for retired assets, JPTL has reduced the debt component by 75% of the original cost of the retired asset as per the debt equity ratio approved in the MYT business plan, in accordance with Regulation 30 of MYT Regulations, 2011.

3.27 The repayment for FY 2012-13 and FY 2013-14 has been considered equal to the depreciation for that year as stipulated in Regulation 33.3 of MERC MYT Regulations, which specifies that

*“The repayment for the year of the tariff period FY 2011-12 to FY 2015-16 shall be deemed equal to the depreciation allowed for that year.”*

3.28 The repayment has been considered at end of respective quarters as per the terms of the combined loan agreement.

**Table 14: Interest on Debt for FY 2012-13 & FY 2013-14**

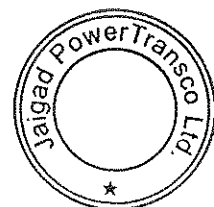
Particulars (All figures in Rs, Crs.)	Earlier Estimate		Approved		Actual / Normative	
	FY 13	FY 14	FY 13	FY 14	FY 13	FY 14
Opening balance of Debt (Rs. Crs)	398.09	371.61	398.25	369.2	398.25	371.66
Addition	6.34	-	-	-	6.23	2.10
Repayment (Rs. Crs)	29.17	29.28	29.05	29.05	29.13	29.34
Retirement (Rs Crs)	3.66	-	-	-	3.69	1.14
Closing Debt (Rs. Crs)	371.61	342.33	369.20	340.15	371.66	343.28
Interest Rate (%)	11.75%	11.29%	12.50%	11.29%	11.94%	11.48%
<b>Interest on the Debt Capital operation (Rs. Crs)</b>	<b>45.22</b>	<b>40.31</b>	<b>47.97</b>	<b>40.04</b>	<b>45.98</b>	<b>41.04</b>

#### Interest on Working Capital

3.29 JPTL has computed the Interest on Working Capital as stipulated in Regulation 35.2 (b) of MYT Regulations, 2011.

*[Handwritten signature]*

*NK*



3.30 The interest rate of SBI PLR as on date of application i.e. 14.75% has been considered for calculation of Interest on Working Capital.

**Table 15: Interest on working capital for FY 2012-13 and FY 2013-14**

Particulars (All figures in Rs, Crs.)	Earlier Estimate		Approved		Actual / Normative	
	FY 13	FY 14	FY 13	FY 14	FY 13	FY 14
O&M	0.78	0.82			0.48	0.51
Stores	0.46	0.46			0.46	0.46
Expected Revenue from Transmission	14.25	13.72			13.37	13.56
<b>Interest on Working Capital @ 14.75%</b>	<b>2.25</b>	<b>2.18</b>	<b>2.18</b>	<b>2.04</b>	<b>2.08</b>	<b>2.11</b>

#### Return on Equity

3.31 ROE has been computed by applying regulated return of 15.5% on the average of the opening and closing balance of financial years in line with the Regulation 32 of MYT Regulation, 2011.

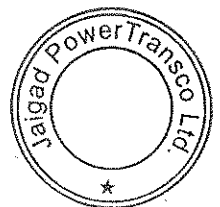
3.32 JPTL has considered equity addition of 30% for additional capital expenditure incurred during the year towards insulator replacement in line with Regulation 33.1 of MYT Regulations. Further, for retired assets, JPTL has reduced the equity component by 25% of the original cost of the retired asset in accordance with Regulation 30 of MYT Regulations, 2011.

**Table 16: Return on Equity for FY 2012-13 & FY 2013-14**

Particulars (All figures in Rs, Crs.)	Earlier Estimate		Approved		Actual / Normative	
	FY 13	FY 14	FY 13	FY 14	FY 13	FY 14
Opening Equity	137.56	139.06	137.56	137.56	137.56	139.00
Additions to equity towards capital investments	2.72				2.67	0.90
Retirement	1.22				1.23	0.38
Closing balance of Equity	139.06	139.06	137.56	137.56	139.00	139.52
<b>ROE @ 15.5 % on the average balance</b>	<b>21.44</b>	<b>21.55</b>	<b>21.32</b>	<b>21.32</b>	<b>21.43</b>	<b>21.58</b>

*(Handwritten signature)*

*HL*



**Contribution to contingency reserve**

3.33 The contingency reserve has been recomputed as 0.25% of the GFA in accordance with the MERC MYT Regulation, 2011 as shown below:

**Table 17: Contingency Reserve for FY 2012-13 & FY 2013-14**

Particulars (All figures in Rs, Crs.)	Earlier Estimate		Approved		Actual / Normative	
	FY 13	FY 14	FY 13	FY 14	FY 13	FY 14
GFA (Rs Cr)	554.42	554.42	550.23	550.23	554.21	555.69
Contingency Reserve	1.41	1.41	1.38	1.38	1.39	1.39

**Income Tax**

3.34 JPTL in its MYT Petition had considered the earlier Minimum Alternative Tax (MAT) rate of 20.01% for computation of Income Tax for the MYT Period.

