

1 INTRODUCTION

VIPL, a Special Purpose Vehicle (SPV) fully owned by Reliance Power Limited, has established a 600 MW (i.e. 2 x 300 MW each) thermal generating station at Butibori location near Nagpur in the State of Maharashtra. VIPL has signed a PPA with Reliance Infrastructure Limited – Distribution (hereinafter referred as RInfra-D) for procurement of entire 600 MW from the station to serve the energy requirement of its consumers in its license area.

The Commission granted a Transmission License to VIPL for a period of 25 years vide order dated January 5, 2015 from the date of the order, under Alternative 2 and in accordance with the MERC (Transmission Licence Conditions) Regulations, 2004 as amended in 2006.

1.1 Background for submission of Mid-Term Review Tariff (MTR) Petition

Regulation 5.1 (b) of MYT Regulations, 2015 provides for filing of Mid-Term Review Petition comprising of truing up for FY 15-16 and FY 16-17, provisional truing up for FY 17-18 and revised ARR for FY 18-19 and FY 19-20. As per the said Regulation, the truing up of FY 15-16 is governed under the MYT Regulations, 2011 and thereafter for truing up of FY 16-17, provisional truing up of FY 17-18 and revised projections of ARR for FY 18-19 and FY 19-20, the MYT Regulations, 2015 shall be applicable.

1.2 Objective of the MTR Petition

The present revised Mid-Term Review Petition is being filed by VIPL-T with the objective of seeking truing up of FY 15-16 under the provisions of MYT Regulations, 2011; truing up of FY 16-17, provisional truing up of FY 17-18 and determination of revised ARR for FY 18-19 and FY 19-20 under the provisions of MYT Regulations, 2015.

2 OVERVIEW OF VIPL-T'S TRANSMISSION SYSTEM

2.1 VIPL-Transmission

The petitioner, VIPL-T, has set up the power evacuation arrangement separately for Unit-1 & Unit- 2. Transmission network details of VIPL-T are as under.

Table 1: VIPL-T system – Present Status

| Particulars | UoM | Value |
|-----------------------------|----------|-------|
| Total length of 220 kV line | Ckt Kms. | 6.12 |
| Total no. of 220 kV bays | Nos. | 4 |

2.2 Transmission Line Availability

Regulation 60 of MYT Regulations, 2011 and Regulation 57 of MYT Regulations, 2015 specifies normative minimum availability of AC system as 98% for full recovery of Annual Transmission Charges. VIPL-T has AC transmission system in place and the actual availability of VIPL-T system for the year 2015-16 and 2016-17 has been 99.87% and 99.86% respectively, which is significantly more than the normative minimum Availability.

3 CAPITAL COST

3.1 VIPL-Transmission – Background of Capital cost

In the Order in Case No. 36 of 2015, the Hon'ble Commission had provisionally approved the capital cost and capitalisation of Rs. 27.22 Crore for ARR determination for FY 2014-15 and FY 2015-16, in line with the submission of VIPL. Hon'ble Commission vide work order dated 10th March 2017 had appointed M/s. Arcturus Business Solutions LLP as an independent expert/institution for asset verification of VIPL's Transmission assets.

With reference to the directives of Hon'ble Commission's vide letter no. MERC/TPAV/TOR/0170 dated 20th March, 2017, VIPL submitted all the relevant details and documents to Hon'ble Commission towards Transmission asset verification.

Hon'ble Commission vide their letter no. MERC/Third Party Asset Verification/4855 dated 2nd November, 2017, served the copy of third party asset verification report submitted by consultant M/s. Arcturus Business Solution LLP to VIPL for seeking comments.

4 TRUING UP FOR FY 15-16

In this petition, VIPL-T is submitting the actuals for FY 15-16 in terms of revenue expenditure and revenue income based on the audited accounts for the purposes of truing up.

4.1 Operation & Maintenance (O&M) expenses

The Operation & Maintenance (O&M) expenses as approved in Hon'ble Commission's order in Case No 21 of 2016 and actual O&M expenses incurred in FY 15-16 are summarised below:

Table 2: Actual O&M expenses FY 15-16

| Particulars (Rs. Cr) | MYT Order | Actual | Difference |
|----------------------|-----------|--------|------------|
| O & M Expenses | 0.69 | 0.50 | 0.20 |

The normative approved O&M expenses of Rs. 0.69 Cr comparing with actual expenses of Rs. 0.50 Cr resulting in controllable efficiency gains of Rs. 0.20 Cr out of which Rs 0.13 Cr is claimed in the ARR. Therefore, the net entitlement in O&M expenses is Rs.0.63 Cr. The Hon'ble Commission is requested to approve the total O&M expenses as claimed by VIPL-T.

