**Petition**

**For**

**Truing up of FY 2010-11,**

**Approval of Aggregate Revenue Requirement**

**for FY 2011-12 and FY 2012-13**

**and**

**Determination of Tariff for FY 2012-13**



**Maharashtra State Electricity Transmission Company Limited (MSETCL)**

**January 2012**

**E****xecutive Summary**

The Maharashtra State Electricity Transmission Company Limited (MSETCL) is submitting this Petition for Truing-up of FY 2010-11 wherein it has relied on the Audited Accounts of FY 2010-11 and estimates for FY 2011-12 and 2012-13 for the purpose of this Petition. The Petition is being submitted pursuant to the directive of the Hon’ble Commission vide its Order dated November 3, 2011 in the matter of MSETCL’s Petition seeking exemption under first proviso to Regulation 4.1 of the MERC (Multi Year Tariff) Regulations, 2011 and certain amendments thereto (Case No. 62 of 2011).

MSETCL in this Petition is submitting the requisite information (vis., Accounting Statements, extracts of books of accounts, audited financial performance for the FY 2010-11 and estimates for FY 2011-12 and 2012-13) needed for undertaking prudence check by the Hon’ble Commission.

MSETCL humbly submits that the present petition has been filed for relief and humbly requests the Hon’ble Commission to make a suitable provision for recovery of the True up of FY 2010-11 and Approve the ARR for FY 2011-12 and 2012-13 and Determine the Tariff for FY 12-13 in its Order.

**Truing Up for FY 2010-11**

* 1. MSETCL submits that the Truing up for FY 2010-11 is based on the actual audited expenditure and revenue earned during the year.
  2. MSETCL understand that the *truing up contemplates consideration and filling of the gap between the actual expenses at the end of the year and the expense approved for the year*. *In catena of the one of the decision upheld by the Hon’ble APTEL, it has been directed that the truing up exercise requires to be undertaken by the Regulator on regular basis, wherein actual are compared with those approved and necessary results flow from it*.
  3. The data and other details required for truing up are submitted in the prescribed formats of the Hon’ble Commission.
  4. The summary of truing up exercise identified by MSETCL is provided in the table below:

Table 1: True up for the FY 2010-11 (amount in Rs. Crore)

| **Particulars** | **MERC Approved (A)** | **Actual as per Audited Accounts/ Tariff Norms for 2010-11 / Normative**  **(B)** | **True –up Amount = (Actual – Approved)** | **Efficiency Gain/(Loss) shared with TSUs** | **Net Entitlement of MSETCL** |
| --- | --- | --- | --- | --- | --- |
| Expenditure |  |  |  |  |  |
| Operation & Maintenance Expenses | 854.27 | 1003.58 | 149.31 |  | 1003.58 |
| *Employee Expenses* | *456.38* | *564.22* | *107.84* |  | *564.22* |
| *Administration & General Expenses* | *95.54* | *150.83* | *55.29* |  | *150.83* |
| *Repair & Maintenance Expenses* | *302.35* | *288.53* | *(13.82)* |  | *288.53* |
| Depreciation, including advance against depreciation | 361.69 | 362.79 | 1.10 |  | 362.79 |
| Interest on Long-term Loan Capital | 118.29 | 251.55 | 133.26 |  | 251.55 |
| Interest on Working Capital and on consumer security deposits | 38.16 | 48.76 | 10.60 | 12.63 | 36.13 |
| Other Interest and Finance Charges | 12.32 | 9.96 | (2.36) |  | 9.96 |
| Other Expenses | 52.06 | 59.96 | 7.90 |  | 59.96 |
| Income Tax | 100.40 | 103.67 | 3.27 |  | 103.67 |
| Contribution to contingency reserves | 27.36 | 28.78 | 1.42 |  | 28.78 |
| **Total Expenditure** | **1564.55** | **1869.04** | **304.49** |  | **1856.41** |
| Return on Equity | 467.09 | 493.10 | 26.02 |  | 493.10 |
| **Aggregate Revenue Requirement** | **2031.64** | **2362.15** | **330.51** |  | **2349.52** |
| (less) Income from wheeling central sector power to Goa | 20.52 | 20.52 | 0.0 |  | 20.52 |
| (less) Other Income | 126.03 | 147.91 | 21.88 |  | 147.91 |
| **Net Aggregate Revenue Requirement for FY 10-11** | **1885.09** | **2193.72** | **308.63** |  | **2181.09** |
|  |  |  |  |  |  |
| **Revenue** |  |  |  |  |  |
| Revenue from Transmission tariff | **1944.30** | **1942.14** | **(2.16)** |  | **1942.14** |
| Income from wheeling central sector power to Goa | 20.52 | 20.52 | 0.0 |  | 20.52 |
| Other Income | 126.03 | 147.91 | 21.88 |  | 147.91 |
| **Total Income** | **2090.85** | **2110.57** | **19.72** |  | **2110.57** |
| **Revenue Surplus / (gap) - the difference of the ARR and Tariff income for the year** | **59.21** |  |  |  | **(238.95)** |
| **Provisional Revenue Surplus / (Gap) for FY 2009-10 (Case 102 of 2011 Order dt. 29 December 2011)** | **(326.22)** |  |  |  | **(326.22)** |
| **Cumulative Revenue Surplus / (Gap) for FY 2010-11** | **(267.01)** |  |  |  | **(565.17)** |
| (Add) Incentive on Transmission Availability of HVAC System |  |  |  |  | 33.42 |
| (Add) Incentive on Transmission Availability of HVDC System |  |  |  |  | 9.75 |
| **Total Revenue (Gap) / Surplus for which true-up is required** |  |  |  |  | **(608.33)** |