3.35 Based on the MERC MYT Regulations, the Hon'ble Commission, considered actual tax paid in FY 2011-12 to compute income tax for the MYT control period. The approved income tax for the period FY 2012-13 & 2013-14 was Rs. 5.35 Crore for both the years.

3.36 JPTL has incurred income tax of Rs. 1.17 Crores & Rs. 6.91 Crores in FY 2012-13 & FY 2013-14 respectively.

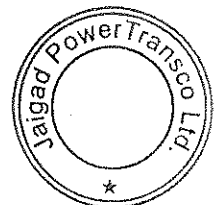
3.37 JPTL submits that the ARR for FY 2012-13 was recovered in FY 2013-14. Hence, the revenue and the income tax for FY 2012-13 were booked in FY 2013-14. JPTL, therefore, requests the Hon'ble Commission to kindly approve the income tax on actual basis.

**Table 18: Income Tax for FY 2012-13 & FY 2013-14**

Particulars (All figures in Rs, Crs.)	Earlier Estimate		Approved		Actual / Normative	
	FY 13	FY 14	FY 13	FY 14	FY 13	FY 14
Income Tax	5.36	5.39	5.35	5.35	1.17	6.91

*(Handwritten signature)*

*NL*



**Non-Tariff Income**

3.38 As per Regulation 36.1 of MERC MYT Regulations, 2011, out of the revenue recovered, the amount accumulated against the contribution to contingency reserve is required to be invested in securities authorized under Indian Trust Act, 1882 within six months of the close of the financial year, which shall be treated as non-tariff income.

3.39 Based on the approved contribution to contingency reserves for respective years the Hon'ble Commission had approved the non-tariff income of Rs. 0.2 Crore for FY 2012-13 & Rs. 0.32 for 2013-14.

3.40 However, JPTL submits that due to delay in recovery of approved transmission tariff, it has earned an income of only Rs. 0.02 Crore in FY 2012-13 & FY 2013-14.

**Table 19: Non-Tariff Income for FY 2012-13 & FY 2013-14**

Particulars (All figures in Rs, Crs.)	Earlier Estimate		Approved		Actual / Normative	
	FY 13	FY 14	FY 13	FY 14	FY 13	FY 14
Non-Tariff Income	0.09	0.20	0.20	0.32	0.02	0.02

**Income from other business**

3.41 JPTL has no income related to other business; hence the amount is shown as zero.

**Incentive on Transmission Availability**

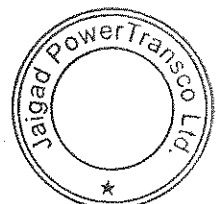
3.42 JPTL submits that it has achieved an availability of 98.43% and 99.19% for its transmission system in FY 2012-13 and FY 2013-14 respectively.

3.43 As per the Order in Case No. 58 of 2005 (dated June 27, 2006), JPTL would be entitled for incentive on availability greater than 98%. Extract of the order is as follows:

*"2.8.7 Accordingly, the Commission rules that the transmission licensee shall be entitled to incentive on achieving annual availability beyond the target availability as stipulated under MERC (Terms and Conditions for Tariff) Regulations 2005, in accordance with the following formula:*

*(Handwritten signature)*

*NL*



*Incentive = Annual Transmission Charges x [Annual availability achieved – Target Availability] / Target Availability;*

*Where,*

*Annual transmission Charges shall correspond to ARR for the particular transmission licensee within State, as the case may be.*

*Provided that no incentive shall be payable above the availability of 99.75% for AC system and 98.5% for HVDC system.”*

- 3.44 The incentive on the basis of actual availability works out to Rs. 0.48 crores for FY 2012-13 and Rs. 1.34 crores for FY 2013-14 as follows:

**Table 20: Incentive on higher Transmission Availability for FY 2012-13 and FY 2013-14**

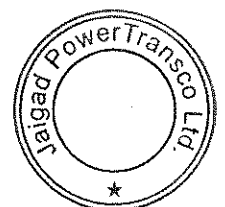
Particulars	FY 2012-13	FY 2013-14
Annual Transmission Charges (Rs. Crore)	109.39	110.41
Target Availability (%)	98.00%	98.00%
Actual Availability Achieved (%)	98.43%	99.19%
Incentive (Rs. Crore)	0.48	1.34

### Carrying Cost

#### Carrying cost for delay in recovery of FY 12-13 and FY 13-14 ARR

- 3.45 JPTL submits that the actual recovery of ARR for FY 2012-13 could commence only in June, 2013. Hence, according to JPTL the delay in recovery of FY 2012-13 ARR has resulted in additional burden towards carrying cost.
- 3.46 Similarly, the actual recovery of ARR for FY 2013-14 could commence only in June, 2013. Hence, according to JPTL the delay in recovery of FY 2013-14 ARR by two months has resulted in additional burden towards carrying cost.