4.2 Depreciation

The details of depreciation for FY 15-16 are as follows:

Table 3: Depreciation FY 15-16

| Particulars (Rs. Cr) | MYT Order | Actual | Difference |
|----------------------|-----------|--------|------------|
| Depreciation | 1.41 | 1.41 | 0.00 |

4.3 Interest on loan capital

Interest on loan capital is calculated by applying interest rate of 11.65% which was applicable on 1st April 2015 on the normative average loan balances for FY 15-16.

Table 4: Interest on Loan Capital FY 15-16

| Particulars (Rs. Cr) | MYT Order | Actual | Difference |
|----------------------------|-----------|--------|------------|
| Interest on long-term loan | 2.12 | 1.97 | 0.14 |

4.4 Return on Equity

The Return on Equity (RoE) has been computed based on Regulation 32.2 of the MYT Regulations, 2011 i.e. at the rate of 15.5% and request the Hon'ble Commission to approve the same.

Table 5: Return on Equity FY 15-16

| Particulars (Rs. Cr) | MYT Order | Actual | Difference |
|------------------------|-----------|--------|------------|
| Total Return on Equity | 1.27 | 1.27 | 0.00 |

4.5 Interest on Working Capital

Working capital requirement has been calculated as per Regulation 35.2 of the MYT Regulations, 2011 by applying the norms to the actuals.

Table 6: Interest on Working Capital FY 15-16

| Particulars (Rs. Cr) | MYT Order | Actual | Difference |
|-----------------------------|-----------|--------|------------|
| Interest on Working Capital | 0.12 | 0 | 0.12 |

The resulting controllable gain of Rs 0.12 Cr is shared. Regulation 14.1 of the MYT Regulations, 2011 provides the mechanism for sharing of gains on account of controllable factors. Thus, vide the said Regulation, 2/3rd of the gain i.e. Rs. 0.08 Cr is claimed in the ARR. Therefore, the net entitlement of VIPL-T in IWC is Rs.0.08 Cr.

4.6 Income Tax

Since there was no revenue recovery initiated for FY 15-16, the Hon'ble Commission, in the MYT Order in Case No. 21 of 2016, had not considered any income tax for FY 15-16. However, the income tax computed following the regulated PBT approach is considered by VIPL-T.

Table 7: Income Tax FY 15-16

| Particulars (Rs. Cr) | MYT Order | Actual | Difference |
|----------------------|-----------|--------|------------|
| Income Tax | - | 0.29 | 0.29 |

4.7 Contribution to Contingency Reserve

The Hon'ble Commission in its Order in Case No. 21 of 2016 has approved contribution to contingency reserve of Rs. 0.07 Cr for FY 2015-16. Accordingly, VIPL has created the contingency reserve of Rs. 0.07 Cr for FY 2015-16.

Table 8: Contribution to Contingency Reserve FY 15-16

| Particulars (Rs. Cr) | MYT Order | Actual | Difference |
|-------------------------------------|-----------|--------|------------|
| Contribution to Contingency Reserve | 0.07 | 0.07 | 0.00 |

4.8 Revenue for FY 15-16

4.8.1 Revenue from InSTS

The Hon'ble Commission's vide Order dated 22nd July 2016 in Case No. 91 of 2016 for Transmission tariff for Intra-State Transmission system, directed to recover the ARR for FY 15-16 from July 2016 onwards for the FY 2016-17. Accordingly, VIPL-T billed total revenue only for the period of nine months of FY 2015-16 instead of 12 months. Therefore, in this tariff petition VIPL-T is seeking recovery of Rs 1.42 Crore revenue of three months of FY 2015-16 as approved by the Hon'ble Commission vide Order dated 22nd July 2016 in Case No. 91 of 2016.