**Approval of Aggregate Revenue Requirement for FY 2011-12 and 2012-13**

MSETCL would like to draw the attention of the Hon’ble Commission to the fact that the provisional Transfer Scheme notified under 131 (5) (g) of the EA 2003 on 6th June 2005 is yet to be finalized. Pending the finalization of the same, the transferred value of assets, based on their revenue potential in accordance with First Proviso to Section 131 (2) of the Electricity Act 2003, may get changed. In such an event, MSETCL would approach the Hon’ble Commission seeking approval for True up on this account.

MSETCL submits that while preparing approval of expense for the FY 2011-12 and 2012-13, it has relied upon the estimate for the two year period. The table below summarizes the ARR for FY 2011-12 and 2012-13.

Table 2: Summary of ARR for FY 2011-12 and 2012-13 (amount in Rs. Crore)

|  |  |  |
| --- | --- | --- |
| Particulars | FY 2011 -12 (estimate) | FY 2012 – 13  (estimate) |
| Operation & Maintenance Expenses | 1148.97 | 1229.18 |
| *Employee Expenses* | *621.08* | *665.71* |
| *Administration & General Expenses* | *164.38* | *175.10* |
| *Repair & Maintenance Expenses* | *363.51* | *388.37* |
| Depreciation, including advance against depreciation | 798.03 | 657.15 |
| Interest on Long-term Loan Capital | 369.19 | 363.81 |
| Interest on Working Capital and on consumer security deposits | 63.27 | 66.33 |
| Other Interest and Finance charges | 7.29 | 28.04 |
| Other Expenses | 87.87 | 1.23 |
| Income Tax | 92.39 | 235.98 |
| Contribution to contingency reserves | 34.66 | 42.48 |
| **Total Revenue Expenditure** | **2,601.69** | **2,624.20** |
| Return on Equity Capital | 574.22 | 679.96 |
| **Aggregate Revenue Requirement** | **3,175.91** | **3,304.16** |
| *Less: Non Tariff Income* | *174.66* | *178.15* |
| *Less: Income from Goa Transmission Charges* | *20.52* | *20.52* |
| **Aggregate Revenue Requirement from Transmission Tariff** | **2,980.73** | **3,105.49** |

MSETCL prays to the Hon’ble Commission that in FY 11-12 it is likely to earn tariff revenue of Rs. 2264.28 based on the Transmission Pricing Order issued in the matter of Case no 120 of 2009 dt. September 10, 2010 hence it is likely to incur a Revenue gap as under:

| **Particulars** | **Amount (in Rs. Crore)** |
| --- | --- |
| *ARR for FY 2011-12* | *2980.73* |
| *Estimated Revenue for FY 2011-12* | *2264.28* |
| **Revenue gap for FY 2011-12** | **716.45** |

MSETCL humbly informs the Hon’ble Commission it proposes to include the Revenue gap of FY 2010-11 & 2011-12 in the ARR of FY 2012-13 and requests the Hon’ble Commission to determine the Tariff of FY 2012-13 so as to bridge the Revenue gap for FY 10-11 and FY 11-12.

| **Particulars** | **Amount (in Rs. Crore)** |
| --- | --- |
| *ARR for FY 2012-13* | *3105.49* |
| *Revenue gap for FY 2010-11* | *608.33* |
| *Revenue gap for FY 2011-12* | *716.45* |
| ***Net Revenue Requirement of FY 2012-13 from Transmission Tariff*** | **4430.27** |

**MSETCL informs the Hon’ble Commission that above Revenue requirement of Rs. 4430.27 Crore includes the revenue gap of FY 2009-10 of Rs. 326.22 Crore as approved in the matter of Case no. 102 of 2011, however, since the Transmission Pricing Order that would provide a revenue recovery mechanism is yet to issued by the Hon’ble Commission, this gap of Rs. 326.22 Crore has been added in the ARR of FY 2012-13.**

**PRAYERS**

MSETCL respectfully prays the Hon’ble Commission to

1. Admit this Petition.
2. The Petition is filed pursuant to directives issued by the Hon’ble Commission.
3. Grant an expeditious hearing of this Petition.
4. Allow true-up of expenses of FY 2010-11 based on the audited accounts and approve the Revenue gap of Rs. 608.33 Crore, this amount has been arrived after duly sharing the efficiency gain with the transmission system users of MSETCL according to the principle of the Commission set out in Tariff Regulations.
5. Approve the Aggregate Revenue Requirement for FY 2011-12 and 2012-13 to the extent claimed by MSETCL in accordance with the submissions and rationale given in this Petition
6. Determine the Tariff for FY 2012-13 that would help in recovery of consolidated ARR of Rs. 4430.27 Crore
7. Provide the workable excel model used by the Hon’ble Commission for approval of the above true up Requirement of MSETCL
8. Condone any shortcomings/deficiencies and allow MSETCL to submit additional information/data at a later stage as may be required.

Pratap G Mohite

Director (Finance)

MSETCL