*[Handwritten signature]* *HL*



3.47 JPTEL further submits that the Hon'ble APTEL had set the guiding principles for award of carrying cost in its judgment (dated February 15, 2011) in appeal No. 173 of 2009. Hon'ble APTEL ruled that:

*"...the Appellant is entitled to carrying cost on his claim of legitimate expenditure if the expenditure is:*

- a) accepted but recovery is deferred, e.g. interest on regulatory assets;*
- b) claim not approved within a reasonable time; and disallowed by the State Commission but subsequently allowed by the superior authority."*

3.48 The schedule of SBAR used to compute carrying cost and summary of carrying cost is shown below.

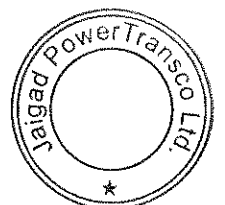
**Table 21: SBAR schedule for FY 2012-13 & FY 2013-14**

Period	Interest Rate
Jul 2012 – Sep 2012	14.75%
Sep 2012 – Jan 2013	14.50%
Jan 2013 – Sep 2013	14.45%
Sep 2013 – Oct 2013	14.55%
Oct 2013 – Till Today	14.75%

3.49 Considering the net ARR for FY 2012-13 and FY 2013-14 recoverable on a monthly basis and normative working capital interest rate of the prevailing SBI PLR the carrying cost works out to Rs. 27.43 Crore for FY 2012-13 and Rs 11.15 Crore for FY 2013-14.

**Table 22: Carrying Cost Summary**

Particulars	Rs. Crs
Carrying cost for FY 2012-13	27.43
Carrying cost for FY 2013-14	11.15
Total	38.58

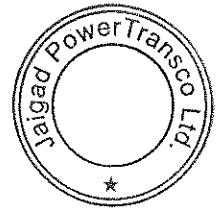


**Carrying cost for under recovery of FY 10-11 and FY 11-12 ARR in initial two months of FY 12-13**

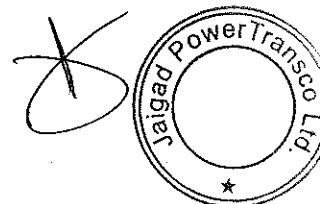
- 3.50 The Hon'ble Commission had issued a Suo Moto amendment in the Intra State Transmission Tariff Order dated 13<sup>th</sup> May 2013 in Case 56 of 2013 vide its Order 123 of 2014 dated 14<sup>th</sup> August, 2014. Vide this amendment the Hon'ble Commission had determined the transmission tariff for FY 2014-15 and FY 2015-16 for the state of Maharashtra.
- 3.51 Since FY 2013-14 was already over, the Hon'ble Commission while determining the Transmission tariff for FY 2014-15 had considered the impact of difference in TTSC for FY 2013-14<sup>1</sup> in FY 2014-15 transmission tariff.
- 3.52 The detailed breakup of difference of Rs.0.18 crores in TTSC for FY 2013-14 as approved in the given Order is as follows:



NH



<sup>1</sup> Difference owing to revision in approved ARRs for FY 2013-14, and revenue Gaps/past period recoveries to be considered in that year as per the latest MYT Orders



**Table 23: Detailed breakup of difference Summary**

Particulars (All figures in Rs. Crs.)	InSTS tariff order 56 of 2013	InSTS tariff order 123 of 2014
Under-recovery of FY 2010-11 and FY 2011-12 ARR	14.46	-
FY 2012-13 ARR	112.89	112.86
FY 2011-12 true up	-	18.73
FY 2013-14 ARR	109.41	105.01
<b>Total</b>	<b>236.78</b>	

3.53 JP TL submits that while computing the difference in TTSC of FY 2013-14 the Hon'ble Commission has not considered the under recovery of Rs. 14.46 crores in the initial two months of FY 2012-13 ARR against FY 10-11 True up and FY 11-12 ARR as approved by the Hon'ble Commission in Case 56 of 2013.

3.54 Carrying cost on this two months overdue ARR amount works out to be Rs. 4.89 Crores. JP TL requests the Hon'ble Commission to consider the aforementioned 2 months overdue ARR amount of Rs. 14.46 crores missed out inadvertently in Tariff Order dated 14<sup>th</sup> August 2014 along with the carrying cost while approving the current year ARR.