VIPL-T has billed total revenue of Rs.4.25 Cr for FY 2015-16 in line with the Hon'ble Commission's Order dated 10th June 2016 in Case No. 21 of 2016 and Order dated 22nd July 2016 in Case No. 91 of 2016 for Transmission tariff for Intra-State Transmission system for 3rd Control period FY 2016-17 to FY 2019-20.

4.8.2 Non-Tariff Income

VIPL-T submits that Non tariff income for FY 2015-16 for Transmission business was nil.

4.8.3 Income from Other Business

VIPL-T submits that it has not earned any revenue from any other business during FY 15-16.

4.8.4 Incentive on Availability of VIPL-T network

VIPL-T submits that the transmission system availability for VIPL-T for FY 15-16 is 99.87%. On conjoint reading of the Regulations 60.1 and 60.2, VIPL-T has computed the incentive on Transmission availability by restricting the availability to 99.75%. The Annual Transmission Charges considered for determining incentive are net off Non-Tariff Income and Income from Other Business. The incentive amounts worked out for FY 15-16 is Rs. 0.10 Cr.

VIPL-T requests Hon'ble Commission to approve the same.

4.9 Revenue Gap / Surplus for FY 15-16

The summary of ARR for FY 15-16 is tabulated below:

Table 9: Truing up Summary for FY 15-16

| Sr. No. | Particulars (Rs. Cr) | MYT Order | Actual | Net Entitlement after sharing of gains/(losses) |
|-----------|--|-------------|-------------|---|
| 1 | Operation & Maintenance Expenses | 0.69 | 0.50 | 0.50 |
| 2 | Depreciation Expenses | 1.41 | 1.41 | 1.41 |
| 3 | Interest on Long-term Loan Capital | 2.12 | 1.97 | 1.97 |
| 4 | Interest on Working Capital and on security deposits | 0.12 | - | - |
| 5 | Income Tax | 0.00 | 0.29 | 0.29 |
| 6 | Contribution to Contingency reserves | 0.07 | 0.07 | 0.07 |
| 7 | Total Revenue Expenditure | 4.41 | 4.24 | 4.24 |
| 8 | Return on Equity Capital | 1.27 | 1.27 | 1.27 |
| 9 | Aggregate Revenue Requirement | 5.67 | 5.51 | 5.51 |
| 10 | Add: 2/3rd of Efficiency Gain/(losses) (due to controllable factors) to be retained by VIPL in O&M Expenses | | | 0.13 |
| 11 | Add: 2/3rd of Efficiency Gain/(losses) (due to controllable factors) to be retained by VIPL in Working Capital requirement | | | 0.08 |
| 12 | Less: Income from Other Business | | - | - |
| 13 | Aggregate Revenue Requirement from Transmission Tariff | | | 5.71 |
| 14 | Revenue from transmission tariff | | 4.25 | 4.25 |
| 15 | Add: Availability Incentive for FY 2015-16 | | | 0.10 |
| 16 | Revenue Gap/(Surplus) | | | 1.56 |

Petitioner requests the Hon'ble Commission to approve the revenue gap as sought by the petitioner for FY 2015-16.

5 TRUING UP FOR FY 16-17

In this petition, VIPL-T is submitting the actual for FY 16-17 in terms of revenue expenditure and revenue income on the basis of audited accounts for the purposes of truing up.

5.1 Operation & Maintenance (O&M) expenses

5.1.1 Norms as per MYT Regulations

The Operation & Maintenance (O&M) expenses as approved in Hon'ble Commission's order in Case No 21 of 2016 and actual O&M expenses incurred in FY 16-17 are summarized below:

Table 10: Actual O&M expenses FY 16-17

| Particulars (Rs. Cr) | MYT Order | Actual | Difference |
|----------------------|-------------|--------|------------|
| O & M Expenses | 0.73 | 0.48 | 0.24 |

The normative approved O&M expenses of Rs. 0.73 Cr ought to be compared with actual expenses of Rs. 0.48 Cr resulting in controllable efficiency gains of Rs. 0.24 Cr.

Regulation out of which Rs. 0.08 Cr. is claimed in the ARR as part of O&M expense efficiency gains. Therefore, the net entitlement in O&M expenses is Rs.0.56 Cr.

The Hon'ble Commission is requested to approve the O&M expenses along with the efficiency gains for FY 16-17.