#### Sharing of gains and losses

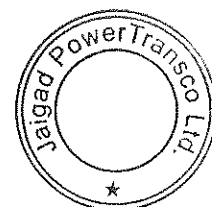
3.55 The relevant provisions under the MYT Regulations, 2011 stipulating sharing of gains/losses due to controllable factors are reproduced below:

*“13 Mechanism for pass through of gains or losses on account of uncontrollable factors*

*13.1 The approved aggregate gain or loss to the Generating Company (except the adjustment provided to the Generating Company as per Regulation 49.6 of these Regulations) or Transmission Licensee or Distribution Licensee on account of uncontrollable factors shall be passed through under Z-factor Charge, as an adjustment in the tariff of the Generating Company or Transmission Licensee or Distribution Licensee on a half yearly basis or a yearly basis, as specified in these Regulations and as may be determined in the Order of the Commission passed under these Regulations.”*

*[Handwritten signature]*

*NL*



...

*“13.10 Other components of Z-Factor Charge (ZOUC)*

*In case there is variation in cost for Generating Company or Transmission Licensee or Distribution Licensee, on account of any other uncontrollable factors as specified in Regulation 12, the same shall be pass-through under Z factor Charge, on a yearly basis, in a manner as stipulated by the Commission.”*

- 3.56 The relevant provisions under the MYT Regulations, 2011 stipulating sharing of gains/losses due to controllable factors are reproduced below:

*14 Mechanism for sharing of gains or losses on account of controllable factors*

*14.1 The approved aggregate gain to the Generating Company or Transmission Licensee or Distribution Licensee on account of controllable factors shall be dealt with in the following manner:*

*(a) One-third of the amount of such gain shall be passed on as a rebate in tariff over such period as may be stipulated in the Order of the Commission under Regulation 11.6;*

*(b) The balance amount, which will amount to two-third of such gain, may be utilised at the discretion of the Generating Company or Transmission Licensee or Distribution Licensee.*

*14.2 The approved aggregate loss to the Generating Company or Transmission Licensee or Distribution Licensee on account of controllable factors shall be dealt with in the following manner:*

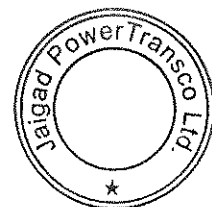
*(a) One-third of the amount of such loss may be passed on as an additional charge in tariff over such period as may be stipulated in the Order of the Commission under Regulation 11.6; and*

*(b) The balance amount of loss shall be absorbed by the Generating Company or Transmission Licensee or Distribution Licensee.*

*14.3 Gains and losses on account of controllable factors during the second Control Period shall be shared with the consumers at the time of Mid-term Performance Review and also at the time of tariff determination process of third Control Period.*



NH



**Sharing of efficiency gains and loss for O&M Expense**

**Transmission lines and bays**

3.57 The overall O&M Expense of JPTL is less than the norms. JPTL submits that the expenditure incurred against O&M were controllable in nature due to the measures taken by JPTL for controlling the R&M expense as detailed out in the O&M section.

3.58 Therefore, JPTL has considered sharing of Efficiency gains in accordance with the MYT Regulation as shown below:

**Table 24: Sharing of Gains for FY 2012-13 & FY 2013-14**

All figures in Rs. Crs.	MYT approved	Actuals	Variation	2/3 <sup>rd</sup> of efficiency gain retained by JPTL	Net entitlement after sharing of gains
FY 2012-13	5.81	4.29	1.53	1.02	5.30
FY 2013-14	6.14	3.00	3.14	2.09	5.09

**Net Aggregate Revenue Requirement for FY 2012-13 & FY 2013-14**

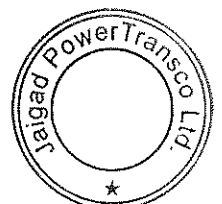
3.59 The summary of earlier estimated expenses, approved expenses and revised actual expenses is as shown below:

**Table 25: Aggregate Revenue Requirement for FY 2012-13 & FY 2013-14**

Particulars (All figures in Rs, Crs.)	Earlier Estimate		Approved		Actual / Normative	
	FY13	FY14	FY13	FY14	FY13	FY14
O&M Expenses	9.31	9.86	5.81	6.14	5.81	6.14
Depreciation including AAD and Amortization of intangible assets	29.17	29.28	29.05	29.05	29.13	29.34
Interest on Long-term Loan Capital	45.22	40.31	47.97	40.04	45.98	41.04
Interest on Working Capital and deposits from Transmission System Users	2.25	2.18	2.18	2.04	2.08	2.11
ROE	21.44	21.55	21.32	21.32	21.43	21.58
Contribution to contingency reserves	1.39	1.39	1.38	1.38	1.39	1.39
Income Tax	5.36	5.39	5.35	5.35	1.17	6.91
Loss on Assets Written Off					2.78	2.91

*(Handwritten signature)*

*NL*



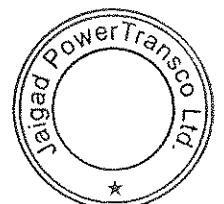
Particulars (All figures in Rs, Crs.)	Earlier Estimate		Approved		Actual / Normative	
Other debits (differential depreciation on written off assets)					0.13	.04
<b>Aggregate Revenue Requirement</b>	<b>114.13</b>	<b>109.95</b>	<b>113.07</b>	<b>105.33</b>	<b>109.39</b>	<b>110.41</b>
Less: Non-Tariff Income	0.09	0.20	0.20	0.32	0.02	0.02
Less: Income from Other Business	0.00	0.00	0.00	0.00	0.00	0.00
Add: Incentive					0.47	1.31
<b>Net Aggregate Revenue Requirement</b>	<b>114.03</b>	<b>109.75</b>	<b>112.86</b>	<b>105.01</b>	<b>109.85</b>	<b>111.73</b>

3.60 The summary of carrying cost for delay in recovery of revenue for FY 12-13, FY13-14 and for under recovery in initial two months of FY12-13 as claimed in this petition is summarized below:

**Table 26: Summary of Carrying Cost**

Particulars	Rs. Crs
Carrying cost for FY 2012-13	27.43
Carrying cost for FY 2013-14	11.15
Carrying cost for delay in recovery of FY 10-11 and FY 11-12 ARR in initial 2 months of FY 12-13	4.89
<b>Total</b>	<b>43.48</b>



## SECTION 4: PERFORMANCE REVIEW FOR FY 2014-15 AND ARR PROJECTION FOR FY 2015-16

### Operation and Maintenance Expenses

- 4.1 The Hon'ble Commission in its MYT Order approved net O&M Expense of Rs 6.51 Crore and Rs. 6.86 for FY 2014-15 & FY 2015-16 respectively based on the norms stipulated under the MYT Regulations.
- 4.2 Accordingly, JPTL has projected the O&M expenses as approved by Hon'ble Commission in its MYT Order.

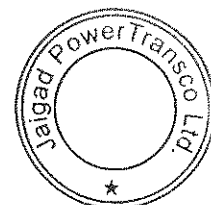
Table 27: O&M Expenses for FY 2014-15 & FY 2015-16

Particulars (All figures in Rs, Crs.)	Units	FY 2014-15 (Estimated)	FY 2015-16 (Projected)
<b>Transmission lines</b>			
Distance of line	Ckt. Km.	330	330
MERC norms	Rs. Lakhs/Ckt. Km.	0.63	0.66
O&M expenses	Rs. Crs.	2.08	2.18
<b>Transmission bays</b>			
No. of bays	No.	4	4
MERC norms	Rs. Lakhs/bay	110.78	117.11
<b>O&amp;M expenses</b>	<b>Rs. Crs.</b>	<b>4.43</b>	<b>4.68</b>
<b>Total O&amp;M expenses</b>	<b>Rs. Crs.</b>	<b>6.51</b>	<b>6.86</b>

### Depreciation

- 4.3 MERC (Multi Year Tariff) Regulation, 2011, permits the Transmission Licensee to recover depreciation on the value of fixed assets used in the Transmission Business.
- 4.4 Depreciation is computed annually based on the straight line method at the rates specified in the MERC MYT Regulation 2011. As per the Clause 31.2 of the said MYT regulations, the depreciation for the purpose of ARR and tariff determination shall be permitted at the rates as prescribed in the MYT Regulations.

*[Handwritten signature]* *NK*



- 4.5 JPTL submits that it has included a small additional capitalisation of asset in FY 2014-15 towards LCD Projector, Camera, Power Batteries etc while estimating depreciation for FY 2014-15. No asset addition is considered in F 2015-16 Projections.
- 4.6 Considering the weighted average depreciation rate, depreciation expenses for FY 2014-15 and FY 2015-16 for the Transmission System is as follows:

**Table 28: Depreciation for FY 2014-15 & FY 2015-16**

Particulars (All figures in Rs, Crs.)	FY 2014-15 (Estimated) H1	FY 2014-15 (Projected) H2	FY 2014-15 (Estimated) Total	FY 2015-16 Projected
Opening GFA	555.69	555.71	555.69	555.71
Addition of GFA	0.01	0.01	0.02	-
Retirement of GFA	-	-	-	-
Closing GFA	555.71	555.71	555.71	555.71
<b>Depreciation</b>	<b>14.67</b>	<b>14.67</b>	<b>29.34</b>	<b>29.34</b>

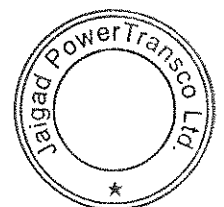
**Interest on Long-Term Loan**

- 4.7 JPTL therefore has considered Debt-Equity ratio of 70:30 for additional capital expenditure in FY 2014-15.
- 4.8 The repayment for the control period has been considered equal to the depreciation for that year as stipulated in Regulation 33.3 of MERC MYT Regulation, 2011 which reads as follows:

*“The repayment for the year of the tariff period FY 2011-12 to FY 2015-16 shall be deemed to be equal to the depreciation allowed for that year.”*