5.2 Depreciation

The details of depreciation for FY 16-17 are as follows:

Table 11 : Depreciation FY 16-17

| Particulars (Rs. Cr) | MYT Order | Actual | Difference |
|----------------------|-----------|--------|------------|
| Depreciation | 1.41 | 1.41 | 0.00 |

5.2.1 Interest on loan capital

VIPL submits that interest on long term loans has been computed based on the Regulations 29.5 of the MYT Regulations, 2015.

Interest on loan capital is calculated by applying interest rate of 11.77%, which was applicable on 1st April 2016 on the normative average loan balances for FY 16-17.

Table 12: Interest on Loan Capital FY 16-17

| Particulars (Rs. Cr) | MYT Order | Actual | Difference |
|----------------------------|-----------|--------|------------|
| Interest on long-term loan | 1.84 | 1.83 | 0.01 |

5.2.2 Return on Equity

VIPL submits that the Return on Equity (RoE) has been computed based on Regulation 28 of the MYT Regulations, 2015 i.e. at the rate of 15.5%.

Table 13: Return on Equity FY 16-17

| Particulars (Rs. Cr) | MYT Order | Actual | Difference |
|-------------------------------|-----------|--------|------------|
| Total Return on Equity | 1.27 | 1.27 | 0.00 |

5.3 Interest on Working Capital

Working capital requirement has been calculated as per Regulation 31.2 of the MYT Regulations, 2015 by applying the norms to the actuals.

Table 14: Interest on Working Capital FY 16-17

| Particulars (Rs. Cr.) | MYT Order | Actual | Difference |
|-----------------------------|-----------|--------|------------|
| Interest on Working Capital | 0.121 | 0 | 0.12 |

5.3.1 Sharing of Gains/losses on Interest on working Capital

The resulting controllable gains of Rs 0.12 Cr is shared. Regulation 11 of the MYT Regulations, 2015 provides the mechanism for sharing of gains on account of controllable factors. Thus, vide the said Regulation, 1/3rd of the gain i.e. Rs. 0.04 Cr is claimed in the ARR. Therefore, the net entitlement of VIPL-T in IWC is Rs.0.04 Cr.

5.4 Income Tax

The income tax is computed as per the Regulated PBT approach defined in tariff regulations, 2015.

Table 15: Income Tax FY 16-17

| Particulars (Rs. Cr) | MYT Order | Actual | Difference |
|----------------------|-----------|--------|------------|
| Income Tax | 0.87 | 0.31 | 0.56 |

5.5 Contribution to Contingency Reserve

The Hon'ble Commission in its order in Case No. 21 of 2016 has approved contribution to contingency reserve of Rs. 0.07 Cr for FY 2016-17. Accordingly, VIPL has created the contingency reserve of Rs. 0.07 Cr for FY 2016-17.

Table 16: Contribution to Contingency Reserve FY 16-17

| Particulars (Rs. Cr) | MYT Order | Actual | Difference |
|-------------------------------------|-----------|--------|------------|
| Contribution to Contingency Reserve | 0.07 | 0.07 | 0.00 |

5.6 Revenue for FY 16-17

The Hon'ble Commission's vide Order dated 22nd July 2016 in Case No. 91 of 2016 for Transmission tariff for Intra-State Transmission system, directed to recover the ARR from July 2016 onwards for the FY 2016-17. Accordingly, VIPL-T billed total revenue only for the period of nine months of FY 2016-17 instead of 12 months. Therefore, in this tariff petition VIPL-T is seeking recovery of Rs 1.57 Crore revenue of three months of FY 2016-17 as approved by the Hon'ble Commission vide Order dated 22nd July 2016 in Case No. 91 of 2016.

VIPL-T has billed total revenue of Rs.4.72 Cr for FY 2016-17 in line with the Hon'ble Commission's Order dated 10th June 2016 in Case no. 21 of 2016 dated 22nd July 2016 in Case no. 91 of 2016 for Transmission tariff for Intra-State Transmission system for 3rd Control period FY 2016-17 to FY 2019-20.

5.6.1 Non-Tariff Income

VIPL-T submits that Non tariff income for FY 2016-17 for Transmission business was nil.

5.6.2 Income from Other Business

VIPL-T submits that it has not earned any revenue from any other business during FY 16-17.

5.6.3 Incentive on Availability of VIPL-T network

VIPL-T submits that the transmission system availability for VIPL-T for FY 16-17 is 99.86%. On conjoint reading of the Regulations 57.1 and 57.2, VIPL-T has computed the incentive on Transmission availability by restricting the availability to 99.75%. The Annual Transmission Charges considered for determining incentive are net off Non-Tariff Income and Income from Other Business. The incentive amounts to Rs. 0.04 Cr for FY 16-17.

VIPL-T requests Hon'ble Commission to approve the same.

5.7 Revenue Gap / Surplus for FY 16-17

The summary of ARR for FY 16-17 is tabulated below:

Table 17: Truing up Summary for FY 16-17

| Sr. No. | Particulars (Rs. Cr) | MYT Order | Actual | Net Entitlement after sharing of gains/(losses) |
|-----------|--|-------------|-------------|---|
| 1 | Operation & Maintenance Expenses | 0.73 | 0.48 | 0.48 |
| 2 | Depreciation Expenses | 1.41 | 1.41 | 1.41 |
| 3 | Interest on Long-term Loan Capital | 1.84 | 1.83 | 1.83 |
| 4 | Interest on Working Capital and on security deposits | 0.121 | - | - |
| 5 | Income Tax | 0.87 | 0.31 | 0.31 |
| 6 | Contribution to Contingency reserves | 0.07 | 0.07 | 0.07 |
| 7 | Total Revenue Expenditure | 5.04 | 4.10 | 4.10 |
| 8 | Return on Equity Capital | 1.27 | 1.27 | 1.27 |
| 9 | Aggregate Revenue Requirement | 6.30 | 5.37 | 5.37 |
| 10 | Add: 1/3rd of Efficiency Gain/(losses) (due to controllable factors) to be retained by VIPL in O&M Expenses | | | 0.08 |
| 11 | Add: 1/3rd of Efficiency Gain/(losses) (due to controllable factors) to be retained by VIPL in Working Capital requirement | | | 0.04 |
| 12 | Less: Non tariff Income | 0.01 | - | - |
| 13 | Aggregate Revenue Requirement from Transmission Tariff | 6.29 | 5.37 | 5.49 |
| 14 | Revenue from transmission tariff | | 4.72 | 4.72 |
| 15 | Availability Incentive FY 2016-17 | | | 0.04 |
| 16 | Revenue Gap/(Surplus) | | | 0.81 |

The Hon'ble Commission is requested to approve the actual expenses and revenue and consider the same for truing-up of FY 2016-17.

6 PROVISIONAL TRUING UP FOR FY 17-18

In this section, VIPL-T is submitting the provisional expenses and revenue for FY 17-18 based on unaudited actual for the first half (H1) and estimates for the second half (H2).

6.1 Operation & Maintenance (O&M) expenses

The Hon'ble Commission vide its order in Case No. 21 of 2016 has approved the normative O&M expenses of Rs. 0.76 Cr for FY17-18.

Table 18: O&M expenses as per Norms FY 17-18

| O&M expenses as per Norms (Rs. Cr) | FY 17-18 |
|------------------------------------|-------------|
| Circuit Km. basis | 0.02 |
| Number of Bays | 0.75 |
| Total | 0.76 |

Hon'ble Commission is requested to approve normative O&M charges of Rs 0.76 Cr for FY 17-18.

6.2 Capital Expenditure and Capitalization

VIPL-T submits that no capital expenditure is envisaged during FY 2017-18.

6.2.1 Depreciation

The summary for depreciation is tabulated below:

Table 19: Depreciation FY 17-18

| Particulars (Rs. Cr) | MYT Order | Projected | Difference |
|----------------------|-----------|-----------|------------|
| Depreciation | 1.41 | 1.41 | 0 |

6.2.2 Interest on Loan Capital

VIPL submits that interest on long term loans has been computed based on the Regulations 29.5 of the MYT Regulations, 2015.

Interest on loan capital is calculated by applying interest rate of 11.30%, which was applicable on 1st April 2017 on the normative average loan balances for FY 17-18.

Table 20: Interest on Loan Capital FY 17-18

| Particulars (Rs. Cr) | MYT Order | Projected | Difference |
|----------------------------|-----------|-----------|------------|
| Interest on long-term loan | 1.67 | 1.60 | (0.078) |

6.2.3 Return on Equity

VIPL-T submits that RoE has been computed based on Regulation 28 of the MYT Regulations, 2015, at the rate of 15.5% on the equity capital at the beginning of the year plus 15.5% on 50% of the equity portion for the assets capitalised during the year.