- 4.9 The interest on long-term debt projected by JPTL for FY 2014-15 and FY 2015-16 is summarised in the table below:



**Table 29: Interest on the Debt Capital for FY 2014-15 & FY 2015-16**

Particulars (All figures in Rs, Crs.)	FY 2014-15 (Estimated) H1	FY 2014-15 (Projected) H2	FY 2014-15 (Estimated) Total	FY 2015-16 (Projected)
Opening balance of Debt (Rs. Crs)	343.28	328.62	343.28	313.95
Addition	0.01	0.00	0.01	0.00
Repayment (Rs. Crs)	14.67	14.67	29.34	29.34
Retirement (Rs Crs)	-	-	-	0.00
Closing Debt (Rs. Crs)	328.62	313.95	313.95	284.61
Interest Rate (%)	11.50%	11.50%	11.50%	11.50%
<b>Interest on the Debt Capital operation (Rs. Crs)</b>	<b>19.58</b>	<b>18.64</b>	<b>38.21</b>	<b>34.51</b>

#### Interest on Working Capital

4.10 Working Capital has been computed according to the procedure mentioned under Clause 35.2 of MERC (Multi Year Tariff) Regulations, 2011.

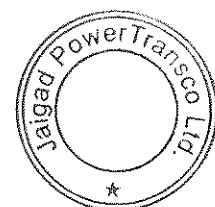
- Working capital is given as sum of One-twelfth of the amount of Operation and Maintenance expenses for such financial year **plus**
- One-twelfth of the sum of the book value of stores, materials and supplies including fuel on hand at the end of each month of such financial year. **plus**
- One and a half months equivalent of the expected revenue from transmission charges at the prevailing tariffs **minus**
- Amount held as security deposits from Transmission System Users.

4.11 It is mentioned under the Clause 35.2(b) of MERC (Multi Year Tariff) Regulations, 2011, that

*“Rate of interest on working capital shall be on normative basis and shall be equal to the State Bank Advance Rate (SBAR) of State Bank of India as on the date on which the application for determination of tariff is made.”*

*[Handwritten signature]*

*NL*



4.12 Working Capital for FY 2014-15 and FY 2015-16 has been projected based on Clause 35.2 of MERC MYT Regulations, 2011. The annual expenses on stores, materials and supplies have been assumed as one percent of the GFA. The Aggregate Revenue Requirement computed for the control period is taken as the expected revenue from transmission charges to calculate the one and half months equivalent of the expected revenue for the control period.

4.13 Interest on Working Capital for FY 2014-15 and FY 2015-16 is projected at 11.75% (Current SBI PLR) as detailed below:

**Table 30: Interest on Working Capital for FY 2014-15 & FY 2015-16**

Particulars (All figures in Rs, Crs.)	FY 2014-15 (Estimated)	FY 2014-15 (Projected)	FY 2014-15 (Estimated)	FY 2015-16 (Projected)
	H1	H2	Total	
O&M	0.54	0.54	1.09	0.57
Stores	0.46	0.46	0.93	0.46
Expected Revenue from Transmission	13.34	12.69	26.43	12.78
Interest on Working Capital	1.04	1.02	2.06	2.00

#### Contribution to Contingency Reserve

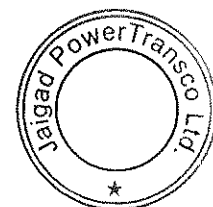
4.14 The Clause 36.1 of MERC (MYT) Regulations, 2011, reads as follows -

*"Where the Transmission Licensee has made an appropriation to the Contingencies Reserve, a sum not less than 0.25 per cent and not more than 0.5 per cent of the original cost of fixed assets shall be allowed towards such appropriation in the calculation of aggregate revenue requirement:*

*Provided that where the amount of such Contingencies Reserves exceeds five (5) per cent of the original cost of fixed assets, no such appropriation shall be allowed which would have the effect of increasing the reserve beyond the said maximum:*

*X*

*WA*



*Provided further that the amount so appropriated shall be invested in securities authorized under the Indian Trusts Act, 1882 within a period of six months of the close of the financial year”.*

- 4.15 According to the said Clause of the Regulation, JPTL is permitted to recover an amount not less than 0.25 percent and not more than 0.5 percent of the original cost of fixed asset, towards contribution to Contingency Reserve.
- 4.16 The MERC Regulations restrains JPTL from exceeding the contingency reserve to more than 0.5% of the fixed assets.
- 4.17 In line with the aforesaid Regulations, the Contingency reserve projected for FY 2014-15 and FY 2015-15 is as shown below:

**Table 31: Contingency Reserve for FY 2014-15 & FY 2015-16**

Particulars (All figures in Rs, Crs.)	FY 2014-15 (Estimated) H1	FY 2014-15 (Projected) H2	FY 2014-15 (Estimated) Total	FY 2015-16 (Projected)
GFA (Rs Cr)	555.69	555.71	555.71	555.71
Contingency Reserve	0.69	0.69	1.39	1.39