Table 21: Return on Equity FY 17-18

| Particulars (Rs. Cr) | MYT Order | Projected | Difference |
|-------------------------------|-------------|-------------|-------------|
| Total Return on Equity | 1.27 | 1.27 | 0.00 |

6.3 Interest on Working Capital

The working capital requirement for FY 2017-18 has been computed based on Regulation 31.2 of the MYT Regulations, 2015 and same is as under. The interest rate has been considered the actual interest rate of VIPL.

Table 22: Interest on Working Capital FY 17-18

| Particulars (Rs. Cr) | MYT Order in | Projected | Difference |
|-----------------------------|--------------|-----------|------------|
| Interest on Working Capital | 0.11 | 0.10 | (0.01) |

6.4 Income Tax

The Income Tax has been computed by grossing up the RoE by the MAT rate of 21.34% for the FY2017-18.

Table 23: Income Tax FY 17-18

| Particulars (Rs. Cr) | MYT Order | Projected | Difference |
|----------------------|-----------|-----------|------------|
| Income Tax | 0.34 | 0.31 | (0.03) |

6.5 Contribution to Contingency Reserve

The Hon'ble Commission in its order in Case no. 21 of 2016 has approved contribution to contingency reserve of Rs. 0.07 Cr for FY 2017-18.

Table 24: Contribution to Contingency Reserve FY 17-18

| Particulars (Rs. Cr) | MYT Order | Projected | Difference |
|-------------------------------------|-----------|-----------|------------|
| Contribution to Contingency Reserve | 0.07 | 0.07 | - |

6.6 Revenue for FY 17-18

6.6.1 Revenue from InSTS

The Hon'ble Commission's vide their Order in Case no. 21 of 2016 dated 10th June 2016 for truing up of FY 2014-15, Provisional truing up for FY 2015-16 and ARR for FY 2016-17 to FY 2019-20 and Order dated 22nd July 2016 in Case no. 91 of 2016 for Transmission tariff for Intra-State Transmission system for 3rd Control period FY2016-17 to FY 2019-20 had approved the ARR of VIPL-T for FY 2017-18.

6.6.2 Non-Tariff Income

For FY 17-18, non-tariff income has been considered the same as approved by the Hon'ble Commission in the MYT Order in Case No 21 of 2016.

Table 25: Non-Tariff Income FY 17-18

| Particulars (Rs. Cr) | MYT Order | Projected | Difference |
|----------------------|-----------|-----------|------------|
| Non Tariff Income | 0.02 | 0.02 | - |

6.6.3 Income from Other Business

VIPL-T submits that it does not have any income from other Business other than Generation Business.

6.7 Provisional Revenue Gap / Surplus for FY 17-18

The summary of ARR for FY 17-18 is tabulated below:

Table 26: Provisional gap / surplus for FY 17-18

| Sr. No. | Particulars (In Rs. Cr) | MYT Order | Projected | Difference |
|----------|--|-------------|-------------|---------------|
| 1 | Operation & Maintenance Expenses | 0.76 | 0.50 | - |
| 2 | Depreciation Expenses | 1.41 | 1.41 | - |
| 3 | Interest on Long-term Loan Capital | 1.67 | 1.60 | (0.078) |
| 4 | Interest on Working Capital and on security deposits | 0.11 | 0.10 | - |
| 5 | Income Tax | 0.34 | 0.31 | (0.03) |
| 6 | Contribution to Contingency reserves | 0.07 | 0.07 | - |
| 7 | Total Revenue Expenditure | 4.37 | 3.99 | (0.37) |
| 8 | Return on Equity Capital | 1.27 | 1.27 | - |
| 9 | Aggregate Revenue Requirement | 5.64 | 5.26 | - |

| Sr. No. | Particulars (In Rs. Cr) | MYT Order | Projected | Difference |
|----------------|---|------------------|------------------|-------------------|
| 10 | Less: Non tariff income | 0.02 | 0.02 | - |
| 11 | Aggregate Revenue Requirement from Transmission Tariff | 5.62 | 5.25 | |
| 12 | Revenue from transmission tariff | | 5.64 | |
| 13 | Revenue Gap/(Surplus) | | (0.39) | |

The Hon'ble Commission is requested to approve the revenue gap for FY 2017-18.

7 REVISED PROJECTIONS OF ARR FOR FY 18-19 AND FY 19-20

In this section, VIPL-T is submitting the revised projections of ARR for the FY 18-19 and FY 19-20 as per the provisions of the relevant Regulations of MYT Regulations, 2015.

7.1 Operation & Maintenance (O&M) expenses

Regulation 58.7 of the MYT Regulations, 2015 provides the year wise norms for O&M expenses for new Transmission licensees for FY2018-19 and FY2019-20 of third control period.

Table 27: O&M expenses as per Norms

| O&M expenses as per Norms (Rs. Cr) | FY 18-19 | FY 19-20 |
|------------------------------------|-------------|-------------|
| Circuit Km. basis | 0.02 | 0.02 |
| Number of Bays basis | 0.78 | 0.82 |
| Total | 0.80 | 0.84 |

7.2 Capital Investment Plan

VIPL-T has not envisaged any capital investment plan for FY18-19 and FY 19-20.

7.2.1 Depreciation

The details of depreciation for FY 18-19 and FY 2019-20 are as follows:

Table 28: Projected Depreciation

| Particulars (Rs. Cr) | FY 18-19 | | FY 19-20 | |
|----------------------|-----------|---------------------|-----------|---------------------|
| | MYT Order | Revised Projections | MYT Order | Revised Projections |
| Depreciation | 1.41 | 1.41 | 1.41 | 1.41 |

7.2.2 Interest on Loan Capital

The total interest chargeable to ARR is shown in the table below.

Table 29: Projected Interest on Loan Capital

| Particulars (Rs.Cr) | FY 18-19 | | FY 19-20 | |
|----------------------------|-----------|---------------------|-----------|---------------------|
| | MYT Order | Revised Projections | MYT Order | Revised Projections |
| Interest on long-term loan | 1.50 | 1.44 | 1.34 | 1.28 |

7.2.3 Return on Equity

For FY 2018-19 and FY 2019-20 of the Control Period, the RoE is computed based on Regulation 28 of the MYT Regulations, 2015 i.e. rate of 15.5% on the equity capital at the

beginning of the year plus 15.5% on 50% of the equity portion for the assets capitalized during the year.

Table 30: Projected Return on Equity

| Particulars (Rs. Cr) | FY 18-19 | | FY 19-20 | |
|-------------------------------|-----------|---------------------|-----------|---------------------|
| | MYT Order | Revised Projections | MYT Order | Revised Projections |
| Total Return on Equity | 1.27 | 1.27 | 1.27 | 1.27 |

7.3 Interest on Working Capital

For FY 2018-19 and FY 2019-20 of the third Control Period, working capital requirement has been calculated as per Regulation 31.2 of the MYT Regulations, 2015.

Table 31: Projected Interest on Working Capital

| Particulars (Rs. Cr) | FY 18-19 | | FY 19-20 | |
|-----------------------------|-----------|---------------------|-----------|---------------------|
| | MYT Order | Revised Projections | MYT Order | Revised Projections |
| Interest on Working Capital | 0.11 | 0.17 | 0.11 | 0.11 |

7.4 Income Tax

For revised projection of FY 18-19 and FY 19-20, VIPL-T has considered the same income tax as approved by the Hon'ble Commission in the MYT Order.

Table 32: Projected Income Tax

| Particulars (Rs.Cr) | FY 18-19 | | FY 19-20 | |
|---------------------|-----------|---------------------|-----------|---------------------|
| | MYT Order | Revised Projections | MYT Order | Revised Projections |
| Income Tax | 0.34 | 0.34 | 0.34 | 0.34 |

7.5 Contribution to Contingency Reserve

VIPL-T considered the contribution to contingency reserve at 0.25% of the original cost of fixed assets as on 1st April of each FY of the Control Period.

Table 33: Projected Contribution to Contingency Reserve

| Particulars (Rs.Cr) | FY 18-19 | | FY 19-20 | |
|-------------------------------------|-----------|---------------------|-----------|---------------------|
| | MYT Order | Revised Projections | MYT Order | Revised Projections |
| Contribution to Contingency Reserve | 0.07 | 0.07 | 0.07 | 0.07 |

7.6 Revenue

7.6.1 Non-Tariff Income

For revised projection of FY 18-19 and FY 19-20, non tariff income has been considered the same as approved by the Hon'ble Commission in the MYT Order in Case No 21 of 2016.