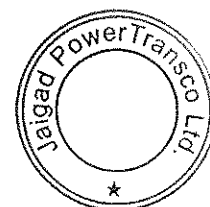
#### Return on Equity

- 4.18 Regulation 32.2.1 of MERC MYT Regulation, 2011 stipulates that the Return on Equity Capital for the Transmission Licensee shall be computed at the rate of 15.5% per annum.
- 4.19 Further, in regards to computation of Return on Equity Capital, Regulation 32.2.2 stipulates the following:

*“The return on equity capital shall be computed in the following manner:*

*Return at the allowable rate as per this Regulation above, applied on the amount of equity capital at the commencement of the financial year; plus*

*Return at the allowable rate as per this Regulation above, applied on 50 per cent of the equity capital portion of the allowable capital cost, for the investments put to use*



*in transmission business or distribution business, calculated in accordance with Regulation 27, Regulation 28 and Regulation 29 above, for such financial year”*

4.20 The Return on Equity for FY 2014-15 and FY 2015-16 is computed on the equity component of the investment put to use in the Transmission business in accordance with the Tariff Regulations as applicable for the Transmission business @ 15.5%.

**Table 32: ROE for FY 2014-15 & FY 2015-16**

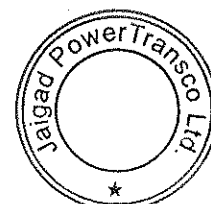
Particulars (All figures in Rs, Crs.)	FY 2014-15 (Estimated) H1	FY 2014-15 (Projected) H2	FY 2014-15 (Estimated) Total	FY 2015-16 (Projected)
Opening Equity	139.52	139.52	139.52	139.52
Additions to equity towards capital investments	0.00	0.00	0.01	-
Retirement	-	-	0.00	-
Closing balance of Equity	139.52	139.52	139.52	139.52
<b>ROE @ 15.5 % on the average balance</b>	<b>10.81</b>	<b>10.81</b>	<b>12.63</b>	<b>21.63</b>

#### Non-Tariff Income

4.21 MERC MYT Regulation states that the amount of non – tariff income relating to the Transmission Business shall be deducted from the aggregate revenue requirement in determining the annual transmission charges of the Transmission Licensee.

4.22 JPTL has projected income from amount apportioned toward contingency reserve as per Regulation 36 of MERC MYT Regulations, 2011. As per the Regulation the apportioned amount is assumed to be invested within six months from the close of the financial year.<sup>3</sup> Thus, the interest from such investment is accrued in the next financial year. JPTL has projected return on such investment at 8.27% i.e. return on ten year Government Securities as shown below:

W/L



**Table 33: Non-Tariff Income for FY 2014-15 & FY 2015-16**

Particulars (All figures in Rs, Crs.)	FY 2014-15 (Estimated) H1	FY 2014-15 (Projected) H2	FY 2014-15 (Estimated) Total	FY 2015-16 (Projected)
Non-Tariff Income	0.16	0.16	0.32	0.44

**Income Tax**

4.23 As per Regulation 34.1 of MERC MYT Regulations, 2011, the projections of income tax is to be based on the actual income tax paid on permissible return as allowed by the Hon'ble Commission relating to the electricity business regulated by the Hon'ble Commission, as per latest Audited Accounts available for the applicant, subject to prudence check

4.24 JPTL submits that since audited income tax for FY 2013-14 is available, it has estimated tax based on the actual tax deducted in the year 2013-14.

**Table 34: Income Tax for FY 2014-15 & FY 2015-16**

Particulars (All figures in Rs, Crs.)	FY 2014-15 (Estimated) H1	FY 2014-15 (Projected) H2	FY 2014-15 (Estimated) Total	FY 2015-16 (Projected)
Income Tax	3.46	3.46	6.91	6.91

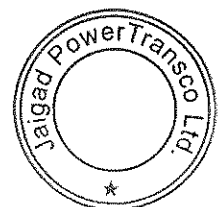
**Income from other Business**

4.25 In the second control period JPTL has no income related to other business.

**Net Aggregate Revenue Requirement**

The following table summarises the Aggregate Revenue Requirement and Net Revenue Requirement for FY 2014-15 and FY 2015-16.

 NH



**Table 35: Net Aggregate Revenue Requirement for FY 2014-15 & FY 2015-16**

Particulars (All figures in Rs, Crs.)	FY 2014-15 (Estimated) H1	FY 2014-15 (Projected) H2	FY 2014-15 (Estimated) Total	FY 2015-16 (Projected)
O&M Expenses	3.26	3.26	6.51	6.86
Depreciation including AAD and Amortisation of intangible assets	14.67	14.67	29.34	29.34
Interest on Long-term Loan Capital	19.58	18.64	38.21	34.51
Interest on Working Capital and deposits from Transmission System Users	1.04	1.02	2.06	2.00
ROE	10.81	10.81	21.63	21.63
Contribution to contingency reserves	0.69	0.69	1.39	1.39
Income Tax	3.46	3.46	6.91	6.91
<b>Aggregate Revenue Requirement</b>	<b>53.51</b>	<b>52.55</b>	<b>106.06</b>	<b>102.65</b>
Less: Non-Tariff Income	0.16	0.16	0.32	0.47
Less: Income from Other Business	0.00	0.00	0.00	0.00
<b>Net Aggregate Revenue Requirement</b>	<b>53.35</b>	<b>52.39</b>	<b>105.73</b>	<b>102.21</b>

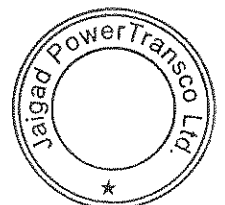
#### Recovery of ARR

4.26 JPTL submits that there is an under recovery of 2 months ARR amount of Rs. 14.46 crores for FY 2012-13, missed out inadvertently in Tariff Order dated 14<sup>th</sup> August, 2014, along with the carrying cost. The same needs to be recovered through the Transmission tariff for FY 2015-16.

4.27 Further, JPTL submits that considering the actual/ normative expenses vis-à-vis the approved expenses for FY 2012-13 and FY 2013-14, there is a revenue gap/(-surplus) of Rs. 24.42 Crore in FY 2012-13 & Rs. -0.86 Crores in FY 2013-14 including incentive for higher transmission availability and carrying cost.

4.28 Considering the estimated ARR of Rs. 105.73 crores for FY 2014-15, there is balance ARR of Rs. 3.79 crores to be recovered through the Transmission tariff for FY 2015-16. Accordingly, considering the current year ARR for FY 2015-16, the balance ARR to be recovered through transmission tariff of FY 2015-16 works out to be as Rs. 148.92 crores as shown in the table below:

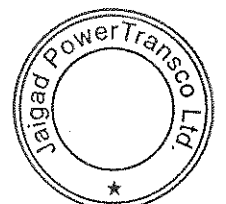
NK



**Table 36: Revenue gap of FY 13 and FY 14 to be recovered in FY 16**

Particulars (Figures in Rs. Crs.)	Prior Period	FY-13	FY-14	FY-15	FY-16	Total
Net ARR		109.85	111.73	105.73	102.21	429.52
Under-recovery of FY 10-11 and FY 11-12 ARR in initial 2 months of FY 12-13	14.46					14.46
Carrying cost	4.89	27.43	11.15			43.48
ARR recovered through transmission tariff		112.86	123.74	101.94		338.54
<b>Balance ARR to be recovered in FY 2015-16 tariff order</b>	<b>19.35</b>	<b>24.42</b>	<b>-0.86</b>	<b>3.79</b>	<b>102.21</b>	<b>148.92</b>

HK



## SECTION 5: COMPLIANCE TO DIRECTIVES

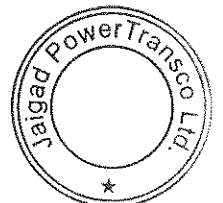
The Hon'ble Commission vide its MYT order for second control period has given certain directives to be implemented by JPTL. The status of various directives is as given below:

- 5.1 *JPTL is directed to submit its Petition for mid-term review of its performance during the third quarter of FY 2014-15, with detailed reasons for deviation in performance, latest by 30 November, 2014.*

### Status

*As per the directives given in the MYT Order, JPTL is submitting the petition for mid-term review before the due date.*


 NH



## SECTION 6: PRAYERS

6.1 The Applicant respectfully prays that the Honourable Commission may:

- a) Admit the Petition for Truing up of Aggregate Revenue Requirement for FY 2012-13 and FY 2013-14, approval of estimated Aggregate Revenue Requirement for FY 2014-15 and revised ARR for FY 2015-16.
- b) Approve the capex incurred and net write off against insulator replacement during the respective years of truing up for FY 2012-13 and FY 2013-14.
- c) Approve the True-up of ARR of JPTL including carrying cost and incentive for higher Transmission availability for FY 2012-13 & FY 2013-14;
- d) Approve revised estimates/ projections of ARR for FY 2014-15 and FY 2015-16 as presented in this Petition.
- e) Approve the 2 months overdue ARR amount of Rs. 14.46 crores for FY 2012-13, (missed out inadvertently in Tariff Order dated 14<sup>th</sup> August, 2014), along with the carrying cost while approving the Transmission Tariff for FY 2015-16.
- f) Condone any inadvertent omissions, errors, short comings and permit JPTL to add/ change/ modify/ alter this filing and make further submissions as may be required at a future date; and
- g) Pass such other and further orders as deemed fit and proper in the facts and circumstances of the case.



N/L