Table 34: Projected Non-Tariff Income

| Particulars (Rs. Cr) | FY 18-19 | | FY 19-20 | |
|----------------------|-----------|---------------------|-----------|---------------------|
| | MYT Order | Revised Projections | MYT Order | Revised Projections |
| Non-Tariff Income | 0.02 | 0.02 | 0.03 | 0.03 |

7.6.2 Income from Other Business

VIPL-T submits that it has not envisaged any income from other business for the third control period.

7.7 Carrying Cost on Revenue Gap/(Surplus) for FY 2014-15, FY 2015-16 and FY 2016-17

The carrying cost has been computed on the revenue gap submitted in the Petition. VIPL has considered the interest rate equivalent to interest on working capital rate for computation of carrying cost which is being provided in the table below:

Table 35: Carrying Cost on Revenue Gap/ (Surplus) for FY 2014-15, FY 2015-16 and FY 2016-17

| Particulars (Rs. Cr) | FY 2015-16 | FY 2016-17 | FY 2017-18 |
|--------------------------------------|-------------|-------------|-------------|
| Interest Rate | 14.29% | 10.79% | 10.67% |
| Opening Balance of Principal | - | 1.67 | 2.66 |
| Addition | 1.56 | 0.81 | - |
| Closing Balance of Principal | 1.56 | 2.48 | 2.66 |
| Carrying Cost on opening | - | 0.18 | 0.14 |
| Carrying Cost on addition | 0.11 | 0.04 | - |
| Total carrying cost | 0.11 | 0.22 | 0.14 |
| Total including Carrying Cost | | | 2.04 |

7.8 Revised projections of Annual Revenue Requirement FY 2018-19 and FY2019-20

The total ARR for each FY of the Control Period FY 18-19 and FY 19-20 is projected as shown in the table below:

Table 36: ARR for the FY 18-19 and FY 19-20

| Sr. No. | Particulars (In Rs. Cr) | Ensuing Years | | | |
|-----------|---|---------------|---------------------|-------------|---------------------|
| | | FY 2018-19 | | FY 2019-20 | |
| | | MYT Order | Revised Projections | MYT Order | Revised Projections |
| 1 | Operation & Maintenance Expenses | 0.80 | 0.80 | 0.84 | 0.84 |
| 2 | Depreciation Expenses | 1.41 | 1.41 | 1.41 | 1.41 |
| 3 | Interest on Loan Capital | 1.50 | 1.44 | 1.34 | 1.28 |
| 4 | Interest on Working Capital and on Consumer Security Deposits | 0.11 | 0.17 | 0.11 | 0.11 |
| 5 | Income Tax | 0.34 | 0.34 | 0.34 | 0.34 |
| 6 | Contribution to contingency reserves | 0.07 | 0.07 | 0.07 | 0.07 |
| 7 | Total Revenue Expenditure | 4.24 | 4.24 | 4.11 | 4.05 |
| 8 | Add: Return on Equity Capital | 1.27 | 1.27 | 1.27 | 1.27 |
| 9 | Aggregate Revenue Requirement | 5.51 | 5.50 | 5.38 | 5.32 |
| 10 | Less: Non Tariff Income | 0.02 | 0.02 | 0.03 | 0.03 |
| 11 | Aggregate Revenue Requirement | 5.49 | 5.49 | 5.35 | 5.29 |
| 12 | Revenue gap /(Surplus) in FY 2014-15 | | 0.45 | | |
| 13 | Revenue gap /(Surplus) in FY 2015-16 | | 1.56 | | |
| 14 | Revenue gap /(Surplus) in FY 2016-17 | | 0.81 | | |
| 15 | Carrying cost on cumulative revenue gap | | 2.04 | | |
| 16 | Aggregate Revenue Requirement from Transmission | 5.49 | 10.34 | 5.35 | 5.29 |

The Hon'ble Commission is requested to approve the aforementioned revised ARR of Rs 10.34 Cr and Rs. 5.29 Cr for FY 18-19 and FY 19-20 respectively to be recovered from Transmission Tariff for each Financial Year of the Control Period FY 18-19 and FY 19-20.